

MPI Corporation

2022 Annual Report

Published on May 26, 2023

Company Website: <http://www.mpi.com.tw>

Website of the Annual Report/Market Observation Post System Website:
<http://mops.twse.com.tw>

- I. Company spokesman and deputy spokesman:
Spokesman's Name: Qiu, Jin-Wen
Job Title: Special Assistant of the Chairman of Board
Tel. No.: 03-5551771
Email: amanda.chiu@mpi.com.tw
- Deputy Spokesman's Name: Zhuang, Jie-Zhi
Title: Vice Director of the Business Division
Tel. No.: 03-5551771
Email: raymond.chuang@mpi.com.tw
- II. Address of the Company's Head Office, Branch and Plant, and Tel. Nos.:
Head Office: No. 151, No. 153 & No. 155, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
2nd Plant in Zhubei: No. 129, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
3rd Plant in Zhubei: No. 155, Taihe Rd., Zhubei City, Hsinchu County
Tel. No.: 03-5551771
Xinpu Plant: No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County
Tel. No.: 03-5551771
Hukou Plant: Building B, 1F., No. 42, Guangfu Rd., Hukou Township, Hsinchu County
Tel. No.: 03-5551771
Branch in Southern Taiwan: No. 7, Luke 1st Road, Luzhu Dist., Kaohsiung City
Tel. No.: 07-9559966
- III. Shares Registrar:
Name: Hua Nan Securities Co., Ltd.
Address: 4F, No. 54, Sec. 4, Minsheng E. Road, Taipei City
Website: <http://www.entrust.com.tw>
Tel. No.: 02-27186425
- IV. External Auditors in the most recent year:
Name of CPA: Chen, Chih-Ling and Chen, Yi-Ling, CPAs
CPA Firm: Nexia Sun Rise CPAs & Co.
Address: 2F, No. 33, Fuxing N. Road, Taipei City
Website: <http://nexia.otc.gs>
Tel. No.: 02-27510306
- V. Name of any exchanges where the Company's securities are traded offshore: N/A
- VI. Company Website: <http://www.mpi.com.tw>

Table of Contents

One. A Message to Shareholders	1
I. 2022 Operational Results	1
II. Summary of 2023 Business Plan	2
III. The development strategy of the future	3
IV. The effect of the external competitive, legal, and macroeconomic environment	4
Two. Introduction to Company	5
I. Date of incorporation	5
II. Company History	5
Three. Corporate Governance Report	9
I. Organization	9
II. Information about Director, President, Vice President, Assistant Vice President, and Head of Department and Branch	11
III. Remuneration to directors, general manager and vice presidents of the Company in the most recent year	21
IV. Status of corporate governance	26
V. Information on CPA Fees	56
VI. Information on Replacement of CPA	56
VII. Information on Chairman, President, or financial or accounting manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to such firm in the most recent year	56
VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and up to the date of publication of the annual report	56
IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another	58
X. The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company.	59
Four. Status of Fundraising	60
I. Capital Stock and Shares	60
II. Issuance of Corporate Bonds	67
III. Issuance of Preferred Shares	67
IV. Status of GDR/ADR	67
V. Status of employee stock options	67
VI. Restriction on Employee Share Subscription Warrant	67
VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company	67

VIII. Implementation of Capital Utilization Plan.....	67
Five. Overview of operation	68
I. Business Contents.....	68
II. Overview of market and production & marketing	83
III. Employee information	90
IV. Environment protection expenditure information	90
V. Labor relations.....	91
VI. Cybersecurity Management.....	97
VII. Important contract	100
Six. Overview of finance	101
I. Condensed balance sheet and comprehensive income statement of the most recent five years	101
II. Financial analysis in the most recent five years	108
III. Audit Committee' Review Report on the Financial Statements for the Most Recent Year	111
IV. Financial Statement for the Most Recent Year: Please refer to Pages 169~241 of the annual report.	112
V. Standalone Financial Statement for the Most Recent Year audited and certified by the CPA	112
VI. In the case of any insolvency of the Company and its affiliates in the most recent year and up to the publication date of the annual report, specify its effect on the Company's financial status	112
Seven. Review and Analysis of Overview of Finance Status and Performance, and Risk Management.....	113
I. Financial status	113
II. Financial performance	114
III. Cash flow.....	115
IV. Major capital expenditure and its impact on the financial operations of the Company in the most recent year	116
V. Reinvestment policy in the most recent year, the main reasons for profit or loss and the corrective action plan and investment plan for the coming year	116
VI. Risk issues in the recent years and as of the publication date of this annual report	116
VII. Other important disclosures.....	121
Eight. Special notes	122
I. Information on affiliate enterprises	122
II. Private placement of securities in the last year up till the date of publication of the annual report.....	129
III. Holding or disposal of the company's shares by subsidiaries in the last year, up till the publication date of this annual report.....	129
IV. Other supplementary information	129
V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the	

Securities and Exchange Act in the most recent year and up to the publication date of the annual report	129
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One. A Message to Shareholders

I. 2022 Operational Results

(I) Business Plan and Result

For the year 2022, the Company generated a consolidated operating revenue of NT\$7.439 billion, an 14% increase in comparison to NT\$6.509 billion of 2021, a profit of NT\$1.214 billion for the year 2022, an 75% increase in comparison to NT\$694 million of 2021, and a earnings per share of NT\$12.89.

Since the second quarter of 2022, the inventory level of the semiconductor industry has been increasing while consumer demands for PC and smartphones have been falling. According to the data of research institutes, the production value of global semiconductor industry in 2023 will be approximately US\$563 billion, a 6.5% decrease compared to 2022, and the overall capital expenditure has been cut by around 20-30%.

With respect to the fields of application, although semiconductors applied in telecommunication and computing are still the majority, their market shares have plunged. The decrease in demands has given a rise to the slowdown of growth in the smartphone segment, which accounted for nearly 70% of the telecommunication semiconductors. Research institutes have expected the short-term adjustment of inventory to be completed in 2024, hence the positive growth. Among the categories of semiconductors for computing, server the currently accounts for 31% with increasing demands in the fields of AI, HPC and Datacenter. According to research institutes, the size of growing automotive semiconductor market will likely exceed that of industrial semiconductor and consumer semiconductor markets in 2026 and become the third largest field of application with constant future growth.

Human evolution is linked with the development of electronics while electronic products require semiconductor process, and chips thereof produced are subsequently tested by probe cards for quality. Despite the short-term inventory adjustment at the user end, the semiconductor industry will regain its growth momentum in the mid-to-long run. Given this trend, the future growth of probe cards is highly expectable. MPI Corporation as a leader in the global probe card industry will continue its focus on improving the service quality and competitiveness of its products for higher profitability and maximum return on investment for its shareholders.

(II) Revenue and profitability analysis

Unit: NTD thousand

Item		Year		
		2021	2022	Change (%)
Revenue	Net Sales	6,508,725	7,439,175	14.30
	Gross profit	2,743,416	3,408,079	24.23
	Profit or loss after tax	693,851	1,213,625	74.91
Profitability	ROA (%)	7.44	11.78	58.33
	ROE (%)	11.89	18.73	57.53
	Operating Income to Paid-in capital ratio (%)	85.85	131.91	53.65
	EBT to Paid-in capital ratio (%)	88.09	152.91	73.58
	Net profit margin (%)	10.69	16.30	52.48
	EPS (NT\$)	7.44	12.89	73.25

(III) Research and development

Research and development findings in 2022 include:

1. Wafer probe card:
 - A. In response to the market demands for AI and high-speed high-performance computing, the Company continues to develop the high-frequency and high-current-withstanding probe cards catering for consumer demands in wafer testing.
 - B. Following the electrification of automobiles, the demands for automotive ICs has increased with time, so the Company has developed the products with high pin counts and large coverage to address the demands for higher capacity of customers in the automotive IC field.
 - C. It has also developed the all new 40um full array technology that supports the testing application in the miniaturization of electronics.
2. Development of photoelectric precision automated equipment:
 - A. 8-inch Micro LED multi-channel high-speed low-current measuring equipment.
 - B. Wafer-level test systems with nanosecond-pulsed high-power laser diode and VCSEL, including the automated platforms that provide tri-temperature and ambient and high temperature testing environments.
 - C. Automated mass production equipment for compound semiconductors.
3. Semi-conductor component temperature testing series:

The Company has developed the models for various applications of testing temperature range and current to provide the best solutions for mass production and engineering.
4. Semi-conductor engineering testing machine series:

It has successfully introduced the automated multi-functional probing system compatible for both 8-inch and 12-inch wafers, which has massively increased the test efficiency in the application of Wafer-Level Reliability (WLR).

II. Summary of 2023 Business Plan

(I) Operational guidelines

Technology is essential to maintain competitiveness. In light of the development of the microelectronic industry and technology requirements in the future, MPI Corporation upholds its core philosophy to assist its clients in enhancing competitiveness and undertakes the following strategic planning and commits its efforts to sustain its competitive advantage:

1. To satisfy the needs for application of high-rank IC scaling, we continue to develop wafer level fine-pitch testing technology.
2. With respect to the application demand for high performance computing, we continue to develop high-current-withstanding probe cards.
3. The Company has also invested more resources in the R&D to develop wafer probe cards with higher speed that meet the technical requirements of higher transmission speed in future smartphone applications.
4. In response to customers' needs to improve test efficiency with higher DUT counts, the Company continues to develop probe card technology covering large probing areas.
5. Regarding multi-layer organic substrates, the Company constantly focuses on the improvement of the demand-driven technology for precision and number of layers so as

to meet customer demands for higher specification application and strengthen the competitiveness of its probe card products,

6. For the photonics automation industry, we are aimed at four industrial fields of optical communication, sensing & LiDar, micro display, and LED to offer automated equipment with high optical, mechanical, and electrical integration for measurement, sorting, and optical inspection. By deeply cooperating with leading customers of international technology, we continue to provide high value-added Turnkey solutions for the photoelectric industry as our main development goal.
7. In terms of component temperature test systems, it aims at a wider range of product lines, including the development of laboratory desktop cooling and heating system that meets the requirements of fast engineering. For temperature tests in both mass productions or laboratories, it continuously expands and designs various product series in the expectation to provide the best corresponding products for all applications.
8. In the field of semiconductor engineering test application, it will focus on the function enhancement of all existing products by making them easier to use and wider in application, hence the accelerated engineering experiments.

(II) Key production and sales policies

Facing the rising demand of power semiconductors driven by smart living, contactless economy, electronic vehicles and carbon reduction, and the emerging application market of the metaverse, multi-sense, online merging of offline and smart human-computer interaction, the Company pays close attention on the development trends of emerging technology and sets technical blueprints in order to precisely allocate resources to the development of new products and hence expands business. We also constantly improve our supporting capability of foreign operations with the goal providing our customers comprehensive technical support in a faster and more precise manner, thereby increasing our market share.

The Company will uphold our core philosophy of assisting our customers to upgrade their competitiveness and thereby position the Company as technology partners of our customers. The Company's main production and sales policy is also focused on customers' future demand, joint development of the most suitable products and provision of in-time technical services. Therefore, the Company will offer the best solutions for its customers.

III. The development strategy of the future

- (I) Based on the five major technical areas including probers, sorting, photoelectric testing, imaging detection and automated equipment, we provide complete testing application solutions to meet the need for mass production of new leading products of the photoelectric and semiconductor industries.
- (II) In the application field of semiconductor engineering testing, the Company capitalize on its core technologies of micro-signal, high frequency, high power and high-temperature/low-temperature measurement to attain more advanced and higher level technologies in its products, thereby increasing product competitiveness.

- (III) It continues to explore the semiconductor market with its core temperature control technology and extends the temperature test systems to non-electronic markets such as aerospace, automobile, 5G/RF telecommunication, sensor, optical fiber for data center, etc.
- (IV) In line with the growth of multi-functional chips that address the user-end demands for faster, multi-functional, intelligent and more energy-efficient electronic products, the Company has set the technology development roadmap to satisfy market demands and ensure competitiveness with the development of high-pin-count and low-pin-pressure probe cards and the high-current-withstanding fast-transmission fine-pitch probe cards.

IV. The effect of the external competitive, legal, and macroeconomic environment

The geopolitical issues have led the semiconductor industry from globalization to regionalization where governments introduce policies to incentivize local production of semiconductors. Not only did the US enact the Chips and Science Act that aims to strengthen the local production and R&D of semiconductors in the US and increase its self-production rate, but the EU is expected to introduce the European Chips Act and seek partnership with third countries to ensure supply of semiconductors within EU and its leadership in technology. As the US-China trade war lasts, China has redirected to increase its domestic self-production rate of semiconductors, posing different levels of impact on the semiconductor industry. MPI Corporation as an internationally renowned probe card manufacturer will emphasize on opportunities in the globe by increasing the number of overseas sales offices. It is currently seeing a growing trend in its market shares and visibility of all product lines in the global market. MPI Corporation is therefore able to gain a better understanding about customers' needs through this comprehensive globalization strategy and provide more stable and higher quality customization services to its customers.

Two. Introduction to Company

I. Date of incorporation: July 25, 1995.

II. Company History

July 1995	MPI Corporation was incorporated with the capital of NT\$5 million.
July 1996	Maintenance technology of Micronics Japan Co., Ltd. ("MJC") was transferred to MPI.
September 1996	Reorganized to incorporate MPI Corporation
December 1997	MJC technical guidance and training started.
March 1998	MJC technical guidance and training ended.
October 1998	Due to the capital increase in cash by NT\$55 million, the capital became NT\$60 million.
October 1998	MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December 1998	Possessed the ability to maintain 32 DUT
March 1999	Possessed the ability to produce Fine pitch (50μm)
June 1999	Possessed the MJC 8 DUT New Design ability
April 2000	Bldg. A of 1st Plant in Zhubei completed and activated
July 2000	Southern Taiwan Office and Customers Service Center established
July 2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling NT\$40 million, the capital became NT\$100 million.
December 2000	Possessed the MJC 16 DUT Production & New Design ability.
December 2000	MPI TRADING CORP. incorporated with the registered capital US\$1 million.
May 1991	Semi-auto prober released for LED wafer probing.
May 1991	Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling NT\$100 million, the capital became NT\$200 million.
July 1991	Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance.
August 1991	Incorporated MMI HOLDING CO., LTD. with registered capital of NT\$10 million.
September 1991	Pass ISO9001/2000 certification
December 1991	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the first time.
June 1992	Due to succession to the shares of Chain-Logic International Corp. amounting to NT\$50 million and capital increase by recapitalization of earnings and employee bonus amounting to NT\$50 million, i.e. NT\$100 million in total. After that, the capital became NT\$300 million.
July 2002	Apply for registration of GTSM listed stock.
July 2002	Ranked 8th place among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
August 2002	Trade stock in GTSM, and apply for GTSM listed stock.
October 2002	Applied for GTSM listed stock approved by Securities Listing Review Committee of GTSM.
January 2003	MPI stock traded in GTSM as the general class stock as of January 6, 2003.
January 2003	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the second time.
July 2003	Ranking 8th place for EPS among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
July 2003	Applied for approval of the plan on the development of new leading products "semi-conductor components analysis platform" with Industrial Development

	Bureau.
August 2003	Trial mass production by vertical type probe card.
October 2003	Bldg. B of 1st Plant in Zhubei completed and activated.
April 2004	Offered the 1st domestic unsecured convertible corporate bond totaling NT\$250 million.
May 2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June 2004	Bldg. C of 1st Plant in Zhubei completed and activated.
March 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the third time.
April 2005	Southern Taiwan Branch (1st Plant in Luchu) completed and activated.
June 2005	Family Day and Charity Carnival for 10th anniversary celebration.
June 2005	Ranking 7th place for EPS of technology index TWSE/GTSM stock, 5th place for profit ratio and 7th place for return on equity (ROE) among the "TOP 100 Technological Companies in Taiwan" selected by CommonWealth in 2004.
September 2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award of 13th Term by MOEA.
November 2005	Employee dormitory completed and activated.
December 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fourth time.
May 2006	Received the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA.
September 2006	Listed as one of the candidates under the "Leading New product Development Guidance Plan - Special Report for 12 Candidates".
November 2006	Applied for approval of the plan on the new leading products "RFID Automatic Flip Chip Bonder" with Industrial Development Bureau.
February 2007	Offer the domestic 2nd unsecured convertible corporate bond totaling NT\$400 million.
March 2007	2nd Plant in Luchu, Kaohsiung completed and activated.
June 2007	Applied for approval of the plan on the new leading products "Advanced Micro Electro Mechanical SoC Probe Card" with Industrial Development Bureau.
January 2008	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fifth time.
December 2008	Listed in the middle-sized enterprise rating among the "Top 73 Companies Which Make Most Money for Shareholders" selected by Global View Monthly.
February 2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the sixth time.
June 2009	Applied for approval of the plan on the development of new leading products "semi-conductor high-frequency components probe card for probing" with Industrial Development Bureau.
December 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the seventh time.
September 2010	Invested 900 million won in MEGTAS CO., LTD.
March 2011	Capital increase of MEGTAS CO., LTD. by 300 million won.
March 2012	Capital increase of MEGTAS CO., LTD. by 300 million won.
May 2012	2nd Plant in Zhubei completed and activated.
October 2012	Honored as "Deloitte Technology Fast500 Asia Pacific 2012"
February 2013	Taiwan Intellectual Property Office announced MPI ranking at 88th place among the "2012 top 100 local companies which apply for patent".

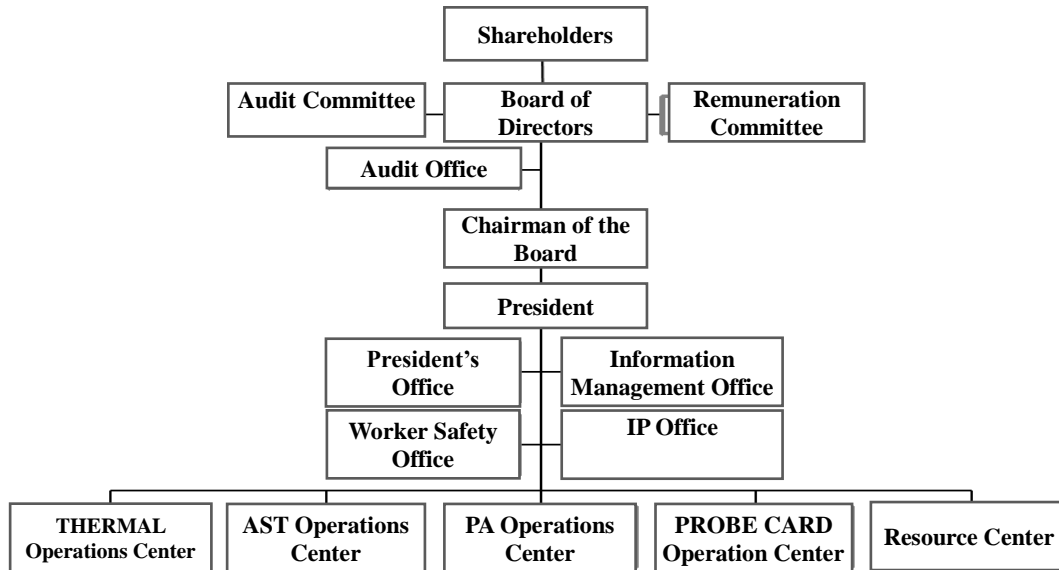
April 2013	Awarded in the 2nd “Taiwan Mittlestand Award”.
May 2013	Ranking at 7th place in the "Global Probe Card Suppliers' Billboard Published by VLSI Research Inc. in 2012”
May 2013	Ranking at 4th place in the best sub-system suppliers investigated by VLSI Research 2012
January 2014	Identified on the name list of 69 potential medium-sized enterprises of 2nd term selected by Ministry of Economic Affairs
January 2014	Reinvested US\$4 million in Lumitek (Changchou) Co. Ltd.
February 2014	Taiwan Intellectual Property Office announced MPI ranking at 67th place among the "2013 top 100 local companies which apply for patent".
March 2014	Re-invested NT\$50 million in Allstron Corporation.
April 2014	Ranked at 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research).
September 2014	Purchased Xinpu Plant.
November 2014	Offered the 3rd domestic convertible corporate bond totaling NT\$700 million.
November 2014	United family day of 20th anniversary.
February 2015	Taiwan Intellectual Property Office announced MPI ranking at 79th place among the "2014 top 100 local companies which apply for patent".
February 2015	Reinvested US\$7.5 million in Lumitek (Changchou) Co. Ltd.
April 2015	VLSI Research Inc. announced MPI ranking 1st place in the market of Epoxy/Cantilever Probe Cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking 4th place in the market of vertical type probe cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers' billboard in 2014.
August 2015	Reinvested US\$600,000 in Lumitek (Changchou) Co. Ltd.
November 2015	Reinvested US\$2.9 million in Lumitek (Changchou) Co. Ltd.
February 2016	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the "2015 top 100 local companies which apply for patent".
December 2016	Reinvested US\$1 million in Lumitek (Changchou) Co. Ltd.
February 2017	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2016 top 100 local companies which apply for a patent” and 94th place among the “2016 top 100 local companies which apply for invention patent”.
April 2017	Awarded in the 4th “Taiwan Mittlestand Award”.
April 2017	VLSI Research announced MPI ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2016.
	VLSI Research announced MPI ranking 1st place in the global market of vertical type probe cards in the world in 2016.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers' billboard in 2016.
May 2017	Established MPA TRADING CORP. for USD 2.15 million.
May 2017	Invested MPI AMERICA INC. for USD 1.2 million.
September 2017	Invested MPI Corporation (Suzhou) for USD 1 million.
February 2018	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2017 top 100 local companies which apply for patent” and 76th place among the “2017 top 100 local companies which apply for invention patent”.
May 2018	VLSI Research announced MPI ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2017.
	VLSI Research announced MPI ranking 2nd place in the global market of

	vertical type probe cards in the world in 2017.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers' billboard in 2017.
August 2018	Offered the 4th domestic convertible corporate bond totaling NT\$1,001 million.
October 2018	Capital increase of MEGTAS CO., LTD. by 500 million won.
April 2019	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2018.
	VLSI Research announced MPI continuously ranking 2nd place in the global market of vertical type probe cards in the world in 2018.
	VLSI Research announced MPI continuously ranking at 5th place in the global probe card suppliers' billboard in 2018.
April 2020	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2019.
	VLSI Research announced MPI continuously ranking 1st place in the global market of vertical type probe cards in the world in 2019.
	VLSI Research announced MPI continuously ranked in 5th place on the global probe card suppliers' billboard in 2019.
January 2021	3rd Plant in Zhubei completed and activated.
April 2021	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2020.
	VLSI Research announced MPI continuously ranking 1st place in the global market of vertical type probe cards in the world in 2020.
	VLSI Research announced MPI continuously ranked in 5th place on the global probe card suppliers' billboard in 2020.
June 2021	Donation of two police cars to the Hsinchu County Police Bureau
	Donation of medical resource worth NT\$ 1 million to the Social Affairs Department of the Hsinchu County Government
September 2021	Invested MPA TRADING CORP. for US\$ 10.2 million.
	Invested MPI AMERICA INC. for US\$ 10.2 million.
	Invested Celadon System Inc. in the U.S. for US\$ 10.2 million.
February 2022	Ranked 88th place among the top 100 resident corporate invention patent applicants in 2021
June 2022	Consecutively ranked the first place in the global cantilever probe card market in 2021 by TechInsights Inc.
	Consecutively ranked the 5th place among all probe card suppliers in the world in 2021 by TechInsights Inc.
February 2023	Ranked the 87th place among the top 100 resident corporates that were granted the most invention patents in 2022
April 2023	Purchase of land and factory in Hukou Industrial Park

Three. Corporate Governance Report

I. Organization

(I) Organizational structure:



(II) Operations and functions:

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company.
Occupational Safety Office	Responsible for safety and hygiene management and healthcare promotion for employees.
IP Office	Combine R&D activities, create fine-quality intellectual property for the enterprise, and improve competitiveness at the same time; respect and carefully evaluate another person's intellectual property rights to mitigate the risk over infringement, and maintain the greatest interest for the Company and shareholders.
THERMAL Operations Center	R&D, manufacturing and selling of the Thermal Air series products of the Company, provision of the temperature testing equipment that the customer needs for manufacturing or experiment. Our customers come from the semi-conductor, optical communication, photoelectric, automobile and aerospace industries. Our products are available around the globe.
AST Operations Center	Responsible for planning, development, manufacturing, selling and after service of the engineering probing system and radio-frequency probe.
PA Operations Center	Development of new equipment product, technology application, manufacturing and assembling. Quality inspection and control of the raw materials and equipment products. Information collection of the market demands of automated

	photoelectric equipment. Achievement of operational goals.
PROBE CARD Operations Center	Responsible for research, development, design, manufacturing, selling and after service of the probe card products.
Resource Center	Responsible for the finance, accounting, stock and tax affairs of the Company. Procurement of raw materials. Human resources/labor and legal matters. Administrative management, general affairs and plant affairs.

II. Information about Director, President, Vice President, Assistant Vice President, and Head of Department and Branch:

(1) Directors:

Information on directors (1)

April 30, 2023

Unit: share; %

Job title	Nationality or place of registration	Name	GenderAge	Election (Appointment) Date	Term of office	Date first elected	Shareholding When Elected		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Other positions in the Company and other companies concurrently held	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship			Remark
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
Chairman	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	2001.04.16	8,334,626	10.42%	8,334,626	8.84%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Ko, Chang-Lin	Male 61-70 years	June 15, 2020	3 years	2016.07.11	1,425,994	1.78%	1,425,994	1.51%	427,781	0.45%	0	0.00%	Academic degree: EMBA, College of Management, National Chiao Tung University Major experience: Electronics Research & Service Organization, Industrial Technology Research Institute	This Company: CEO Other companies: Chairmen of Chain-Logic International Corp., MPI INVESTMENT CO., MPI TRADING CORP., CHAIN-LOGIC TRADING CORP., MPA TRADING CORP. and Gordon Biersch Restaurant & Brewery	N/A	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	2001.04.16	8,334,626	10.42%	8,334,626	8.84%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Steve Chen	Male 51-60 years	June 15, 2020	3 years	2012.08.01	230,283	0.29%	230,283	0.24%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	This Company: Consultant Other companies: Director of Chain-Logic International Corp., Director of MPI Investment Co., Ltd., and Director of Allstron Corporation	N/A	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 15, 2020	3 years	2001.04.16	8,334,626	10.42%	8,334,626	8.84%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
		Representative--Scott Kuo	Male 51-60 years	June 15, 2020	3 years	2012.11.26	438,037	0.55%	409,037	0.43%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	This Company: President Other companies: Director of Chain-Logic International Corp., Supervisor of MPI Investment Co., Ltd., Chairman of Allstron Corporation, and Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A	N/A

Job title	Nationality or place of registration	Name	Gender Age	Election (Appointment) Date	Term of office	Inauguration Date Date Onboard	Shareholding When Elected		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Job title(s) Held Concurrently in the Company and in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship			Remarks
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
Director	R.O.C.	Li, Tu-Cheng	Male 51-60 years	June 15, 2020	3 years	2001.04.16	599,349	0.75%	469,349	0.50%	414	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	This Company: N/A Other companies: Chairman of Zen Voce Corporation, Chairman of Chen Ho Investment Ltd., Chairman of Zan Hong Industrial Co., Ltd., Director of Zen Voce Precision Equipment (Suzhou) Ltd., and Chairman of Zen Voce (Pg)Sdn.Bhd, and Chairman of Zen Voce Manufacturing Pte Ltd.	N/A	N/A	N/A	N/A
Director	R.O.C.	Liu, Fang-Sheng	Male 61-70 years	June 15, 2020	3 years	2001.04.16	255,471	0.32%	255,471	0.27%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	This Company: N/A Other companies: Dentist, Li Cheng Dental Clinic	N/A	N/A	N/A	N/A
Director	R.O.C.	Tsai, Chang-Shou	Male 61-70 years	June 15, 2020	3 years	2003.06.20	21,630	0.03%	21,630	0.02%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Bureau of Accounting & Statistics, Provincial Government of Taiwan	This Company: N/A Other companies: Practicing CPA of Chin Hsin CPAs Office; Director of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A	N/A
Independent director	R.O.C.	Hsu, Mei-Fang	Female 51-60 years	June 15, 2020	3 years	2001.04.16	244,441	0.31%	244,441	0.26%	30	0.00%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	This Company: N/A Other companies: Practicing CPA of Dayar CPAs Firm	N/A	N/A	N/A	N/A
Independent director	R.O.C.	Kao, Chin-Cheng	Male 51-60 years	June 15, 2020	3 years	2001.04.16	162,414	0.20%	162,414	0.17%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	This Company: N/A Other companies: Managing Partner of Kao Chin-Cheng Law Firm; Independent Directors, Remuneration Committee member and Audit Committee member of Eclatrq Technology Co., Ltd.	N/A	N/A	N/A	N/A
Independent director	R.O.C.	Liao, Da-Ying	Male 51-60 years	June 15, 2020	3 years	June 15, 2020	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Academic degree: Doctor of Judicial Science (Ph.D.), Kobe University Major experience: Professor, Department of Law, National Chung Hsing University	This Company: N/A Other companies: Professor of the College of Law, Tunghai University, Remuneration Committee member of DuoGenic StemCells corporation	N/A	N/A	N/A	N/A

(2) Director who acts as a corporate shareholder's representative, please specify the major shareholders of the corporate shareholder. :

April 30, 2023

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MPI Investment Co., Ltd.	Ko, Chang-Lin	44.83%
	Li, Tu-Cheng	27.17%
	Steve Chen	9.06%
	Cai, Shu-Jin	6.34%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%
	Ge, Yong-Lun	2.44%
	Ge, Yu-Pei	2.36%
	Ge, Yu-Sheng	1.52%

(3) Information on professional qualifications of directors and independence status of independent directors:

(1) Directors' professional qualifications and experience

Name		Professional qualifications and experience
Chairman	MPI Investment Co., Ltd. Representative --Ko, Chang-Lin	EMBA, College of Management, National Chiao Tung University More than 5 years of work experience in commerce and experience necessary for company operation.. He is currently the chairman of the Company, and possesses skills in leadership, marketing, operations management and strategy planning relevant to the industry. He leads the Company to become a pioneer in the industry and towards sustainable operation.
Director	MPI Investment Co., Ltd. Representative --Steve Chen	Master, Department of Mechanical Engineering, National Taiwan University More than 5 years of work experience in commerce and experience necessary for company operation.. He is currently the consultant of the Company and an expert in the R&D and innovation of semiconductor industry providing professional experience to the Company's R&D of products and application.
Director	MPI Investment Co., Ltd. Representative --Scott Kuo	Master, Department of Mechanical Engineering, University of South Florida More than 5 years of work experience in commerce and experience necessary for company operation.. He is currently the general manager of the Company with the expertise in operations management and professional experience in production management and planning, market strategy and business development.
Director	Liu, Fang-Sheng	Graduate of School of Dentistry, Kaohsiung Medical University More than 5 years of work experience in commerce and experience necessary for company operation.. He is currently the dentist of Li Cheng Dental Clinic and has experience in operations management and corporate governance. He provides crucial suggestions for the Company's development and supervises and advises the board of Directors.
Director	Li, Tu-Cheng	Graduate of Department of Business Administration, Feng Chia University More than 5 years of work experience in commerce and experience necessary for company operation.. He is currently the chairman of Zen Voce Corporation with expertise and experience in industry and business management and corporate governance. With his expertise, he supervises and advises the board of Directors and provides professional opinions. .

Director	Tsai, Chang-Shou	<p>Graduate of Department of Accounting, Chinese Culture University More than 5 years of work experience in commerce, finance and accounting and experience necessary for company operation..</p> <p>More than 5 years of working experience as a certified public accountant who has passed a national examination and been awarded a certificate in his profession.</p> <p>He is currently the practicing CPA of Chin Hsin CPAs Office with the professional qualification and skills in finance and familiar with relevant laws and regulations. He provides practical suggestions for the Company, and supervises and advises the board of Directors.</p>
Independent director	Hsu, Mei-Fang	<p>Graduate of Accounting Department, Ming Chuan University More than 5 years of work experience in commerce, finance and accounting and experience necessary for company operation..</p> <p>More than 5 years of working experience as a certified public accountant who has passed a national examination and been awarded a certificate in his profession.</p> <p>She is currently the practicing CPA of Dayar CPA Firm with the professional qualification and skills in finance and familiar with relevant laws and regulations. She provides the Company necessary supervision and suggestions from a professional and objective perspective.</p>
Independent director	Kao, Chin-Cheng	<p>Master, Graduate Institute of Law, National Chung Hsing University More than 5 years of work experience in commerce and law and experience necessary for company operation.</p> <p>More than 5 years of working experience as an attorney who has passed a national examination and been awarded a certificate in a profession.</p> <p>He is currently the Managing Partner of Kao Chin-Cheng Law Firm with professional knowledge in laws and familiar with relevant regulations. He provides legal opinions for the board of Directors with regard to corporate governance and on legal compliance of business decisions of the Company helping to mitigate the risk of violation of laws.</p>
Independent director	Liao, Da-Ying	<p>Doctor of Philosophy in Law, Kobe University More than 5 years of work experience in commerce and law and experience necessary for company operation.</p> <p>More than 5 years of experience as a professor in an academic department related to the business needs of the company in a public or private junior college, college, or university.</p> <p>He is currently the professor of the college of law in Tunghai University with profound knowledge in law and is a highly respected figure in academia. He benefits the Company with his familiarity in corporate governance and offers valuable legal knowledge and opinions on corporate governance to the board.</p>

(2) Directors' status of independence

Name		Status of independence	Number of public companies where the person holds the title as independent director
Chairman	MPI Investment Co., Ltd. Representative --Ko, Chang-Lin	N/A	N/A
Director	MPI Investment Co., Ltd. Representative --Steve Chen		N/A
Director	MPI Investment Co., Ltd. Representative --Scott Kuo		N/A
Director	Liu, Fang-Sheng	<p>All independent directors meet the following conditions during the two years before being elected and during the term of office:</p> <p>(1) Not an employee of the Company or its affiliates.</p> <p>(2) Not a director or supervisor of the Company or its affiliates. (However, it is not applicable in the case of an independent director appointed concurrently by the Company and its parent company, a subsidiary, or a subsidiary of the same parent company in accordance with the Act or local laws.)</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3).</p> <p>(5) Not a Director, Supervisor, or employee of any institutional shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 institutional shareholders of the Company, or the institutional shareholders who appoint their representatives to serve as the Director or Supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in</p>	N/A
Director	Li, Tu-Cheng		N/A
Director	Tsai, Chang-Shou		N/A
Independent director	Hsu, Mei-Fang		N/A
Independent director	Kao, Chin-Cheng		1

Independent director	Liao, Da-Ying	<p>accordance with the Act, or laws of the registered country).</p> <p>(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company (However, it is not applicable in the case of an independent director appointed concurrently by the Company and its parent company, a subsidiary, or a subsidiary of the same parent company in accordance with the Act or local laws.)</p> <p>(7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).</p> <p>(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (However, it is not applicable in cases where the specified company or institution holding more than 20% but less than 50% of total number of issued shares of the Company, and the person is an independent director of the parent company, any subsidiary, or subsidiary of the same parent company, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.)</p> <p>(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.</p> <p>(10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company</p> <p>(11) Not under any of the categories stated in Article 30 of the Company Law.</p> <p>(12) Not a government agent, juristic person or its representative as defined in Article 27 of the Company Act.</p>	N/A
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Note 1: Professional qualifications and experience: Please state the professional qualifications and experience of individual director and supervisor. If he or she is a member of Audit Committee and has background in accounting or finance, please state his or her background in accounting or finance as well as work experience in addition to whether under any of the circumstances set forth in Article 30 of the Company Act.

Note 2: Independence status of an independent director shall be stated, which includes but not limited to whether the independent director, his spouse, or relative within the second degree of kinship is a director, supervisor or employee of the Company or any of its affiliates; the number and percentage of the Company's shares held by the independent director, his or her spouse, relative within second degree of kinship (or held under others' names); whether he or she is a director, supervisor, or employee of a specified company or institution that has a relationship with the Company (referring to subparagraphs 5~8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); amount of compensation received for being a professional individual who provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company in the past 2 years.

II. Board diversity and Independence:

(I) Board diversity:

The Company's current Board of Directors consists of 9 directors, including 3 independent directors. Each of them is specialized in the professional sectors including law, finance and accounting, industrial knowledge, leadership and decision-making, and business administration, etc.

- There are 22% of directors being the employees of the Company. The number of independent directors accounts for 33% of the board members,
- where 11% is female and 89% is male.
- There is one independent director who has less than 3 years of experience serving as an independent director, and the remaining two independent directors have more than 9 years of relevant experience.

- Three directors are in the age range of 61~70 years old and six directors are in the range of 51~60 years old.

Status of the policy of diversity for the formation of our Board of Directors:

Core items under diversity Members of the Board of Directors	Nationality	Gender	Concurrently serve as an employee of the Company	Years of experience serving as an independent director			Age		Corporate management	Leadership and decision-making	Industry knowledge	Finance and accounting	Legal matters
				Less than 3 years	3~9 years	More than 9 years	51~60 years old	61~70 years old					
Ko, Chang-Lin	R.O.C.	Male						✓	✓	✓			
Chen, Steve	R.O.C.	Male	✓				✓		✓	✓			
Kuo, Scott	R.O.C.	Male	✓				✓		✓	✓			
Liu, Fang-Sheng	R.O.C.	Male						✓	✓	✓			
Tsai, Chang-Shou	R.O.C.	Male						✓	✓	✓	✓		
Li, Tu-Cheng	R.O.C.	Male					✓		✓	✓			
Hsu, Mei-Fang	R.O.C.	Female			✓	✓	✓		✓	✓	✓		
Kao, Chin-Cheng	R.O.C.	Male			✓	✓	✓		✓	✓		✓	
Liao, Da-Ying	R.O.C.	Male		✓			✓		✓	✓		✓	

Specific goals and implementation status of board diversity policy:

Specific goals	Implementation status
Directors concurrently serving as company officers shall not exceed one-third of the total number of the board members	Achieved
There shall be at least one female board member.	Achieved
Adequate and diverse professional knowledge and skills	Achieved

(II) Board Independence:

(1) The Company's current Board of Directors consists of 9 directors, including 3 independent directors who consist 33% of the board members.

(2) All member of the Board of Directors are in compliance with subparagraphs 3 and 4, paragraph 3, Article 26 of the Securities and Exchange Act. The Company's board of directors is independent, and please refer to Pages 13~16- Information on professional qualifications of directors and independence status of independent directors, Pages 11~12 for Information on directors.

(IV) Information concerning the president, vice presidents, assistant vice presidents, and department and branch managers:

Unit: April 30, 2023, share; %

Job title	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Current Shares Held by Spouse of Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Concurrent positions held in other companies	Managers Within the Second Degree of Kinship			Remarks
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship	
President	R.O.C.	Scott Kuo	Male	2010.06.16	409,037	0.43%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Chairman of Allstron Corporation Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A	N/A
Vice General Manager of the Equipment Operation Center	R.O.C.	Fan, Wei-Ju	Male	2008.07.01	75,034	0.08%	244	0.00%	0	0.00%	Academic degree: National Chiao Tung University, the Institute of Electrical and Control Engineering Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	N/A	N/A	N/A	N/A	N/A

Vice President of Marketing Department	R.O.C.	Liu, Yung-Chin	Male	2011.06.20	15,211	0.02%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Allstron Corporation	N/A	N/A	N/A	N/A
Finance Officer Corporate Governance Officer	R.O.C.	Tang, Fu-Ping	Male	2019.05.07	0	0.00%	0	0.00%	0	0.00%	Academic degree: Graduate Institute of Banking and Finance, National Chung Cheng University (PHD) Major experience: G-TECH Optoelectronics Corporation	N/A	N/A	N/A	N/A	N/A
Accounting officer	R.O.C.	Rose Jao	Female	2007.03.09	47,251	0.05%	0	0.00%	0	0.00%	Academic degree: Mingshin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz	Supervisor of Chain-Logic International Corp. Supervisor of Allstron Corporation Supervisor of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A	N/A

											products Co., Ltd.	Supervisor of MPI Corporation (Suzhou)				
Vice Director of the Southern Manufacturing Division	R.O.C.	Wang, Jian-Ming	Male	2016.11.14	5,000	0.01%	0	0.00%	0	0.00%	Academic degree: Department of Mechanical Engineering, Nanya Institute of Technology Major experience: Yi Jia Industrial	N/A	N/A	N/A	N/A	N/A
Information Security Officer	R.O.C.	Fan, Wen-Cheng	Male	2023.03.10	0	0.00%	0	0.00%	0	0.00%	Academic degree: Graduate School of Information Management, the University of Sheffield Major experience: Applied Materials, Inc.	N/A	N/A	N/A	N/A	N/A

III. Remuneration to directors, general manager and vice presidents of the Company in the most recent year

(I) Remuneration to directors and independent directors

December 31, 2022; Currency unit: NT\$ thousand

Job title	Name	Remuneration to directors								Sum of A, B, C, and D and ratio of the sum to net profit after tax		Remuneration in the capacity as employees						Sum of A, B, C, D, E, F and G and ratio of the sum to net profit after tax		Remuneration from investees beyond subsidiaries or parent company					
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Business execution fee (D)		Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)											
		The Company	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company	Cash dividends	Stock dividends	All companies included into the financial statements.	The Company	All companies included into the financial statements.						
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin																								
Director	Representative of MPI Investment Co., Ltd.: Steve Chen																								
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	0	0	0	0	21,300	21,300	0	0	21,300	21,300	15,257	15,257	216	216	402	0	402	0	37,175	37,175	3.06%	3.06%	N/A	
Director	Li, Tu-Cheng																								
Director	Liu, Fang-Sheng																								
Director	Tsai, Chang-Shou																								
Independent director	Hsu, Mei-Fang																								
Independent director	Kao, Chin-Cheng	0	0	0	0	10,650	10,650	0	0	10,650	10,650	0	0	0	0	0	0	0	0	10,650	10,650	0.88%	0.88%	N/A	
Independent director	Liao, Da-Ying																								

1. Please state the policies, systems, standards, and structure of remuneration to independent directors, and the relations between the remuneration and the job responsibility, risk and engagement hours borne by the independent directors: The remunerations to the Company's independent directors are reviewed by Remuneration Committee according to the Articles of Incorporation, by taking into consideration their level of participation and contribution to the operation of the Company with reference to domestic and international industry standard, and shall be discussed and resolved by the Board of Directors.

2. In addition to disclosed above, compensation paid to directors for services provided, such as advisory service provided not as an employee to parent company/ companies included in the financial statements/investees : None.

3: The retirement pension refers to the contribution provided by the Company.

Breakdown of Remuneration

Breakdown of remuneration paid to each director	Name of Director			
	The sum of (A+B+C+D)		The sum of (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements (H)	The Company	All companies included in the financial statement (I)
Below 1,000,000				
1,000,000 (inclusive) ~ 2,000,000 (exclusive)				
2,000,000 (inclusive) ~ 3,500,000 (exclusive)				
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin Representative of MPI Investment Co., Ltd.: Steve Chen Representative of MPI Investment Co., Ltd.: Scott Kuo Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Directors: Representative: Ko, Chang-Lin Representative of MPI Investment Co., Ltd.: Chen, Steve Representative of MPI Investment Co., Ltd.: Scott Kuo Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Directors: Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou
	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying	Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng, and Liao, Da-Ying
5,000,000 (inclusive) ~ 10,000,000 (exclusive)			Directors: Representative of MPI Investment Co., Ltd.: Scott Kuo	Directors: Representative of MPI Investment Co., Ltd.: Scott Kuo
10,000,000 (inclusive) ~ 15,000,000 (exclusive)			Directors: Representative of MPI Investment Co., Ltd.: Steve Chen	Directors: Representative of MPI Investment Co., Ltd.: Steve Chen
15,000,000 (inclusive) ~ 30,000,000 (exclusive)				
30,000,000 (inclusive) ~ 50,000,000 (exclusive)				
50,000,000 (inclusive) ~ 100,000,000 (exclusive)				
NT\$100,000,000 or more				
Total	9 persons	9 persons	9 persons	9 persons

(II) Remuneration to general manger and vice presidents

December 31, 2022; Currency unit: NT\$ thousand

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Remuneration to employees (D)				Sum of A, B, C, and D and ratio of the sum to net profit after tax (%)		Remuneration from investees beyond subsidiaries or parent company
		The Company	All companies included into the financial statements.	The Company (Note 1)	All companies included into the financial statements.	The Company	All companies included into the financial statements.	The Company		All companies included into the financial statements.		The Company	All companies included into the financial statements.	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Scott Kuo													
Vice President	Fan, Wei-Ju	8,162	8,162	322	322	2,477	2,477	327	0	327	0	11,288 0.93%	11,288 0.93%	N/A
Vice President	Liu, Yung-Chin													

Note: The retirement pension refers to the contribution provided by the Company.

Breakdown of Remuneration

Breakdown of remuneration paid to each president and vice president	Names of president and vice president	
	The Company	All companies included in the financial statements (E)
Below 1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Fan, Wei-Ju; Liu, Yung-Chin	Fan, Wei-Ju; Liu, Yung-Chin
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
5,000,000 (inclusive) ~ 10,000,000 (exclusive)	Scott Kuo	Scott Kuo
10,000,000 (inclusive) ~ 15,000,000 (exclusive)		
15,000,000 (inclusive) ~ 30,000,000 (exclusive)		
30,000,000 (inclusive) ~ 50,000,000 (exclusive)		
50,000,000 (inclusive) ~ 100,000,000 (exclusive)		
NT\$100,000,000 or more		
Total	3 persons	3 persons

(III) Name of managers who received compensation to employees and distribution status:

December 31, 2022; Currency unit: NT\$ thousand

Job title		Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	577	577	0.05%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Manager Corporate Governance Officer	Tang, Fu-Ping				
	Manager	Rose Jao				
	Manager of the Branch Office	Wang, Jian-Ming				

(IV) Separately compare and describe total remuneration, as a percentage of net income stated in the standalone financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and vice presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Unit: NTD thousand

Job title	The Company				Companies included into the consolidated financial statement			
	2021		2022		2021		2022	
	Total	As a percentage to profit after tax	Total	As a percentage to profit after tax	Total	As a percentage to profit after tax	Total	As a percentage to profit after tax
Remuneration to directors	33,006	4.76%	47,825	3.94%	33,006	4.76%	47,825	3.94%
Remuneration to presidents and vice presidents	11,372	1.64%	11,288	0.93%	11,372	1.64%	11,288	0.93%
Profit after tax	693,851	-	1,213,625	-	693,851	-	1,213,625	-

Explanation: The remuneration to directors in 2022 increased in comparison to 2021 mainly due to the increase in the profit before tax for 2022, hence the increased directors' remuneration.

1. The Company allocates the remuneration to directors in accordance with the Articles of Incorporation. Where the Company has an income before tax after the account

settlement, it shall allocate no more than 3% thereof as the remuneration to directors. However, profits must first be used to offset 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 remuneration shall be reported to the Remuneration Committee and the board of directors for review and then to the shareholders' meeting for approval.

2. The appointment, termination and remuneration of the Company's presidents and vice presidents would be adjusted based on their business performance and reported to the Remuneration Committee for review and approval, and then to the board of directors for approval and implementation. The Company's policies of remuneration vary based on earnings and have nothing to do with future risk.

IV. Status of corporate governance

(I) Operations of the Board

The Board held 7 meetings (A) in 2022. The attendance record of directors is listed below:

Job title	Name	Actual attendance rate (%) (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	7	0	100%	
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	7	0	100%	
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	7	0	100%	
Director	Li, Tu-Cheng	5	2	71%	
Director	Liu, Fang-Sheng	7	0	100%	
Director	Tsai, Chang-Shou	7	0	100%	
Independent director	Kao, Chin-Cheng	7	0	100%	
Independent director	Hsu, Mei-Fang	7	0	100%	
Independent director	Liao, Da-Ying	7	0	100%	

Attendance of independent directors in each Board of Directors meeting in 2022

◎: In person; ☆: By proxy; * : Absent

	1st	2nd	3rd	4th	5th	6th	7th
Kao, Chin-Cheng	◎	◎	◎	◎	◎	◎	◎
Hsu, Mei-Fang	◎	◎	◎	◎	◎	◎	◎
Liao, Da-Ying	◎	◎	◎	◎	◎	◎	◎

Other notes:

I. If any of the following is applicable to the operation of the Board, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

- (I) Conditions described in Article 14-3 of the Securities and Exchange Act: Refer to the important resolutions of the Board of Directors' meetings on Pages 52~54.
- (II) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: Refer to the important resolutions of the Board of Directors' meetings on Pages 52~54.

II. The recusal of the Directors from motions that involved a conflict of interest. Specify the names of the Directors, the content of the motions, and reason for recusal, and the participation in voting:
Not applicable.

III. Status of the Self-Performance Evaluation for the Board of Directors, Board Members, Audit

Committee Members and Remuneration Committee Members:

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Method of Evaluation	Contents of Evaluation
Once per year	2022/1/1-2022/12/31	Board of Directors	Board of Directors Internal Self-Evaluation	1. Participation in the Company's operation 2. Improvement of the Board decision-making quality 3. Composition and structure of the Board 4. Election and continuing education of directors 5. Internal control
Once per year	2022/1/1-2022/12/31	Board members	Board members Internal Self-Evaluation	1. Alignment with the goals and mission of the Company 2. Knowledge of the directors' duties 3. Participation in the Company's operation 4. Management of internal relationship and communication 5. Professionalism and continuing education of directors 6. Internal control
Once per year	2022/1/1-2022/12/31	Audit Committee	Audit Committee Internal Self-Evaluation	1. Participation in the Company's operation 2. Knowledge of Audit Committee's duties 3. Improvement of the Audit Committee's decision-making quality 4. Composition and member election of the Audit Committee 5. Internal control
Once per year	2022/1/1-2022/12/31	Remuneration Committee	Remuneration Committee Internal Self-Evaluation	1. Participation in the Company's operation 2. Knowledge of Remuneration Committee's duties 3. Improvement of the Remuneration Committee's decision-making quality 4. Composition and member election of the Remuneration Committee

IV. Enhancements to the functionality of the Board of Directors in the current and the most recent year (e.g. establishment of the Audit Committee, and improvement of information transparency etc.), and the progress of such enhancements:

- (I) The Company defined its "Parliamentary Rules for Directors' Meeting" in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and would also enter the status of directors' attendance into the Market Observation Post System (MOPS) and disclose the important resolutions made by the directors' meeting on the Company's website.
- (II) The Company established the Remuneration Committee on December 30, 2011. The Committee should evaluate the Company's policies and systems of remuneration to directors

and managers, in a professional and objective manner, and should submit suggestions to the Board of Directors as the reference for decision-making.

(III) The Company has established the Audit Committee since June 15, 2020. The Audit Committee consists of 3 independent directors who should meet at least once per quarter, responsible for the adequate expression of the Company's financial statement, external auditor's independence, effective implementation of internal control, compliance with laws & rules, and assessment and control over the Company's risk.

(II) Audit Committee's operations:

The Company's Audit Committee consists of 3 independent directors. The Committee aims to help the Board of Directors perform the supervision on quality and ethics of the Company's execution of the accounting, auditing, financial and reporting procedures, and financial controls.

The Audit Committee is responsible for reviewing the matters including:

1. Financial statements.
2. Audit and accounting policies and procedures.
3. Internal control system-related policies and procedures.
4. Important assets or transactions of derivative instruments.
5. Important loans and endorsements or guarantees.
6. Offering or issuance of securities.
7. Financial derivatives and investment in cash.
8. Compliance.
9. Whether managers and directors engage in transactions with related parties, and potential conflict of interest.
10. Report on complaints.
11. Anti-corruption plan and corruption investigation report.
12. Information security.
13. Corporate risk management.
14. Qualification & experience, independence and performance evaluation of external auditors.
15. Appointment or dismissal of, or remuneration to, the external auditors.
16. Appointment/dismissal of finance/accounting officers or internal audit officer.
17. Performance of the Audit Committee's duties.
18. Audit Committee's self-performance evaluation questionnaire

Review on financial reports

The Board of Directors prepared the Company's 2022 business report, financial statements and earnings distribution plan, among which the financial statements (including consolidated financial statement) have been audited by Nexia Sun Rise CPAs & Co., and an auditors' report has been issued. Said operation review, financial statements and motions for distribution of earnings or covering of loss have been reviewed by the Audit Committee and found to have no inconsistencies.

Evaluation on effectiveness of the internal control system

The Audit Committee evaluated the effectiveness of policies and procedures about the Company's internal control system (including finance, operation, risk management, information security, contract award and compliance control policies), and also reviewed the Company's Audit Dept. and external auditors, in addition to the management's periodic reports, including risk management and compliance reports. By reference to the Internal Control-Integrated Framework released by The Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013, the Audit Committee believed that the Company's risk management and internal control system should be held effective. The

Company has also adopted necessary control mechanism to supervise and correct any misconduct.

The Audit Committee held 7 meetings (A) in 2022. The attendance record of independent directors is listed below:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)(Note)	Remarks
Independent director (Convenor)	Hsu, Mei-Fang	7	0	100%	
Independent director	Kao, Chin-Cheng	7	0	100%	
Independent director	Liao, Da-Ying	7	0	100%	

Other notes:

I. The Audit Committee meeting date, session, proposal content, content of any objection, reservation or major suggestion expressed by independent directors, the results of the Audit Committee's resolutions, and the Company's actions in response to the Audit Committees' opinions shall be specified if any of the following occurred.

(1) The circumstances referred to in Article 14-5 of the Securities and Exchange Act:

Date of Board Meeting	Date of Audit Committee meeting	Proposal content and subsequent actions taken	Result of Audit Committee's resolution	The Company's response to the Audit Committee's opinions
18th meeting of 9th term on January 25, 2022	17th meeting of 1st term on January 25, 2022	No discussion matter.	N/A	N/A
19th meeting of 9th term on March 24, 2022	18th meeting of 1st term on March 24, 2022	1. 2021 business report and financial statements.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		2. Amendments to the "Corporate Social Responsibility Best-Practice Principles"	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		3. Amendments to the "Corporate Governance Best-Practice Principles"	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		4. Amendments to the "Articles of Incorporation".	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		5. Amendments to the "Procedures for Acquisition or Disposal of Assets".	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		6. Amendments to the Company's	Approved by all of the Audit	Unanimously approved by the present directors

		"Parliamentary Rules for Shareholders' Meetings."	Committee members	approved by the present directors
		7. Discussion on the Declaration of Internal Control System for 2021.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
20th meeting of 9th term on April 14, 2022	19th meeting of 1st term on April 14, 2022	1. Setting of record date for the issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q1 of 2022.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
21st meeting of 9th term on May 11, 2022	20th meeting of 1st term on May 11, 2022	1. Report on the Company's financial statements for the first quarter of 2022.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		2. Discussion on exercise of the put option for the 4th domestic unsecured convertible corporate bond.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
22nd meeting of 9th term on August 10, 2022	21st meeting of 1st term on August 10, 2022	1. Report on the Company's financial statements for the second quarter of 2022.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		2. Proposal for the early redemption of the Company's 4th domestic unsecured convertible corporate bond.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
23rd meeting of 9th term on October 12, 2022	22nd meeting of 1st term on October 12, 2022	1. Setting of record date for the issuance of new shares upon conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q3 of 2022.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
24th meeting of 9th term on November 10, 2022	23rd meeting of 1st term on November 10, 2022	1. Report on the Company's financial statements for the third quarter of 2022.	Approved by all of the Audit Committee members	Unanimously approved by the present directors
		2. Discussion about the Company's 2023 internal audit plan.	Approved by all of the Audit Committee members	Unanimously approved by the present directors

(2) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. The recusal of the Independent Directors from motions that involved a conflict of interest. Specify the names of the Independent Directors, contents of the motions, and reason for recusal, and the participation in voting: None.

III. Communication between Independent Directors and internal audit officer/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

(1) The Company convenes the Audit Committee meeting periodically, and invites external auditors, finance officer, accounting officer, internal audit officer and related supervisors to attend the meeting, if necessary.

(2) The internal audit officer submits the audit summary report to the Audit Committee

periodically according to the annual audit plan. The Audit Committee also conducts the performance evaluation on the Company's internal control system, internal auditors and their work.

(3) The Audit Committee communicates with the Company's external auditors with respect to the results about audit or review on the quarterly financial statements and any other matters required by related laws and regulations periodically each year.

Note 1: Where any independent director resigns from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the Audit Committee meeting shall be calculated on the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended, during his/her term of office.

Note 2: If there was an election of new independent directors before the end of the fiscal year, fill in the information on the former and the new independent directors and specify if the independent directors are discharged, newly elected or re-elected, and the date of the election. His/her actual attendance rate (%) to the Audit Committee meeting shall be calculated on the basis of the number of meetings called by the Audit Committee and actual number of meetings he/she attended, during his/her term of office.

(III) Status of Corporate Governance, and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies, and reasons thereof:

Items under evaluation	Status		Summary	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No		
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies?	√		The Company has established its rules of corporate governance in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies," and disclosed the same on the Company's website and MOPS.	N/A
II. Equity structure and shareholders' equity				
(I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	√		The Company has defined its parliamentary rules for shareholders' meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. The contact No. and email address may be viewed in the investor section on the Company's website.	N/A

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	√		The Company appointed a shares registrar, and would update the roster of shareholders periodically to control the name list of parties who control the Company's equity ultimately.	N/A
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	√		The Company has defined such control system as "Regulations Governing Supervision of Subsidiaries" and "Regulations Governing Transactions Between Specific Company Group and Related Party."	N/A
(IV) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	√		Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	N/A
III. The organization of Board of Directors and its duties:				
Does the Board of Directors establish a diversity policy, set specific goals, and implement them accordingly?	√		Please refer to Page 17 of this Annual Report for the diversity policy, specific goals and implementation of board members.	N/A
(II) Does the Company, in addition to setting up the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	√		The Company has not yet established any other functional committees.	N/A

Items under evaluation	Status		Summary	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:										
	Yes	No												
(III) Has the Company established a set of policies and assessment tools to evaluate the Board's performance, conducted the performance evaluation regularly at least on an annual basis, and submitted the performance evaluation result to the Board and applied the same as reference for remuneration to individual directors and nomination?	√		<p>The “Regulations Governing the Board of Directors’ Self Evaluation” has been adopted by a resolution of the Company’s Board of Directors’ meeting on January 14, 2020 for the self evaluation of the Board members.</p> <p>The 2022 self evaluations including the performance appraisals for the Board of Directors, Board members, Audit Committee and Remuneration Committee have been reported in the Board of Directors’ meeting on March 10, 2023.</p> <table border="1"> <thead> <tr> <th>Self-evaluation item</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Performance appraisal for the Board of Directors</td> <td>4.86</td> </tr> <tr> <td>Performance appraisal for members of the Board of Directors</td> <td>4.87</td> </tr> <tr> <td>Performance appraisal for the Audit Committee</td> <td>4.98</td> </tr> <tr> <td>Performance appraisal for the Remuneration Committee</td> <td>5.00</td> </tr> </tbody> </table>	Self-evaluation item	Score	Performance appraisal for the Board of Directors	4.86	Performance appraisal for members of the Board of Directors	4.87	Performance appraisal for the Audit Committee	4.98	Performance appraisal for the Remuneration Committee	5.00	N/A
Self-evaluation item	Score													
Performance appraisal for the Board of Directors	4.86													
Performance appraisal for members of the Board of Directors	4.87													
Performance appraisal for the Audit Committee	4.98													
Performance appraisal for the Remuneration Committee	5.00													
(IV) Does the Company have the independence of the public accountant evaluated regularly?	√		The Company's Board of Directors would assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	N/A										

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
IV. Whether the Company assigns the adequate number of competent corporate governance officers, and appoints the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors with compliance, organization of the Board of Directors meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes, et al.)?	√		The stock affairs unit of the Company is responsible for handling matters related to Board of Directors' and shareholders' meetings pursuant to the laws, making minutes of Board of Directors' and shareholders' meetings, dealing with company and change registration, reviewing and revising the Corporate Governance Best-Practice Principles and relative regulations of the Company regularly.	N/A
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	√		The Company has set up the stakeholder section on the Company's website.	N/A
VI. Has the Company commissioned a professional share registration and investor service institution for providing services to shareholders?	√		The Company has commissioned the professional stock service agent, Share Registration Agency Service Department, Hua Nan Securities, to handle the shareholders' affairs.	N/A
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	√		The Company's stock code is 6223. The status of the Company's finance and corporate governance may be accessed at the MOPS, and on the website established by the Company at http://www.mpi.com.tw .	N/A

Items under evaluation	Status		Summary	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No		
(II) Whether there are other means for disclosure adopted by the Company (e.g. set up a English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website)?	√		The website established by the Company provides the English version. The Company has also delegated the spokesman and deputy spokesman to collect and disclose the Company's information, to fulfill the spokesman system.	N/A
(III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit?	√		The Company announced and reported the annual financial report and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit.	N/A

Items under evaluation	Status		Summary	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No		
VIII. Other important information facilitating understanding of the functioning of corporate governance (including but not limited to, the state of employees' rights and interests, concern for employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors)?	√		<p>(1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee's interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.</p> <p>(2) The Company has defined the corporate governance best-practice principles and handle relative affairs per the principles.</p> <p>(3) The Company's directors are able to perform their duties honestly and exercise their powers as good administrators.</p> <p>(4) The Company has purchased liability insurance for directors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies." For the relevant information, please visit the MOPS.</p> <p>(5) In order to enhance the corporate governance, the Company's Board of Directors will call a meeting at least once per quarter.</p> <p>(6) The status of continuing education of directors is disclosed at the MOPS(http://newmops.tse.com.tw)</p>	N/A
IX. Response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and further effort shall be made on matters for improvement but still unaccomplished: The Company will spare no efforts to show the determination of sustainable operation in all aspects, and also continue to exercise the corporate social responsibility of ethical management and take responsibility of long-term sustainable operation for the stakeholders and society.				

(IV) Where the Company has established the Remuneration Committee or Nomination Committee, its composition and operation shall be disclosed.

1. Information on Remuneration Committee members

April 30, 2023

ID (Note 1)	Name	Qualification	Professional qualifications and experience (Note 2)	Independence status (Note 3)	Number of public companies where the person holds the title as Remuneration Committee member
Independent director (Convenor)	Kao, Chin-Cheng		For details, please refer to Information on directors on Pages 8- 9 of the Annual report.	<ul style="list-style-type: none"> (1) Not an employee of the Company or its affiliates. (2) Not a director or supervisor of the Company or its affiliates (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders. 	1
Independent director	Hsu, Mei-Fang		For details, please refer to Information on directors on Pages 8- 9 of the Annual report.	<ul style="list-style-type: none"> (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3). (5) Not a Director, Supervisor, or employee of any institutional shareholder that has 5% or higher of the total shares issued by the Company, or of top-5 institutional shareholders of the Company, or the institutional shareholders who appoint their representatives to serve as the Director or Supervisor of the Company in accordance with Paragraph 1 or Paragraph 2 of Article 27 of the Company Act. 	N/A
Others	Su, Hsien-Teng	<p>Doctor of Philosophy in Law, National Cheng Kung University</p> <p>More than 5 years of work experience in commerce and law and experience necessary for company operation.</p> <p>More than 5 years of working experience as an attorney who has passed a national examination and been awarded a certificate in a profession.</p> <p>He is currently the attorney-at-law of Hui Lin Law Office with professional knowledge in laws and familiar</p>		<ul style="list-style-type: none"> (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the Company. (7) Not the same person or spouse that designated as directors, supervisors or 	N/A

		with relevant regulations. He provides legal opinions for the board of Directors with regard to corporate governance and on legal compliance of business decisions of the Company helping to mitigate the risk of violation of laws.	equivalent position of the Company, or as other company's chairman, general manager and employees. (8) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company. (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received the compensation. (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company	
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2. Duties of the Remuneration Committee

The Committee is responsible for establishing the remuneration system that can reflect the employees' performance in an independent aspect. The Committee shall exercise its function the Board of Directors gives it to regularly propose the remuneration system or suggestion to the Board of Directors for discussion and resolution.

3. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of three (3) members.

(2) Current term of office: The term of office is from June 15, 2020 to June 14, 2023. The Committee held 3 (A) meetings in 2022.

The qualifications and attendance record of the Committee members is summarized as follows:

Job title	Name	Actual attendance (B)	Attendance by proxy	Actual attend rate (%) (B/A)	Remark
Independent director (Convenor)	Kao, Chin-Cheng	3	0	100%	
Independent director	Hsu, Mei-Fang	3	0	100%	
Other member	Su, Hsien-Teng	3	0	100%	

Date of Board Meeting	Date of Remuneration Committee Meeting	Proposal content and subsequent actions taken	Result	The Company's handling of the Remuneration Committee members' opinion
18th meeting of 9th term 2022/01/25	7th meeting of 5th term 2022/01/25	Approved the proposal of 2022 managers' remuneration.	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
19th meeting of 9th term 2022/03/24	8th meeting of 5th term 2022/03/24	Approved the proposal of 2021 remuneration to directors and employees.	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors
22nd meeting of 9th term 2022/08/10	9th meeting of 5th term 2022/08/10	Discussion of distribution of 2021 employees compensation for managers	Approved by all of the Committee members	Proposed to the Board meeting and unanimously approved by the present directors

Other notes:

- I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the board of directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None.
- II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.

Note: (1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks' Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

- (2) If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(3) Functions of the Remuneration Committee:

The Remuneration Committee shall implement the following functionality faithfully and submit the proposed motions to the Board of Directors for discussion to fulfill the duty of care as a good administrator:

- ① Review the Company's compensation policies periodically and propose suggestions about amendments thereto.
- ② Stipulate and review regularly the performance evaluation on, and policies, systems, standards and structures of remuneration to, the Company's directors and managers.
- ③ Regularly evaluate the salary and remuneration of the Company's directors and managers.

4. Other important information relevant to the understanding of actual corporate governance:

- (1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee's interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.
- (2) The Company has defined the corporate governance best-practice principles and handle relative affairs per the principles.
- (3) The Company's directors are able to perform their duties honestly and exercise their powers as good administrators.

- (4) The Company has purchased liability insurance for directors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies." For the relevant information, please visit the MOPS.
- (5) In order to enhance the corporate governance, the Company's Board of Directors will call a meeting at least once per quarter.
- (6) The status of continuing education of directors is disclosed at the MOPS(<http://newmops.tse.com.tw>)

(V) Implementation status of the Sustainable Development and the deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	
I. Does the Company have a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development unit with Board of Directors authorization for senior management, which is supervised by the Board of Directors?	√		<p>1. The Company has established the ESG Sustainability Committee in 2022, of which the President serves as the chair and the major senior managers act as members, to facilitate sustainability governance. Task groups have been formed based on fields of responsibility and by managers of each corresponding department for the implementation of sustainability goals.</p> <p>2. The Company's Quality Assurance Department concurrently serve as the responsible unit for the scheduling of sustainability development programs, formulation of internal procedural documents, review of operational risk and analysis of impacts of material topics. At the same time, it shall report to the ESG Sustainability Committee at least quarterly to facilitate the senior management a better understanding about the implementation and performance evaluation of sustainability.</p> <p>3. The Company has proposed the "Sustainable Development Policy", in which, the President was authorized to supervise the Company's guidelines, strategies and goals for sustainable development under his or her leadership and the ESG Sustainability Committee is responsible for the Company's sustainable development, to optimize the governance environment. This Policy is expected to be enacted in 2023.</p>	N/A

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	
II. Whether the Company conducts the risk assessment on the environment, society and corporate governance issues related to the Company's operation and adopts related risk management policies or strategies?	√		The Company's management unit will assess and review risk events periodically. Then, the President compiles the significant risk events and reports them to the Board of Directors periodically, takes preventive and control measures against potential risks, and formulates the related early warning policies. In addition, the ESG Sustainability Committee evaluates potential impacts to the Company's operations and the possibility of occurrence based on materiality principle and in compliance with the "GRI 3: Material Topics". This analysis of impacts on the Company's environmental, social and governance topics is further taken as a reference for the Company's risk management and operational strategy.	N/A
III Environmental issues				
(I) Has the Company established environmental policies suitable for the Company's industrial characteristics?	√		1. The Company has improved its internal control system of legal compliance, constantly improved and complied with laws and regulations concerning environmental and occupational safety, and carried out related environmental management affairs. 2. The Company has passed the ISO 14001 Environmental Management Systems certification audit (the certificate is valid until August 31, 2025) covering the scope of "The environmental activities and supporting processes associated with the design and manufacture of probe cards and semiconductor test equipment and, the manufacture of RF probes and the design and, manufacture of Thermal equipment and, the design and manufacture of Advance Semiconductor Test systems".	N/A

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	
(II) Does the Company endeavor to upgrade the efficient use of available resources, and the use of environmental-friendly materials?	√		<p>1. The Company continues to reuse recycled materials and use low-polluting and recycled materials as raw materials and packaging materials in manufacturing to reduce the environmental impact.</p> <p>2. The Company has introduced and maintained the ISO 50001 Energy Management Systems to improve energy efficiency, and the energy saved by the replacement of plant facilities and equipment and the efficiency improvement in 2022 reached 159,002 kWh/year.</p>	N/A
(III) Whether the Company assesses the potential risk and opportunity posed by climate changes to the enterprise, now and in the future, and takes responsive measures related to climate issues?	√		<p>The Company has assessed the potential risk and actions to be taken based on the hazardousness and vulnerability of potential disasters on its business locations in Taiwan provided by the “Climate Change Disaster Risk Adaption Platform”, implemented emergency responsive procedures in accordance with the ISO 27001, 14001 and 50001 standards, and planed the integration with its continuing operation program.</p>	N/A
(IV) Whether the Company discloses the annual greenhouse gas emission, water consumption and gross weight of waste for the past two years, and adopts policies for greenhouse gas reduction, reduction of water consumption or management policy for other waste?	√		<p>1. The Company initiated the ISO 14064-1 Greenhouse Gas Inventory and Verification Project in 2022, in which, the parent company will be the pilot to obtain the inventory result and verification certificate in 2025.</p> <p>2. The total water consumption of the parent company in 2022 was 159,642 m³, and it has been continuously promoting water conservation measures.</p> <p>3. The parent company produced a total of 185.999 tons of general waste and a total of 23.742 tons of hazardous waste in 2022 and has been implementing ongoing waste classification and reduction.</p>	N/A

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	
IV. Social issues				
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	√		The Company defines its work rules in accordance with Article 94 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	N/A
(II) Whether the Company adopts and implements reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.), and reflects the operating performance or results to the remuneration to employees adequately?	√		For the Company's employee benefit measures and implementation thereof, please refer to the annual report (Pages 91~96).	N/A
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	√		The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes the breastfeeding room, medical room, lounge for employees, and parking lots exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	N/A
(IV) Has the Company established some effective career development training plan for employees?	√		The Company organizes a career development training program for employees on a regular basis. For details, please refer to Page 93 of the annual report.	N/A

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labeling and set policies to protect consumers' or customers' rights and consumer appeal procedures?	√		The Company values customers' satisfaction about various services, and awareness toward corporate identity, brand value and service quality. The Company provides perfect product solutions and various innovative products. Dedicated units are appointed to be responsible for product development & design, production & delivery, or maintenance service, in hopes of providing services as soon as possible.	N/A
(VI) Whether the Company adopts any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?	√		The Company conducts the assessment on social and environmental responsibilities of all suppliers and contractors to ensure that the suppliers and contractors comply with laws. Where the suppliers or contractors violate their social and environment responsibilities, the cooperative business relationship between the Company and them will be affected.	N/A
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Whether said report has been assured or guaranteed by a third party certification unit?		√	The Company has not yet prepared a sustainability report.	It is expected to be completed by the fourth quarter of 2023.
VI. If the Company has established its sustainable development best-practice principles according to the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe the operational status and deviation: The Company has formulated the internal rules, including the "Sustainable Development Policy", the "Sustainable Development Procedures and the "Regulations Governing the ESG Sustainability Committee", as the guidelines, strategy and goals for compliance by each department based on the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies" and with reference to international standards such as GRI, SASB, TCFD and RBA.				

Item	Status			Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and its reasons
	Yes	No	Summary	

VII. Other important information to facilitate a better understanding of the Company's implementation of sustainable development: Following the trend of sustainability, the Company has established the ESG Sustainable Development Project and the ISO 14064-1 Greenhouse Gas Inventory and Verification Project in 2022, respectively, to implement sustainable development. In addition, in order to reduce the ethical risk in the workplace, it has adopted the "Regulations for the Evaluation of Employee Ethical Risk" to strengthen the internal control process for employee ethics and integrity.

Donations to charities in 2022:

Item No.	Donee	Donation
1	World Peace Association	324,000
2	Chinese Fund for Children and Families/Taiwan	180,000
3	ANDREW Charity Association	59,362
4	Hsinchu County Symphonic Band	50,000
5	Saint Joseph Social Welfare Foundation	48,554
6	The Rock Social Welfare Foundation, Pingtung County	43,851
7	Chinese Christian Relief Association	39,111
8	Children Are Us Foundation	35,000
9	ST.Camillus Center for Intellectual Disability	28,097
10	R.O.C. Salvation Charity Association	21,245
11	Tai-he Community Development Association in Zhubei City, Hsinchu County	10,000
Total		839,220

Implementation of climate-related information

Item	Status
1. Describe the Board of Directors' and management's oversight and governance of climate-related risks and opportunities.	The Company has assessed the potential risk and actions to be taken based on the hazardousness and vulnerability of potential disasters on its business locations in Taiwan provided by the "Climate Change Disaster Risk Adaption Platform", and the ESG Sustainability Committee led by the President supervises the governance and enhances the implementation of emergency responsive procedures in accordance with the ISO 27001, 14001 and 50001 standards.
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium,	The Company has been drawing up the financial impacts on its business, transition risk and opportunity indicators and goals concerning

<p>and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p> <p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p>	climate-related risks.
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p>	In light of the Company's scale of operations, it has yet adopted any internal carbon pricing mechanism.
<p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status.</p>	The Company initiated the ISO 14064-1 Greenhouse Gas Inventory and Verification Project in 2022, in which, the parent company's greenhouse gas inventory and verification is expected to be completed in 2025. The Company has yet planned to use renewable energy certificates (RECs) to achieve relevant targets.

(VI) Fulfillment of ethical management and the deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and reasons thereof:

Items under evaluation	Status			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Establish ethical business policies and programs				
(I) Whether the Company adopts the ethical management policy approved by the Board of Directors, and expressly states the ethical corporate	√		The Company adheres to the ethical business principle, and aims at creating the maximum interest for shareholders and employees. The Board of	N/A

management policy and rules, and its fulfillment by the Board of Directors and senior management in its Articles of Incorporation and public documents?			Directors and management also work hard to fulfill the ethical business.	
(II) Whether the Company establishes the assessment mechanism about unethical conduct to analyze and assess the operating activities with higher risk of unethical conduct in the scope of business periodically, and adopts the unethical conduct prevention program based on the mechanism, which shall at least cover the prevention measures referred to in the subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies"?	√		All of the Company's employees need to comply with the Company's "Service Agreement" and to prevent bribery and acceptance of bribery, and illegal political contribution.	N/A
(III) Whether the Company expressly states the SOP, guidelines and reward and disciplinary & complaining systems in the unethical conduct prevention program, implements the same precisely and periodically reviews and amends said program?	√		According to the Company's "Service Agreement," employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior.	N/A
II. Implementation of ethical corporate management				
(I) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any ethical management clauses in the agreements it signs with business partners?	√		The Company has already signed the "Non-Disclosure Agreement" which expressly defines the clauses about ethical behavior with its trading counterparts.	N/A
(II) Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs, and reporting the status thereof to the Board of Directors periodically (at least once per year)?		√	The Company has not yet set up any specific (part-time) unit to advocate ethical corporate management.	Under research

(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	√		The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company's interest.	N/A
(IV) Whether the Company fulfills the ethical management by establishing an effective accounting system and internal control system, and has an internal audit unit research and adopt related audit plans based on the unethical conduct risk assessment result and conduct audits on the compliance by the unethical conduct prevention program, or appoints a CPA to conduct the audits?	√		The Company establishes the effective accounting system and internal control system. Auditors would also audit the compliance with the systems periodically.	N/A
(V) Does the Company organize internal or external training on a regular basis to maintain ethical management?		√	The Company has not yet organized any educational training about ethical management.	Under research
III. Reporting of misconduct				
(I) Whether the Company defines a specific whistle-blowing and reward system, and establishes some convenient whistle-blowing channel, and assigns competent dedicated personnel to deal with the situation?	√		The Company defines the "administrative disciplinary" measures. Any complaint may be filed via the email exclusive for employees' complaining.	N/A
(II) Whether the Company defines the standard operating procedure, follow-up measures to be taken upon completion of the investigation, and nondisclosure mechanism toward the investigation of complaints as accepted?	√		The Company has implemented standard operating procedures or confidentiality measures for handling reported misconducts.	N/A
(III) Has the Company adopted any measures to prevent the whistle-blowers from being abused after whistle-blowing?	√		The Company will keep the complainant's personal information confidential and take appropriate protective measures.	N/A
IV. Strengthening information disclosure Whether the Company discloses its ethical corporate management best-practice principles and effect of implementation thereof on its website and MOPS?	√		The Company's website and Market Observation Post System (MOPS) have disclosed the "ethical corporate management best-practice principles."	N/A
V. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE /TPEX Listed Companies," please describe its current practices and any deviations from the Best				

Practice Principles: No deviation.

VI. Other important information regarding the Company's ethical management (e.g., the Company's reviewing and amending the Company's ethical management best practice principles, etc.): N/A
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(VII) If the Company has established the corporate governance best-practice principles and relevant regulations, the way to access such principles must be disclosed: The Company has disclosed the contents on the Market Observation Post System and the Company's official website (corporate governance section).

(VIII) Other information enabling better understanding of the Company's corporate governance: None.

(IX) Disclosure of internal control system:

1. Internal Control Declaration:

MPI Corporation

Declaration of International Control System

Date: March 10, 2023

The following declaration is made based on the 2022 self-assessment on the Company's internal control system:

I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of this system is to provide reasonable assurance in terms of the effectiveness and efficiency of operations (including profitability, performance and asset security), reliable, timely and transparent reporting, and compliance with relevant laws and regulations.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in said "Regulations" include five elements depending on the management control process: (1) environment control, (2) risk assessment, (3) control process, (4) information and communication, and (5) supervision. Each of the five elements is then divided into a sub-category. Please refer to the "Regulations" for details.

IV. The Company has implemented said criteria of the internal control system to inspect the effectiveness of internal control system design and implementation.

V. Based on the result of the assessment, the Company finally determined the effectiveness of the design and implementation of our internal control system until December 31, 2022 (including supervision and management of subsidiaries) regarding the effectiveness and efficiency of operations, the reliability, timeliness, and transparency of reports and compliance with relevant laws and regulations. This system provided reasonable assurance that the above objectives have been achieved.

VI. The Declaration of Internal Control System is the main content of the Company's annual report and prospectus published. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

VII. The Declaration of Internal Control System was passed by a resolution in the Board meeting on March 10, 2023, in which, there was no objection raised by any of the 9 directors present, and all directors consented to this declaration.

MPI Corporation

Chairman: Ko, Chang-Lin (affixation of seal)

President: Kuo, Scott (affixation of seal)

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholders' equity or securities prices, please disclose the penalty, main shortcomings, and condition of improvement: N/A

(XI) Resolutions reached in the shareholder's meeting or by the Board of Directors during the most recent year and up to the date of publication of the annual report:

Important resolution reached by the Board of Directors:

Date of important resolution made by the Board of Directors	Important resolution	Provisions stipulated in Article 14-3 or Article 14-5 of the Securities and Exchange Act	Independent directors' opinion and the Company's action
18th meeting of 9th term January 25, 2022	Approved the Company's 2022 operational plan.		N/A
	Approved the appropriation ratios for remuneration to employees, directors and supervisors in 2022.		N/A
	Approved the remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
19th meeting of 9th term March 24, 2022	Distribution of 2021 Remuneration to Employees, Directors and Supervisors		N/A
	2021 Business Report and Financial Statements.	√	N/A
	Distribution of cash dividend from 2021 earnings distribution		N/A
	Amendments to the "Corporate Social Responsibility Best Practice Principles"	√	N/A
	Amendments to the "Corporate Governance Best-Practice Principles"	√	N/A
	For amendments to the Company's "Articles of Incorporation."	√	N/A
	Amendments to the "Procedures for Acquisition or Disposal of Assets"	√	N/A
	Amendments to the "Parliamentary Rules for Shareholders' Meetings."	√	N/A
	2021 Declaration of International Control System	√	N/A
Date, location and agenda of the annual general meeting 2021		N/A	
20th meeting of 9th term April 14, 2022	Approved the conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q1 of 2022 and set the record date for issuance of new shares	√	N/A
21th meeting of 9th term May 11,	Report on the Company's financial statements for the first quarter of 2022.	√	N/A
	Discussion on exercise of the put option for the 4th domestic unsecured convertible corporate bond.	√	N/A

2022			
22nd meeting of 9th term August 10, 2022	For the employee remuneration to the Company's managers proposed by the Remuneration Committee.		N/A
	Report on the Company's financial statements for the second quarter of 2022.	√	N/A
	Proposal for the early redemption of the Company's 4th domestic unsecured convertible corporate bond.	√	N/A
23rd meeting of 9th term October 12, 2022	Approved the conversion of 4th non-secured domestic convertible corporate bonds into common stock in Q3 of 2022 and setting of the record date for issuance of new shares	√	N/A
24th meeting of 9th term November 10, 2022	Report on the Company's financial statements for the third quarter of 2022.	√	N/A
	Discussion about the Company's 2023 internal audit plan	√	N/A
25th meeting of 9th term January 16, 2023	The Company's 2023 operational plan.		N/A
	Appropriation ratios for remuneration to employees, directors and supervisors in 2023.		N/A
	The remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
26th meeting of 9th term March 10, 2023	Distribution of 2022 remuneration to employees and directors.		N/A
	2022 Business Report and Financial Statements.	√	N/A
	Distribution of cash dividend through the earnings of 2022		N/A
	Discussion about the assignment of the Company's Corporate Governance Officer.		N/A
	Discussion about the assignment of the Company's dedicated Information Security Officer.		N/A
	Amendments to the "Parliamentary Rules for Directors' Meeting."	√	N/A
	Amendments to the "Sustainable Development Best-Practice Principles"	√	N/A
	Amendments to the "Corporate Governance Best-Practice Principles"	√	N/A
	Amendments to the "Regulations Governing Supervision of Subsidiaries."	√	N/A
	Adoption of the "Procedures for the Self-assessment of the Internal Control System"	√	N/A
	Adoption of the "Regulations Governing the Financial and Non-financial Information"	√	N/A
	2022 Declaration of Internal Control System	√	N/A
	Re-election of the Company's directors of 10th term (including independent directors).		N/A
Motion for opening of nomination of candidates for directors (including independent directors) to the Company.		N/A	
Nomination of candidates for directors (including independent directors) of 10th term.		N/A	

	Date, location and agenda of the 2023 annual general meeting		N/A
27th meeting of 9th term April 10, 2023	Purchase of land and factory in Hukou Industrial Park	√	N/A
28th meeting of 9th term May 11, 2023	Report on the Company's financial statements for the first quarter of 2023.	√	N/A
	The company's disposal of shares in Megtas (including BH equipment)		N/A

Implementation status of important resolutions made in the 2022 Annual General Meeting:

Date of important resolution made by the annual general meeting	Important resolution	Status
General shareholders' meeting 2022/6/15	Ratification of the 2021 Business Report and Financial Statements	Passed by the present shareholders unanimously.
	Ratification of the 2021 Earnings Distribution Plan	A cash dividend of NT\$4 per share was approved by attending shareholders unanimously. Ex-dividend record date: July 20, 2022 Date of cash dividend distribution: August 5, 2022

(XII) Recorded or written statements made by any director which specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of this annual report: None.

(XIII) Summary of discharge and termination of parties relating to the financial report (including the Chairman, president, accounting officer, finance officer, internal audit officer, corporate governance officer and R&D officer) during the most recent year and up to the date of publication of the annual report: None.

(XIV) Other disclosure:

Status of the continuing education of the Company's accounting officer and audit officer in 2022:

Job title	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	From 2022.10.27 to 2022.10.28	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Audit officer	Liu, Yi-Ping	Internal Audit Association	2022.07.07	Patterns of frequent internal control deficiencies found in each operating cycle and	6

				case study	
		Taiwan Development and Research Academia of Economics and Technology	2022.10.06	Legal compliance workshop for internal auditors	6

V. Information on CPA Fees

(1) Information on CPA Fees:

Unit: NTD thousand

Accounting firm:	Name of CPA	Duration of Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling	January 1, 2022-December 31, 2022	2,510	445	2,955	Tax audit fee of NT\$295 thousand and consulting fee for private placement of NT\$90 thousand
	Chen, Yi-Ling	January 1, 2022-December 31, 2022				

(II) If the Company meets any of the following circumstances, it shall disclose the CPA professional fee:

- (1) If the non-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of twenty-five percent, the company shall disclose the audit fee and non-audit fee, as well as the contents of the non-audit service: None.
- (2) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: None.
- (3) Audit fees were 15% less than that of the previous year, and the reduction of audit fee, percentage and reasons: None.

VI. Information on Replacement of CPA: N/A

(I) Former CPA: N/A.

(II) Succeeding CPA: N/A.

(III) The former CPA's written response to the sub-paragraphs 1&2-3 of Paragraph 5 of Article 10 of the Principles: N/A

VII. Information on Chairman, President, or financial or accounting manager of the Company who has worked with the CPA firm which conducts the audit of the Company or affiliate to such firm in the most recent year: None.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and up to the date of publication of the annual report:

(I) Change in equity of directors, supervisors, managers, and major shareholders

Job title	Name	2022	The current fiscal year up to April 30, 2023

		Increase (Decrease) in shares held	Increase (Decrease) in shares pledged	Increase (Decrease) in shares held	Increase (Decrease) in shares pledged
Chairman	MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	0	0	0	0
Director	MPI Investment Co., Ltd. Representative: Steve Chen	0	0	0	0
Director	MPI Investment Co., Ltd. Representative: Scott Kuo	0	0	0	0
Director	Liu, Fang-Sheng	0	0	0	0
Director	Li, Tu-Cheng	0	0	0	0
Director	Tsai, Chang-Shou	0	0	0	0
Independent director	Hsu, Mei-Fang	0	0	0	0
Independent director	Kao, Chin-Cheng	0	0	0	0
Independent director	Liao, Da-Ying	0	0	0	0
President	Scott Kuo	0	0	0	0
Vice President	Fan, Wei-Ju	0	0	0	0
Vice President	Liu, Yung-Chin	0	0	0	0
Finance Officer Corporate Governance Officer	Tang, Fu-Ping	0	0	0	0
Accounting officer	Rose Jao	0	0	0	0
Manager of the Branch Office	Wang, Jian-Ming	0	0	0	0

(II) Information about transfer or pledge of equity: N/A

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another:

April 30, 2023

Name	Own shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Disclosure of information on related parties or spousal relationship or relations within the second degree of kinship, among top ten shareholders, including their names or designations, and relationship		Remarks
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Designation (or Name)	Relationship	
MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	8,334,626	8.84%	0	0%	0	0%	MPI Investment Co., Ltd.	Director of the Company	N/A
	1,425,994	1.51%	427,781	0.45%	0	0%	MPI Investment Co., Ltd.	Chairman of the Company	N/A
MORGAN STANLEY & CO. INTERNATIONAL LIMITED Account managed by HSBC as the custodian	3,379,414	3.59%	0	0%	0	0%	N/A	No relationship	N/A
Bank SinoPac employee stock ownership trust account entrusted by MPI Corporation	1,571,076	1.67%	0	0%	0	0%	N/A	No relationship	N/A
Ko, Chang-Lin	1,425,994	1.51%	427,781	0.45%	0	0%	MPI Investment Co., Ltd.	Chairman of the Company	N/A
Barclays Capital SBL/PB investment account entrusted to Citibank	1,207,000	1.28%	0	0%	0	0%	N/A	No relationship	N/A
Labor pension fund under the new system	1,179,000	1.25%	0	0%	0	0%	N/A	No relationship	N/A
Public Service Pension Fund	1,105,000	1.17%	0	0%	0	0%	N/A	No relationship	N/A
Merrill Lynch International investment account entrusted to HSBC	986,209	1.05%	0	0%	0	0%	N/A	No relationship	N/A
Cathay Technology Fund	910,000	0.97%	0	0%	0	0%	N/A	No relationship	N/A
Capital High-Tech Fund entrusted to Taiwan Business Bank	850,000	0.90%	0	0%	0	0%	N/A	No relationship	N/A

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

December 31, 2022 Unit: Share; %

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding
Chain-Logic International Corp.	5,000,000	100%	0	0	5,000,000	100%
MPI TRADING CORP.	1,000	100%	0	0	1,000	100%
MMI HOLDING CO., LTD.	18,267,987	100%	0	0	18,267,987	100%
Allstron Corporation	1,550,000	100%	0	0	1,550,000	100%
MEGTAS CO., LTD.	400,000	80%	0	0	400,000	80%
MPA TRADING COR.	11,450,000	100%	0	0	11,450,000	100%
CHAIN-LOGIC TRADING CORP. (Note 2)	0	0%	100	Wholly owned by the subsidiary	100	100%
MPI AMERICA INC. (Note 3)	0	0%	6,300,000	Wholly owned by the subsidiary	6,300,000	100%
Lumitek (Changchou) Co. Ltd. (Note 4)	0	0%	US\$16,000,000	Wholly owned by the subsidiary	US\$16,000,000	100%
MPI Corporation (Suzhou) (Note 5)	0	0%	US\$2,000,000	Wholly owned by the subsidiary	US\$2,000,000	100%
Celadon Systems Inc. (Note 6)	0	0%	1,000	Wholly owned by the subsidiary	1,000	100%

Note 1: Long-term investment by the Company

Note 2: An investee of the Company's subsidiary, Chain-Logic International Corp.

Note 3: An investee of the Company's subsidiary, MPA TRADING CORP.

Note 4: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.

Note 5: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.

Note 6: An investee of the Company's subsidiary, MPI AMERICA INC.

Four. Status of Fundraising

I. Capital Stock and Shares

(I) Source of Capital Stock:

April 30, 2023; Unit: Thousand Shares; NT\$ thousand

Year/ Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital Stock	Offset by any property other than cash	Others
1995/07	10	500	5,000	500	5,000	Capital of incorporation	N/A	
1998/10	10	22,500	225,000	6,000	60,000	Capital increase in cash by NT\$55,000 thousand	N/A	
2000/07	15 10	22,500	225,000	10,000	100,000	Capital increase in cash by NT\$28,000 thousand Capital increase upon recapitalization of earnings by NT\$12,000 thousand	N/A	
2001/05	18 10 10	22,500	225,000	20,000	200,000	Capital increase in cash by NT\$50,700 thousand Capital increase upon recapitalization of earnings by NT\$42,000 thousand Capital increase upon recapitalization of employee bonus by NT\$7,300 thousand	N/A	
2002/06	10	50,000	500,000	30,000	300,000	Capital increase upon recapitalization of earnings by NT\$43,800 thousand Capital increase upon recapitalization of employee bonus by NT\$6,200 thousand	Succeed to shares of Chain-Logic International Corp., NT\$50,000 thousand	Note 1
2003/09	10	50,000	500,000	33,434	334,340	Capital increase upon recapitalization of earnings by NT\$30,000 thousand Capital increase upon recapitalization of employee bonus by NT\$4,340 thousand	N/A	Note 2
2004/08	10	50,000	500,000	33,803	338,031	Conversion of convertible bonds to common stock NT\$3,691 thousand	N/A	
2004/09	10	50,000	500,000	37,672	376,719	Capital increase upon recapitalization of earnings by NT\$33,434 thousand Capital increase upon recapitalization of employee bonus by NT\$5,254 thousand	N/A	Note 3
2004/11	10	50,000	500,000	38,217	382,174	Conversion of convertible bonds to common stock NT\$5,454 thousand	N/A	
2005/02	10	50,000	500,000	38,877	388,775	Conversion of convertible bonds to common stock NT\$6,601 thousand	N/A	
2005/05	10	50,000	500,000	39,556	395,556	Conversion of convertible bonds to common stock NT\$6,781 thousand	N/A	
2005/07	10	50,000	500,000	39,576	395,765	Conversion of convertible bonds to common stock NT\$208 thousand	N/A	
2005/09	10	51,300	513,000	48,957	489,568	Capital increase upon recapitalization of earnings by NT\$81,960 thousand Capital increase upon recapitalization of employee bonus by NT\$11,814 thousand Conversion of convertible bonds to common stock NT\$30 thousand	N/A	Note 4
2005/10	10	51,300	513,000	49,253	492,533	Conversion of convertible bonds to	N/A	

						common stock NT\$2,964 thousand		
2006/02	10	51,300	513,000	50,479	504,785	Conversion of convertible bonds to common stock NT\$12,253 thousand	N/A	
2006/05	10	51,300	513,000	50,724	507,236	Conversion of convertible bonds to common stock NT\$2,451 thousand	N/A	
2006/08	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to common stock NT\$909 thousand	N/A	
2006/09	10	58,000	580,000	56,496	564,959	Capital increase upon recapitalization of earnings by NT\$50,814 thousand Capital increase upon recapitalization of employee bonus by NT\$6,000 thousand	N/A	Note 5
2007/08	10	100,000	1,000,000	56,501	565,005	Conversion of convertible bonds to common stock NT\$45 thousand	N/A	
2007/09	10	100,000	1,000,000	63,676	636,758	Capital increase upon recapitalization of earnings by NT\$57,500 thousand Capital increase upon recapitalization of employee bonus by NT\$8,118 thousand Conversion of convertible bonds to common stock NT\$6,135 thousand	N/A	Note 6
2007/10	10	100,000	1,000,000	63,679	636,789	Conversion of convertible bonds to common stock NT\$30 thousand	N/A	
2008/01	10	100,000	1,000,000	63,736	637,363	Conversion of convertible bonds to common stock NT\$574 thousand	N/A	
2008/09	10	100,000	1,000,000	71,105	711,053	Capital increase upon recapitalization of earnings by NT\$64,570 thousand Capital increase upon recapitalization of employee bonus by NT\$9,120 thousand	N/A	Note 7
2009/08	10	100,000	1,000,000	73,311	733,111	Capital increase upon recapitalization of earnings by NT\$21,190 thousand Capital increase upon recapitalization of employee bonus by NT\$868 thousand	N/A	Note 8
2009/12	10	100,000	1,000,000	74,084	740,841	Conversion of employee options to common stock NT\$100 thousand Conversion of convertible bonds to common stock NT\$7,630 thousand	N/A	
2010/04	10	100,000	1,000,000	77,449	774,486	Conversion of employee options to common stock NT\$11,190 thousand Conversion of convertible bonds to common stock NT\$22,455 thousand	N/A	
2010/07	10	100,000	1,000,000	77,629	776,291	Conversion of employee options to common stock NT\$11,082 thousand Conversion of convertible bonds to common stock NT\$3,200 thousand	N/A	
2010/10	10	100,000	1,000,000	77,697	776,970	Conversion of employee options to common stock NT\$5,376 thousand Conversion of convertible bonds to common stock NT\$200 thousand	N/A	
2011/01	10	100,000	1,000,000	77,985	779,854	Conversion of employee options to common stock NT\$13,149 thousand Conversion of convertible bonds to common stock NT\$8,900 thousand	N/A	
2011/04	10	100,000	1,000,000	78,464	784,644	Conversion of employee options to common stock NT\$39,613 thousand	N/A	
2011/08	10	100,000	1,000,000	78,549	785,494	Conversion of employee options to common stock NT\$7,030 thousand	N/A	
2011/10	10	100,000	1,000,000	78,590	785,904	Conversion of employee options to common stock NT\$3,299 thousand	N/A	
2012/01	10	100,000	1,000,000	78,602	786,024	Conversion of employee options to common stock NT\$931 thousand	N/A	
2012/04	10	100,000	1,000,000	78,605	786,054	Conversion of employee options to common stock NT\$233 thousand	N/A	

2012/07	10	100,000	1,000,000	78,610	786,104	Conversion of employee options to common stock NT\$388 thousand	N/A	
2013/07	10	100,000	1,000,000	78,612	786,123	Conversion of employee options to common stock NT\$143 thousand Cancellation and capital reduction by 8 shares upon shareholders' waiver to hold shares	N/A	
2015/01	10	100,000	1,000,000	79,536	795,364	Conversion of convertible bonds to common stock NT\$92,400 thousand	N/A	
2015/05	10	100,000	1,000,000	79,605	796,054	Conversion of convertible bonds to common stock NT\$6,900 thousand	N/A	
2017/08	10	100,000	1,000,000	79,901	799,014	Conversion of convertible bonds to common stock NT\$26,700 thousand	N/A	
2019/08	10	120,000	1,200,000	79,915	799,154	Conversion of convertible bonds to common stock NT\$1,000 thousand	N/A	
2020/01	10	120,000	1,200,000	79,959	799,587	Conversion of convertible bonds to common stock NT\$3,000 thousand	N/A	
2020/08	10	120,000	1,200,000	80,294	802,940	Conversion of convertible bonds to common stock NT\$23,200 thousand	N/A	
2020/10	10	120,000	1,200,000	91,068	910,684	Conversion of convertible bonds to common stock NT\$726,200 thousand	N/A	
2021/01	10	120,000	1,200,000	92,080	920,802	Conversion of convertible bonds to common stock NT\$68,200 thousand	N/A	
2021/04	10	120,000	1,200,000	92,381	923,813	Conversion of convertible bonds to common stock NT\$20,300 thousand	N/A	
2021/08	10	120,000	1,200,000	93,000	930,001	Conversion of convertible bonds to common stock NT\$41,700 thousand	N/A	
2021/11	10	120,000	1,200,000	94,074	940,738	Conversion of convertible bonds to common stock NT\$69,900 thousand	N/A	
2022/04	10	120,000	1,200,000	94,078	940,784	Conversion of convertible bonds to common stock NT\$300 thousand	N/A	
2022/11	10	120,000	1,200,000	94,231	942,311	Conversion of convertible bonds to common stock NT\$9,500 thousand	N/A	

Note 1: Approval letter by Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.

Note 2: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0920129426 dated July 2, 2003.

Note 3: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0930126472 dated June 15, 2004.

Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0940124109 dated June 16, 2005.

Note 5: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0950130971 dated July 17, 2006.

Note 6: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0960036186 dated July 12, 2007.

Note 7: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.

Note 8: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stocks	94,231,106 shares	25,768,894 shares	120,000,000 shares	TWSE stock

(II) Composition of shareholders

April 30, 2023

Composition of shareholders Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution and Foreigner	Total
	Number of person	3	16	261	33,670	117
Shares held	2,814,000	1,526,045	17,482,353	58,360,953	14,047,755	94,231,106

Ratio of shareholding	2.99%	1.62%	18.55%	61.93%	14.91%	100.00%
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(III) Diversification of equity

April 30, 2023

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1 ~ 999	20,200	435,626	0.46
1,000 ~ 5,000	12,100	20,902,361	22.18
5,001 ~ 10,000	921	7,389,283	7.84
10,001 ~ 15,000	236	3,060,489	3.25
15,001 ~ 20,000	169	3,163,476	3.36
20,001 ~ 30,000	148	3,836,222	4.07
30,001 ~ 40,000	64	2,350,901	2.50
40,001 ~ 50,000	61	2,863,969	3.04
50,001 ~ 100,000	75	5,653,504	6.00
100,001 ~ 200,000	34	4,722,465	5.01
200,001 ~ 400,000	31	8,133,200	8.63
400,001 ~ 600,000	9	4,178,167	4.43
600,001 ~ 800,000	8	5,768,124	6.12
800,001 ~ 1,000,000	4	3,571,209	3.79
1,000,001 and above	7	18,202,110	19.32
Total	34,067	94,231,106	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2023

Name of Major Shareholders	Share	Shares held	Ratio of shareholding (%)
MPI Investment Co., Ltd.		8,334,626	8.84%
MORGAN STANLEY & CO. INTERNATIONAL LIMITED Account managed by HSBC as the custodian		3,379,414	3.59%
MPI Corporation Employee Stock Ownership Trust Managed by Bank SinoPac		1,571,076	1.67%
Ko, Chang-Lin		1,425,994	1.51%
Barclays Capital SBL/PB investment account entrusted to Citibank		1,207,000	1.28%
Labor pension fund under the new system		1,179,000	1.25%
Public Service Pension Fund		1,105,000	1.17%
Merrill Lynch International investment account entrusted to HSBC		986,209	1.05%
Cathay Technology Fund		910,000	0.97%
Capital High-Tech Fund entrusted to Taiwan Business Bank		850,000	0.90%

(V) Information on market value, net value, earnings and dividends per share in the most recent two years

Unit: NTD; share

Item		Year	2021	2022	The current fiscal year up to April 30, 2023
		Market price per share (Note 1)	Highest		173.00
Lowest			87.60	74.60	112.50
Average			133.34	106.04	132.33
Net value per share	Before distribution		64.19	73.07	76.38
	After distribution		60.19	66.07	N/A
EPS	Weighted average shares		94,073,772	94,231,106	94,231,106
	Earnings per share (Note 2)		7.44	12.89	2.98
Dividend per share	Cash dividend		4.00	7.00	0
	Free-Gratis dividends	Retained shares distribution	0	0	0
		Capital surplus shares distribution	0	0	0
	Retained dividend		0	0	0
Return on investment analysis	Price-Earnings Ratio (Note 3)		17.92	8.23	0
	Dividend Yield (Note 4)		33.34	15.15	0
	Cash dividend yield (Note 5)		3.00%	6.60%	0

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.

Note 2: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 3: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share

Note 4: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share

Note 5: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year

Note 6: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

Article XIX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%-15% thereof as the remuneration to employees, and no more 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.

The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

Article XX: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the shareholders' meeting for ratification.

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.

2. Dividends distribution proposed at the shareholders' meeting in the current year
The Company's 2022 earnings distribution plan, in which a total of NT\$659,617,742 cash dividend was proposed to be distributed (NT\$7 per share), has been resolved by the board of directors' meeting on March 10, 2023.
3. Whether a material change in dividend policy is expected: None.

(VII) The effect of stock dividend as proposed in this General Meeting on the operation performance and earnings per share of the company: N/A, as no bonus share distribution was proposed at the meeting.

(VIII) Remuneration to employees and directors

1. The percentages or ranges with respect to employee and director compensation, as set forth in the company's articles of incorporation.

Article XIX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%-15% thereof as the remuneration to employees, and no more 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.

The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

Article XX: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the shareholders' meeting for ratification.

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.

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

Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more 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. If the actual distributed amount resolved by a shareholders' meeting is different from the estimate, the difference shall be treated as a change in accounting estimate and stated as the income of next year.

3. Distribution of compensation approved by the board of directors:
The proposal of the Company's 2022 earnings distribution plan was approved in the Board of Directors' meeting on March 10, 2023, and the approved earnings distribution plan is as follows:
 - (1) The actual cash distribution of employee compensation of NT\$127,800,000 and directors' remuneration of NT\$31,950,000, is the same as the estimated figure recognized.
 - (2) The amount of any employee compensation distributed in stocks as a percentage of the sum of the after-tax net income and total employee compensation: N/A.
4. The actual distribution of employee and director compensation for the previous fiscal

year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, additionally the discrepancy, cause, and how it is treated.

Unit: NTDS\$

Items	Amount
Employees' cash remuneration	71,048,000
Remuneration to directors	17,761,896

There was no discrepancy between the actual distribution of 2021 employee and director compensation and the amount recognized.

(IX) Repurchase of the Company's shares: N/A

II. Issuance of Corporate Bonds: N/A

III. Issuance of Preferred Shares: N/A

IV. Status of GDR/ADR: N/A

V. Status of employee stock options: N/A

VI. Restriction on Employee Share Subscription Warrant: N/A

VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company: N/A

VIII. Implementation of Capital Utilization Plan: N/A

Five. Overview of operation

I. Business Contents

(I) Business lines:

1. The Company primarily engages in:
 - (1) Maintenance, trading and R&D of computer and peripheral devices;
 - (2) Import/export and trading of semiconductor components, electronic parts, and silicon integrated circuits;
 - (3) Import/export and trading of precision automated control machines;
 - (4) Import/export and trading of machinery and spare parts thereof;
 - (5) General import/export and trading; (Except for those that require special permission)
 - (6) Processing, maintenance, manufacturing, import/export and trading of semi-conductor probing spare parts;
 - (7) Quotation and bidding for said products on behalf of domestic and foreign suppliers;
 - (8) Machinery and equipment manufacturing;
 - (9) Machinery wholesale;
 - (10) Machinery and utensil retailing.

2. Weight of business

The Company's consolidated operating revenue, net was NT\$7,439,175 thousand in 2022, primarily generated from the sale of wafer probe cards and semi-conductor equipment. The weight of business for various products (services) is stated as follows:

Unit: NTD thousand

Product (service)	2022	
	Net sales	Weight of business %
Wafer probe card	4,129,957	55.52%
Semi-conductor equipment	2,095,563	28.17%
Others	1,213,655	16.31%
Total	7,439,175	100.00%

3. Current products (services) of the Company

- (1) Wafer probe card
- (2) Wafer probe card maintenance service
- (3) Wafer probing and sorting equipment
- (4) Probing, sorting and photoelectric inspection equipment of semi-conductor wafers and components

4. New products (services) under development

- (1) Wafer probe card
 - (a) In order to deal with the technology upgrade in the production process of the semi-conductor wafer, the Company will continue to develop the wafer probe cards with ultra-fine pitch technology, high pin count, large area, high/low-temperature, less cleaning and multi-DUT.
 - (b) The Company will continue to develop the wafer probe card for high-speed test to keep up with the development trend of high-speed chips.
 - (c) To catch up with the advanced packaging technology development and cope with different product application, the Company will continue to develop the highly-integrated wafer probe cards with FOWLP, KDG, flip chip, CIS, TSV, WLP, SiP, SoC, 2.5D and 3D stack die structures for

- probing.
- (2) Semi-conductor equipment
 - (a) Development of 6~8' Micro LED multi-channel high-speed low-current measurement equipment.
 - (b) Wafer level test system with nanosecond pulsed and high-power laser diode (Laser Diode and VCSEL).
 - (c) Automatic mass production equipment for compound semi-conductor.

(II) Overview of industry

(A) Overview and development of industry

(1) Status of the global business

(a) Wafer probe card (semi-conductor industry)

In the semi-conductor industry chain, IC design industry serves as the upstream supplier, and IC wafer manufacturing the mid-stream dealer, and IC packing and test industry as the downstream dealer. Taiwan owns the most complete cluster and professional division of work in the global semi-conductor industry. Fabless IC design company hires professional wafer foundries to manufacture wafers in accordance with its design. After front-end probing, packaging fabs will take over and perform cutting and packaging. Finally, the probing fab will perform the back-end probing, and finally assemble the tested finished goods into finished products.

The IC test may be completed in two steps. One refers to the wafer test before packaging primarily aiming to test the electrical property of unit dies on the chips. The other refers to the IC finished goods test primarily aiming to whether the functions, electrical property and heat dissipation of IC are normal or not, in order to ensure the quality. The probe card is applied at the wafer test stage, in order to conduct the probing test on each die on the chips.

Probe card is a plated circuit board filled with probe needles. It is the interface between the probing machine and the wafer under test and analysis. When the manufacture of the wafer is complete, the probe card is needed for probing the quality of the wafer and separating the fine-quality IC (integrated circuit) from the wafer of poor quality (defective product). The subsequent packaging process only allows the fine-quality IC to enter the packaging step, and the poor-quality IC will not enter the packaging step to avoid unnecessary waste of the cost.

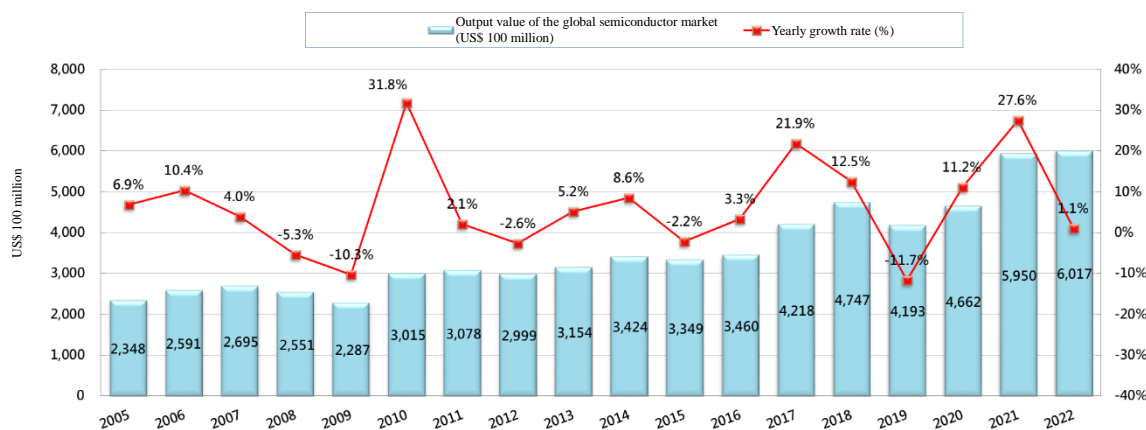
Each IC type requires at least one corresponding probe card. The operation principle of the probe card is that the probe needles on the probe card contact with the pads or bumps on the devices under test (DUT) to perform probe test and input/output the chip signal to perform electrical measurement. Automated measuring is realized with the help of the peripheral probing instrument and controlling software.

After the wafer probing test is done, the wafer is divided into individual dies. After that, qualified dies are allowed to enter the back-end IC packaging process covered with plastics, ceramics or metals to protect the die from any contamination and also facilitate subsequent packaging process, to achieve the connection of electricity property and heat dissipation of chips and electronic systems. The cost of packaging takes up a great percentage of the overall cost of IC production. Therefore, preventing the defective products from entering the back-end packaging process will result in effective cost-reduction and avoid unnecessary waste.

Electronic devices with slim structure, multiple functions and lower power consumption have become the trend. Advanced packaging cost will increase accordingly. This is why wafer probe test technology with lower cost has become very important in the IC industry.

Taiwan's IC packaging and test industry ranks the first place in the world stably. Following the emerging IoT applications, Taiwan's IC packaging and test service providers continue to deploy high-end packaging and heterogeneous integration technology, in order to expand their differentiation with competitors. At the same time, probe card suppliers and testing equipment manufacturers are also striving to follow the trend and develop new technologies to maintain their leading position.

Output value of the global semiconductor market



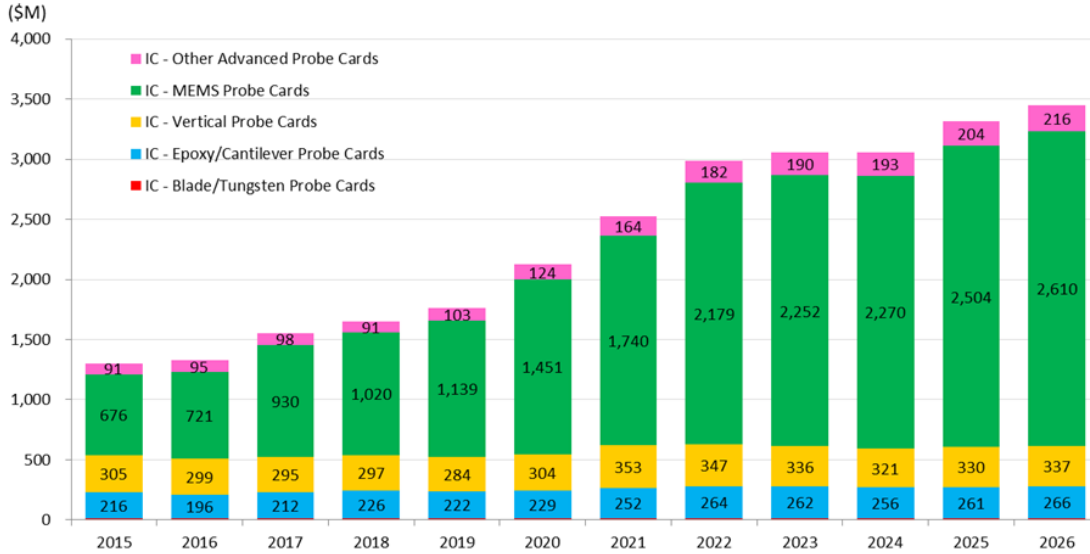
Source: Gartner (01/2023); compiled by MPI

The wafer probe card is closely related to the semi-conductor industry. The rise and fall of the semi-conductor market will affect the wafer probe card market directly. According to the survey report provided by the market survey institution, Gartner, the global semi-conductor industry's operating revenue amounted to US\$601.7 billion in 2022, slightly growing by 1.1% from 2021. While the sales of memory chips were affected, there is still a strong demand in the automotive and industrial end market.

According to the report released by Market Intelligence & Consulting Institute (MIC) of the Institute for Information Industry, it is estimated that the slowing demand for electronic devices along with the inflation, war impact, and high level of memory inventory will affect the performance of the semiconductor market in the first half of 2023. However, there is a strong demand for the 5G, data center, High Performance Computing (HPC), EV, and artificial intelligence (AI) applications. The strong demand for advanced manufacturing processes are still the main driver for the development of the semi-conductor industry. While its growth may not meet the expectations, it still has a positive growth through 2023.

While the global semiconductor market may grow slowly by about 0.5%, the Taiwanese semiconductor market still outperforms its global counterpart, slightly growing by 1.7% in 2023. Taiwan's semi-conductor supply chain plays an important role globally. In 2022, its total output value amounted to more than NT\$4.84 trillion, ahead of the global industry for four years, and became the second largest semi-conductor supply chain globally, after the USA. Taiwan's advanced production process of semi-conductor took the leading position globally, with the output value of wafer foundry and packaging & test ranking 1st place in the world, and IC design ranking 2nd place in the world. The Market Intelligence & Consulting Institute (MIC) of the Institute for Information Industry estimated that the demand for the logic IC packaging in the second half of 2023 will gradually recover. Furthermore, the increasing complexity of the chip design and number of the transistors will drive the demand for high-end testing.

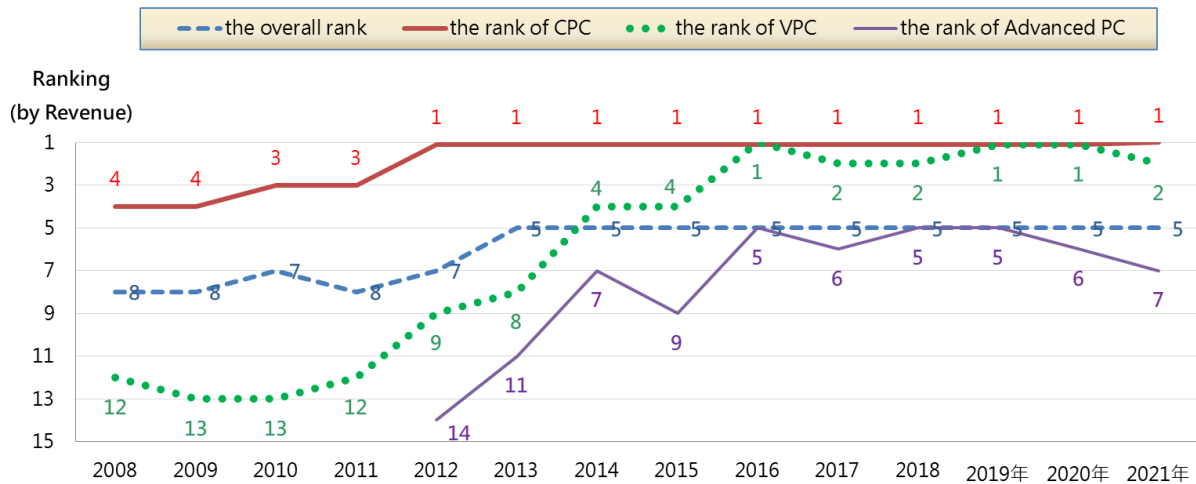
Global probe card market forecast



Source: TechInsights Inc. (06/2022); Compiled by MPI (06/2022)

According to the global probe card market forecast released by TechInsights Inc., the Compound Annual Growth Rate (CAGR) is 6.4% and the global probe card market will grow steadily.

MPI's ranking in the global probe card market the relative position of MPI



Source: TechInsights Inc. (06/2022); Compiled by MPI (06/2022)

According to the survey report of suppliers made by the TechInsights Inc. in June 2022, MPI ranked the 5th place among other suppliers in 2013. Since then, we have kept investing resources and expanded the sale in order to maintain the outstanding achievement and to pursue even better rankings. MPI ranked 5th place in the global probe card market in 2021. Among the other things, MPI took the 1st place in the global market share of epoxy/cantilever probe cards, the 2nd place in the global market share of vertical probe cards again, and the 3rd place in the global market share of logic IC testing probe cards.

Both our production value of probe cards and the global ranking gradually grow year by year. We have earned ourselves the leading place in the market. The operational strategies emphasize the R&D investment and technology innovation. We will keep

growing by adopting leading-edge technology to maintain our competitive advantages.

(b) Semi-conductor equipment

As the developmental trend of the international trends shows, the Metaverse and autonomous driving will be one of the development directions. It is expected that they will be ubiquitous in our daily lives. According to the market survey report, the Metaverse will create another mega ecosystem like that of the smart-phone industry, while the headset is essential to enter the Metaverse. The continuous growth of the Metaverse will significantly drive the shipments of the headset. The Micro LED is applied to VR / AR / MR devices, which shows another future technical trend. Therefore, it is expected that the Micro LED will has a obvious growth after 2024.

Head-mounted Displays Necessary for Entry Into the Metaverse



The Industrial, Science and Technology International Strategy Center



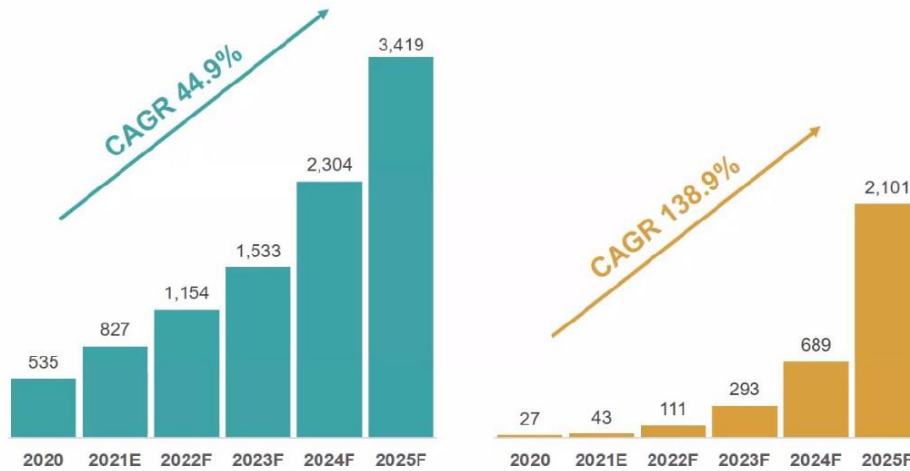
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6

Source: 2022 Report by the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute

Catalyzed by the metaverse's growth, sales of these devices will increase rapidly.

■ Shipment of VR Devices (tens of thousand units) ■ Shipment of AR/MR Devices (tens of thousand units)



產業科技國際策略發展所 資料來源：工研院產科國際所

工業技術研究院
Industrial Technology
Research Institute

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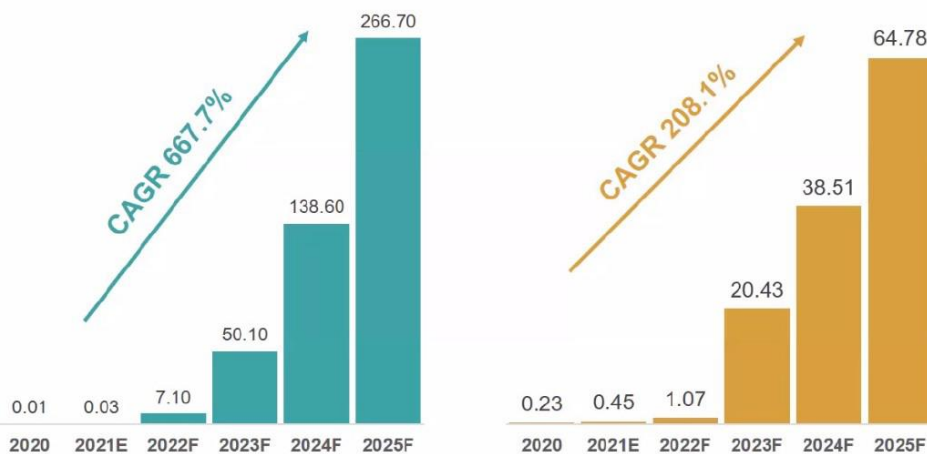
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Source: 2022 Report by the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute

OMDIA predicts that the Micro LED market will see observable growth after 2024.

■ Shipment of Micro LED Devices (tens of thousand units)

■ Market Size of Micro LEDs (hundreds of million units)



產業科技國際策略發展所 資料來源：OMDIA

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Source: 2022 Report by the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute

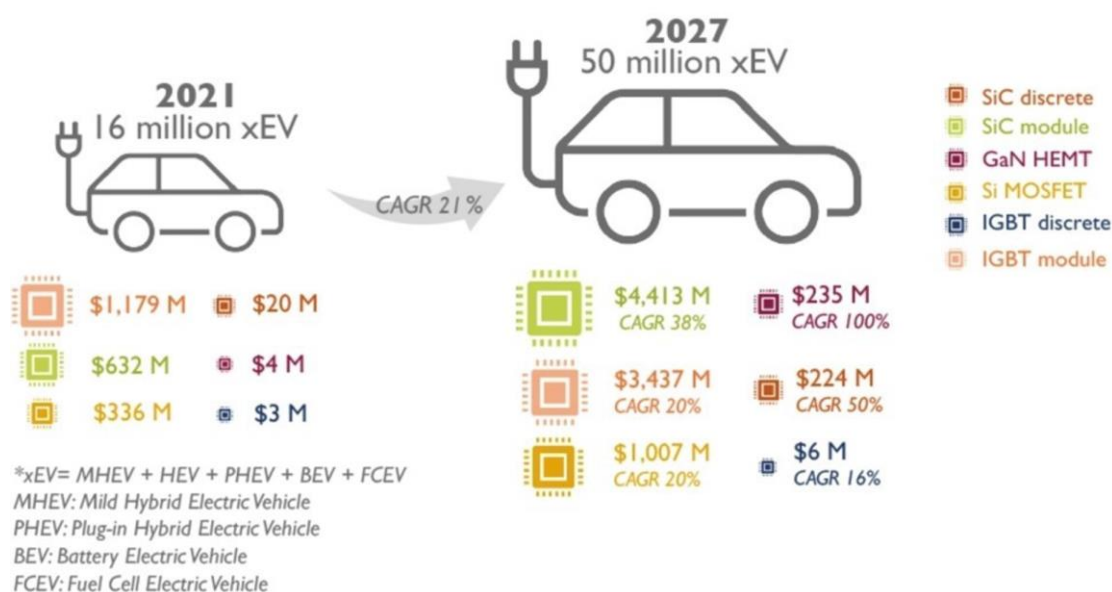
Under the trend of global energy saving and carbon reduction, the Advanced Driver Assistance Systems (ADAS) or Robotic cars (unmanned cars) and Light Detection And Ranging (LiDAR) system are getting more and more popular. The use of VCSEL

components in LiDar will be the driver for rapid growth of the third generation. It is expected that by 2025 the Compound Annual Growth Rate will remain strong, and it will become the mainstream in the high growth of next-generation photoelectric semi-conductor components. The environmental protection laws and regulations require that since 2030, the petrol and diesel vehicles have phased out of the market. At that time, EV will dominate the whole transportation market. The smart LiDar system can connect to 5G network or the next-generation cloud big data network. Each automotive devices can become a node for high-speed edge computing. The high-power VCSEL component used in the LiDar system will become an indispensable part.

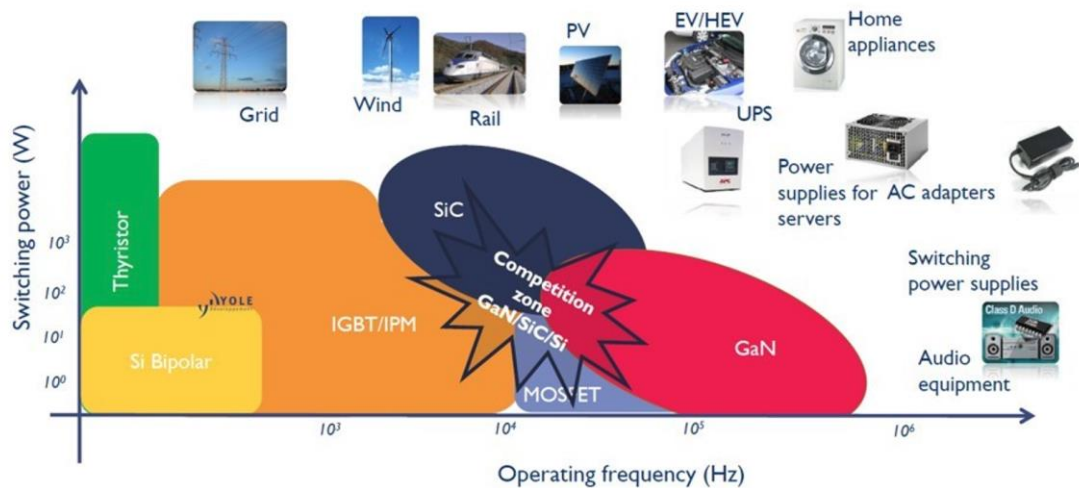
The EV has become the mainstream in the future and will replace the petrol and diesel vehicles. The quantities of high power components used in the EV have been increased rapidly at a CAGR of more than 20% per year since 2021. The demand for the third compound semiconductor, such as GaN and SiC, also rapidly grow year by year. Taiwan is one of the major production bases in the global semiconductor industry, having a complete industry chain. In the future, it will be the key global player in terms of global manufacturing of compound semi-conductor wafers and components.

2021 – 2027 power device market - xEV* focus

(Source: Power Electronics for Automotive - Focus Passenger and Light Commercial Vehicles 2022, Yole Développement, May 2022)



Source: Yole 2022 Report



Source: Yole 2022 Report

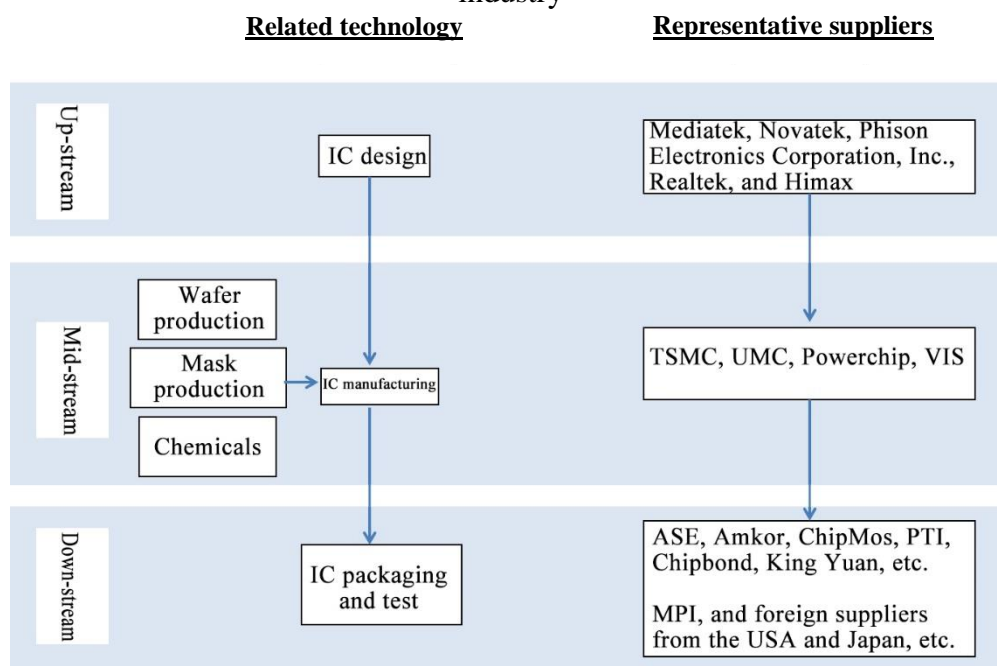
(2) Status of domestic industry

(A) Wafer probe card (semi-conductor industry)

The semiconductor industry is one of the most important industries in Taiwan. With the active support from the Government and much effort of the industry for decades, a comprehensive supply chain has been formed for the semiconductor industry; there is a complete industry structure and professional division of labor system. Professional companies in Taiwan have been engaged in the IC design in the upstream sector, wafer fabrication in the midstream sector, and IC packaging as well as testing in the downstream.

In the first half of 2023, the slowing demand for electronic devices along with the inflation, war impact, and high level of memory inventory will result in a poor market performance. However, the demand for the logic IC packaging will recover in the second half of 2023. The increasing complexity of the chip design will drive the demand for high-end testing. While its growth does not meet the expectations, the semi-conductor market has a positive growth throughout 2023.

Relation Diagram for up-stream, mid-stream and down-stream dealers in the semi-conductor industry



Source: MPI (2021/4)

The Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute predicts the output value of the semi-conductor industry in Taiwan (including IC design, IC manufacturing, IC packaging, and IC test) will exceed NT\$1,243.5 billion in Q3 of 2022, growing by 0.5% from Q2 of 2021 and by 14.6% from the same period in 2021. Among the other things, the IC design industry's output value will be NT\$297 billion, growing by 13.9% from Q2 and by 10.0% from the same period in 2021. The IC manufacturing industry's output value will be NT\$764 billion, growing by 6.2% from Q2 and by 30.2% from the same period in 2021.

According to the statistical data about the IC manufacturing industry in Q3, the wafer foundry industry's output value will be NT\$713 billion, growing by 9.5% from Q2 and by 40.3% from the same period in 2021. The output value of memory and other manufacturing will be NT\$51 billion, growing by 25.3% from Q2 and by 35.3% from the same period in 2021. In addition, the unused IC packaging industry's output value will be NT\$1,270 billion, growing by 10.4% from Q2 and by 10.4% from the same period in 2021. The IC test industry's output value will be NT\$55.5 billion, declining by 3.5% from Q2 but growing by 4.7% from the same period in 2021.

It is estimated that Taiwan IC industry's output value would amount to NT\$4.7204 trillion in 2022, growing by 15.6% from 2021. Among the other things, the IC design industry's output value will be NT\$ 1.2370 trillion, growing by 1.8% from 2021. The IC manufacturing industry's output value will be NT\$2.7824 trillion, growing by 24.8% from 2021.

It is estimated that the output value of wafer foundry in the IC manufacturing industry will be NT\$2.5563 trillion, growing by 31.7% from 2021. The output value of memories and other manufacturing industries will be NT\$226.1 billion, growing by 21.50% from 2021. Meanwhile, the IC packaging industry's output value will be NT\$479.5 billion, growing by 10.1% from 2021. The IC test industry's output value will be NT\$221.5 billion, growing by 9.1% from 2021. According to the analysis on the output

value of the sub-industries of the Taiwan IC industry, it is estimated that IC manufacturing and packaging will maintain double-digit growth.

Table. 2018~2022 IC Industry Output Value and Annual Growth in Taiwan

NT\$ 100 million	2018	Growth rate of 2018	2019	Growth rate of 2019	2020	Growth rate of 2020	2021	Growth rate of 2021	2022(e)	Growth rate of 2022(e)
Output value of IC industry	26,199	6.4%	26,656	1.7%	32,222	20.9%	40,820	26.7%	47,204	15.6%
IC design industry	6,413	3.9%	6,928	8.0%	8,529	23.1%	12,147	42.4%	12,370	1.8%
IC manufacturing industry	14,856	8.6%	14,721	-0.9%	18,203	23.7%	22,289	22.4%	27,824	24.8%
Wafer OEM	12,851	6.6%	13,125	6.6%	16,297	24.2%	19,410	19.1%	25,563	31.7%
Memories and other manufacturing	2,005	23.7%	1,596	-20.4%	1,906	19.4%	2,879	51.0%	2,261	-21.5%
IC assembly industry	3,445	3.5%	3,463	0.5%	3,775	9.0%	4,354	15.3%	4,795	10.1%
IC testing industry	1,485	3.1%	1,544	4.0%	1,715	11.1%	2,030	18.4%	2,215	9.1%
Output value of IC products	8,418	8.0%	8,524	1.3%	10,435	22.4%	15,026	44.0%	14,631	-2.6%
Global Semiconductor Market (unit: US\$100 million) and Growth rate (%)	4,688	13.7%	4,123	-12.0%	4,404	6.8%	5,559	26.2%	6,332	13.9%

Note: Output value of IC industry=output value of IC design industry+IC manufacturing industry+IC assembly industry+IC probing industry

Source: The Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute (2022/11)

Look forward into 2023, while the global overall economy is in bad condition with low end demand and high inventory level of the supply chain, Taiwan owns the most advanced packaging & test and heterogeneous integration technologies able to satisfy the demand for high integration and high performance of chips needed by the global electronic terminal products. According to the the Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute, it is expected that in 2023, the global semiconductor packaging market will grow by 3%. The probe card industry relies significantly on the semi-conductor industry. Thus, the advanced packaging need due to the end-application, the stable growth of the packaging market, or the new material introduction in the semi-conductor industry will increasingly promote the growth of the probe card market.

(B) Semi-conductor equipment

In the global semi-conductor industry's supply chain, Taiwan always plays an important role for foundry and manufacturing. Besides, given the on-going Sino-US trade war, Taiwan is still the most critical semi-conductor production location in the world. In response to the developmental trend of Metaverse and autonomous driving, several leading gallium arsenide (GaAs) manufacturers based domestically have successively expanded their production volume. At the same time when they were expanding their investment, they also needed high-class semi-conductor equipment more eagerly.

The Company continues to focus on the development and application of the engineering and production equipment required in the photoelectric component process. In addition to the traditional LED epitaxy testing and sorting equipment, we also provide a complete set of manufacturing process solutions. The Company cooperates with the international companies that have leading IAS technology and develop all kinds of testing equipment required in the micro LED mass production process. With the rise of the VCSEL and LiDAR infrared ray sensing elements, the Company uses the best effort to collaborate with international leading companies and academic units to improve core relevant core technologies and make progress with the growth of the industry in the challenging environment.

(B) Correlation between the up-stream, mid-stream and down-stream dealers in the industry

The Company's main products include wafer probe cards and semi-conductor equipment. The complicated machining process in the machinery industry requires lots of components/parts. Therefore, some part machining in the manufacturing process is outsourced to the subcontractors. In terms of the correlation between the up-stream and down-stream in the industry, the Company is identified as a down-stream company engaged in R&D, design & assembly and selling of various wafer probe cards and machines to companies in the semi-conductor and LED industries. The up-stream companies are responsible for supplying parts/components and raw materials including PCB, probes, microscopes, slide rails and automatic control components. The correlation between the up-stream and down-stream companies in the industry is as follows:

A. Wafer probe card:

<u>Up-stream</u>	<u>Mid-stream</u>	<u>Down-stream</u>
Measuring instrument industry		
PCB industry	Probes for probing	IC design industry
Ceramic industry	Special jigs	IC manufacturing industry
Synthetic resin manufacturing industry	Wafer probe card probing device	IC probing industry
Passive component industry		

B. Semi-conductor equipment:

<u>Up-stream</u>	<u>Mid-stream</u>	<u>Down-stream</u>
PCB industry	Computer	LED industry
Machinery processing industry	Automated control testing jig and equipment	Optoelectronic manufacturing industry
Automatic control components	Probes	Split-type component industry
Measuring instrument industry		Communication industry
Computer device industry		Semi-conductor wafer test industry
Optoelectronic components		
Electronic parts		

(C) Development trends of products

(1) Wafer probe card (semi-conductor industry)

The development of probe cards has high correlation with that of electronic packaging in the IC industry. For the time being, the demand for System in Package (SiP), 2.5D & 3D IC Packaging, Fan Out Packaging, MEMS and Sensor Packaging, and high-frequency test still needs to rely on different probe testing technologies. The IC industry imposes very strict cost requirements at the packaging and test stage. Meanwhile, following the evolution of IC process technology, the technical requirements for the packaging and test stage is also getting stricter and stricter.

The following ten development trends are concluded:

① Fine pitch

The overall semi-conductor technology would continue to make progress in the

miniaturization of circuit interval. In response to the future micro technology for IC process and continual miniaturization of the chip size, the Company will construct the bonding technology with a view to pursuing the shortest connection length, best electrical characteristics, and high output/input contact density so as to cut the IC size and increase the number of unit dies. Better fine pitch technology for the wafer probe cards will be developed to comply with the requirement of IC process.

② Processing of high-speed signal interruption

The System in Package (SiP) and multi-chip packaging systems have become the mainstream in the IC development. As the SiP cost still stays high, it is necessary to confirm the yield of each single chip and probe testing performed on each chip in the chip stack before proceeding with the multi-chip packaging, and complete the packaging upon confirmation of the yield rate to prevent any additional expenditure. As it is necessary for high-speed signals in the System in Package (SiP) and multi-chip packaging to deal with certain problems about integration of signals and electromagnetic interference (signal performance), the technical difficulty is also increasing.

③ Processing of problems about thermal effects

The applicable working environment of different IC products varies. Using environment (high and low temperature) of the product shall be simulated during wafer probing to ensure the impact of temperature will not affect normal operation of the electronic circuit of the IC product.

Test of these chips needs to take into account thermal effects or high and low temperature testing issues. The thermal effect problem derived from the high performance chips becomes critical at the wafer testing stage and back-end packaging stage. Meanwhile, the increasing demand for in-vehicle chips also signifies the importance of thermal effect problem. Some wafer types might require longer testing time and more complicated testing environment. Therefore, the probe card design must consider the increase/decrease in temperature and temperature restrictions and changes in the probe cards caused by the thermal effect at the time of wafer testing.

④ HF high-speed probe card

In consideration of the increasing high speed SerDes interface applications, such optical fiber transmission communication interface testing requires the precision of fiber alignment strictly required. The test needed by optical communications also needs to rely on some new test method. It is necessary to develop new probe card designs to overcome the bottleneck suffered by the optical communication test currently.

Due to the increasing demand of 5G communication, in-vehicle electronics, VR wireless transmission, internet application in the recent years, the demand for high-speed communication chips multiplies drastically. The demand drives the development of IC in the high-speed signal communication field. The most important thing in the design of high-speed communication chips is the signal transmission. Therefore, the impedance matching of the signal transmission path and completeness of signal are significant. The circuit design and manufacturing precision of the probe card are the development keys for ensuring the completeness of signal transmission.

⑤ Multi-chip parallel probing

The strategy for the probe card that is able to complete multi-chip probing with only one contact adopted in order to save the probing time and improve cost effectiveness has increased the difficulty in designing probe cards. In the meantime, in order to achieve the purpose of multi-chip parallel test, more number and larger size of chips must be designed for the same test. Meanwhile, it is necessary to achieve the consistency between DUT and DUT and control fair flatness, etc.. Fulfillment of

said requirements need to rely on better probe card design and manufacturing technologies.

⑥ Application of different semi-conductor materials and technology

The innovation and development of new semi-conductor process and technology will lead to the creation of different types of chip bonding pads and materials. The probe card technology will vary when using different bonding pad materials with DUT.

⑦ Low contact resistance

In order to meet the requirement of energy reduction for the portable mobile devices, the voltage during the operation will become lower. As a result, contact resistance applied when the probe card is probing the chip shall not be too high. Therefore, probe card with low contact resistance is the focus of the design and development.

⑧ Less cleaning

The poor quality of pin contact on the probe card will fail to deliver the probing function. Cleaning thus is needed for continuous probing. However, the pin contact will be worn during cleaning the life span of the pin will decrease as a result. Therefore, developing probe cards with less cleaning need has become a key for the product.

⑨ Probe card for low k chip

Low-k dielectrics are used as connection materials to decrease the RC delay in copper wire connection in the micro semi-conductor process. Most low-k materials are fragile with porosity; thus, it is critical to control the pin pressure range of the probe cards to avoid damaging the chip during wafer probe test.

⑩ High-power chip probing

The demand for high-power and high-voltage power chips rises rapidly in the industrial, communication and netcom equipment markets. This renders the IC manufacturers to develop related products. Industrial equipment, communication equipment and netcom equipment need high-power chips that allow high current input. Therefore, the development of the probe card applicable to high-power chip probing becomes a significant trend.

(2) Semi-conductor equipment

① Measurement capability

When Micro LEDs are applied in the wearables, such as AR / VR, in addition to the um-level size of dies, the measurement current used must be pico Amp while the optical power must be nano Watt. Therefore, the relevant equipment and measurement capacity must meet the above-mentioned specifications. When compared with that for traditional LEDs or Mini LEDs, the measurement capability for Micro LEDs are much higher.

In addition, when the VCSEL component is applied to the LiDar in the car, high power is required to detect terrain and its features in the distance. Therefore, during the wafer-class measurement, the nanosecond pulse and high current are essential testing condition. When combined with the high-speed measurement system and the probe card with a high-current drive IC, these will be one of the next developmental directions.

② Precision

When the Micro LEDs is reduced to a size smaller than um, the mechanical positioning precision of the mechanism must be improved. Shield environment ability for the automated equipment and the anti-vibration ability with the VC-C level will become a basic requirement for the photoelectric components in the future.

③ Automatic production

As the costs of labor in production are rising now, a great deal of automatic

production equipment and processes have been introduced gradually for the production in the photoelectric component industry like the semi-conductor industry. Multisite distributed testing equipment enables a system with the highest production capacity and small footprint, while working with the automatic wafer transfer system in unmanned factories for highest production capacities.

④Production management

In addition to the output efficiency of a single machine, the output efficiency of a whole production line is also an important indicator for each fab. The integration of the data flow and the most efficient production process, and the application and design of machines must be improved non-stop.

(D) Status of competition of products

Name of primary competitor, and business lines or competitive business lines of the competitor

(1) Wafer probe card

According to the survey of TechInsights Inc., among the domestic leading wafer probe card manufacturers, MPI is the only company that is listed as one of the top 5 wafer probe card manufacturers. The major competitors are foreign large companies.

The others in the same trade	Competitive products
JEM TAIWAN PROBE CORP. (a company incorporated by Japan-based JEM in Taiwan)	Wafer probe card
SV Probe (Taiwan Branch of the U.S.-based Nidec SV TCL Group)	Wafer probe card
FormFactor (a branch company of the U.S.-based FormFactor)	Wafer probe card
Technoprobe Taiwan Co., Ltd. (Taiwan Branch of the Italy-based Technoprobe Group)	Wafer probe card

(2) Semi-conductor equipment

The Company's semi-conductor equipment has earned the recognition from the customers with the outstanding technology and performance. With the growth of the photoelectric industry, more and more local equipment manufacturers start the development of related semi-conductor equipment. We maintain our leading position in the highly competitive market with our own technology, the philosophy of “Customer First”, and high production volume. The competitors are described as follow:

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Fittech Co.,LTD	Wafer prober
Chroma ATE Inc.	Wafer prober
Cascade, USA	Wafer prober
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device
SIDEA, China	Wafer prober

Vactek Technology, China	VCSEL testing system
Feedlitech, China	VCSEL testing system

(III) Overview of technology and R&D

1. R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: NTD thousand

Year	2022	Ending March 31, 2023
R&D expenses	747,551	178,729

2. Technology or product developed successfully in the last five years

Year	Technology name/product name
111	Vertical probe card for advanced CoWoS packaging for datacenter (HPC) application processor testing Fine-pitch full array MEMS vertical type probe card (70um) development plan High-level bond substrate impedance testing development plan for automatic adjustable probe pitch Micro LED multi-channel high-speed low-current measurement equipment Wafer level test system with nanosecond pulsed and high-power laser diode (Laser Diode and VCSEL) Automatic mass production equipment for compound semi-conductor
110	Fine-pitch full array MEMS vertical type probe card (80um) development plan The low end tester enables high-speed signal ($\geq 2.5\text{Gbps}$) testing for the high speed module probe card development plan Structure-reinforced micro-distance vertical probe card development plan 8-inch Micro LED wafer level multi-site distributed photoelectric test system Wafer level test system with nanosecond pulsed and high-power laser diode (Laser Diode and VCSEL) New-generation immersive user interfaces
109	Advanced vertical type probe card (FW) development plan Low/medium/high-frequency signal (Hybrid Pogo) probe card development plan Adjustable probe card device for high-level bond substrate impedance testing development plan Micro LED wafer level high-speed photoelectric measurement system Wafer level test system with high-speed, high-current and high-power Laser Diode and VCSEL Three-temperature full automatic probe station, wafer-level and PCB-level photoelectric measurement PCB

108	High-speed spring-loaded type probe card development technology Micro-distance vertical probe card development technology VCSEL wafer level automated three-temperature probing device S2CT Prober Multi-band photocurrent measurement technology for photo diodes Micro LED small contact force probing technology
107	WAT probe card used in advanced semi-conductor process Vertical probe card with high current endurance design VCSEL wafer level automated probing device S1 Prober High-speed VCSEL die sorting equipment M60V Sorter VCSEL manual low-temperature testing device LS8T Prober VCSEL TOF package multi-probing equipment LDP80V System

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

1. Long-term business development plan
 - (1) Develop the market in the U.S.A. to support customer's need;
 - (2) Apply accumulated technology and human resource to develop horizontally in the e-testing field;
 - (3) Train human resource and ability in internationalized division of labor and production & marketing;
 - (4) Continue to improve the enterprise's constitution in all respects;
 - (5) Accelerate domestic application of thin chips; and
 - (6) In the case of sufficient sources of materials in the future, extend the business lines of crystal growth fab.
2. Short-term business development plan
 - (1) Enhance HR training
 - (2) Market development & marketing
 - (3) Establish various departments' routine management systems and fulfill departmental management

II. Overview of market and production & marketing

(I) Market analysis

1. Territories where main products (services) are sold (provided)

The Company primarily sells (provides) the products (services) in Taiwan. Other sales territory includes the USA, Japan, Europe and China. The main wafer foundries, fabless IC design companies and OSAT fabs are all customers of the Company.
2. Market share

MPI specializes in design and manufacturing of semi-conductor wafer probe card for probing, which is the largest manufacturer in the relevant field. Among the other competitors in the same trade, MPI is the one with the most complete production capacity, R&D and manufacturing ability and financial structure.

According to the 2021 global wafer probe card report published by TechInsights Inc. in June 2022, MPI ranked as one of the Top 5 among the global probe card companies. MPI is the first leading probe card supplier in the cantilever probe card market.

In Taiwan, MPI is the leader in the probe card market. Our products include probe cards, cantilever probe cards, vertical probe cards, LCD driver IC, and high-frequency, high-speed, micro MEMS probe cards. Our product quality and sale volume are deemed the indicators for other companies in the industry.
3. Future supply & demand and growth of market
 - (1) Demand:

Taiwan owns the most complete industry clusters and robust up-stream and down-stream supply chain, i.e. competitive advantages residing in the semi-conductor industry of Taiwan. The IC assembly size has become smaller, and the assembly cost becomes higher. Wafer probing test is now a very important part of the IC process. Therefore, consumption of wafer probe card and IC manufacturing volume are related to a certain degree.

Recently, functions of the consumable electronic products become more complicated and diverse. 5G communication, high performance computing (HPC), automobile/industrial application and AIoT are developing. Consumers want the products to be light, slim, short, and small. Their demand for functionality increases. Domestic and foreign leading semi-conductor suppliers continue to increase capital expenditure and expand production capacity in order to take up more market share. In addition to the increase of chip production volume, the chip packaging technology aims at slim type chip, low-cost system and high performance. Therefore, the requirement for wafer probing tests will become stricter.

Taiwan's wafer foundry industry ranks the first place in the world, and packaging and test industry also the first place and IC design industry the second place globally, only after the USA. The semi-conductor industry's comprehensive clustering effect appears to be the competitive strength of Taiwan's semi-conductor industry.

The packaging and test industry is growing with IC manufacturing and IC design industries simultaneously. All of them form the force to keep Taiwan's semi-conductor industry growing. As the probe card is primarily applied to inspection of the yield rate of wafers, the wafer foundry industry's development is expectable. Meanwhile, the probe card market is expected to grow therefor. The design of the probe card is getting complicated, and this results in the requirement for the quality and volume of probe cards from the semi-conductor industry.

(2) Supply:

The competition in the global probe card market is highly-competitive. Each probe card supplier specializes in different products and technology, and collaborates with different customers. For example, some foreign suppliers tend to have more control in the memory products. MPI Corporation has been a leading company in the domestic market, and specialized in cantilever probe card, LCD driven IC, and vertical type and high-speed HF probes cards. Currently, most domestic companies are the long-term customers of MPI Corporation. MPI Corporation has been actively developing major foreign markets to meet the market needs with its probe cards, while having a foothold in Taiwan and keeping a close watch on the development of industrial technologies in Taiwan.

MPI's manufacturing technology for the products of high pin count, fine pitch and high-speed/high-frequency has matured. We are the leading company with the established technology in the industry and provide the products including cantilever, vertical and MEMS probe cards. We are able to provide probe cards for general probing and high-frequency probing. With the advantages of fine pitch and high DUT count, the wafer probing cost can be saved and the probing precision will increase. MPI will uphold the idea of technology innovation to continue putting ourselves in the R&D work of the advanced probe cards of the next generation.

4. Competition niches

- (1) With the outstanding and stable technology and products we provide, we have established a stable cooperative relationship with customers over the years.

- (2) We provide total solution, real-time customer service and know how application of relative fields for the customers.
 - (3) Continuous innovation: In the ever-changing technology industry, the application of new technology and the demand for new technology need to be satisfied. In addition to the continuous investment of resources in R&D for ensuring our leading place, MPI invests a great amount of R&D budget for technology development, especially for new technology skill development. These will make sure MPI stays competitive in the industry and that technical barriers are created. For the market of advanced vertical probe cards, the Company has direct contact with the foreign IC design companies. We have established a close directly to establish partnership and invest lots of R&D resources to ensure the growth in the future.
 - (4) Complete patent plan: We filed for 1,330 patent applications. A total of 99 letters of patent were granted to the Company. (As of the end of 2022.)
5. Advantages and disadvantages for future development, and the countermeasures
- (1) Advantages
 - (a) The product quality and stability have been recognized by most domestic/foreign leading semi-conductor manufacturers. We have successfully entered the supply chain of international manufacturers. The Company is recognized as the best supplier by the public domestically.
 - (b) We possess complete and diversified R&D capacity and talents. We are able to make careful and complete plan with for the development trend in the industry in the future.
 - (c) The market tends to favor the high pin count, fine pitch and high-speed/high-frequency design for signal transmission. The Company is highly competitive since our products have high quality and are stable. We hope the expanding market demand will boost the Company's operating revenue.
 - (d) Complete product line: With our core automated technology, we continue to develop various automatic applied technology. The products are designed to allow rapid replacement to meet different requirements. They are applicable to relative product testing in the semi-conductor industry. This will greatly reduce the risks caused by economic condition change of single-industry structure.
 - (e) Sensitive market control ability: We own the complete sale and service channels that can reflect the market conditions immediately as feedbacks to ensure our competitiveness.
 - (2) Disadvantages
 - (a) Small-scale suppliers might engage in price war to survive in the industry. This will increase the risk in market price fluctuation.
 - (b) The growth of the traditional wafer probe card market is limited. Therefore, it is necessary to continue developing MEMS and vertical probe card technology to satisfy the need resulting from the substantial growth of the advanced packaging.
 - (c) Most of the precise mechanical parts of automated probing equipment are imported from abroad. The cost is high and the delivery period is long. These might cause difficulty for on-time delivery to the domestic customers.
 - (3) Countermeasures
 - (a) We will upgrade the production quality of wafer probe cards and shorten the delivery term to satisfy customers' need and get a reasonable price.
 - (b) We will invest resources in R&D to cope with new technical challenges and ensure our leading position.

- (c) We will improve the probing equipment business and perform market survey to increase the accuracy of market demand forecast. Moreover, we will establish the safety inventory amount for parts/components imported from abroad according to the market demand. Semi-finished product inventory system will be established to ensure the fulfillment of the delivery term.

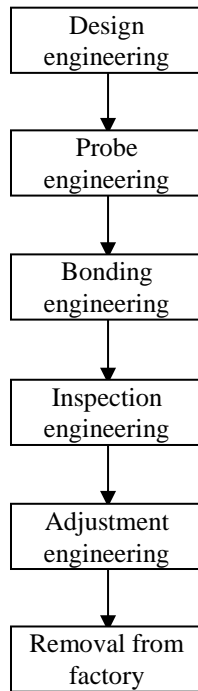
(II) Important purpose and manufacturing processes of main products

(1) Important purpose of main products:

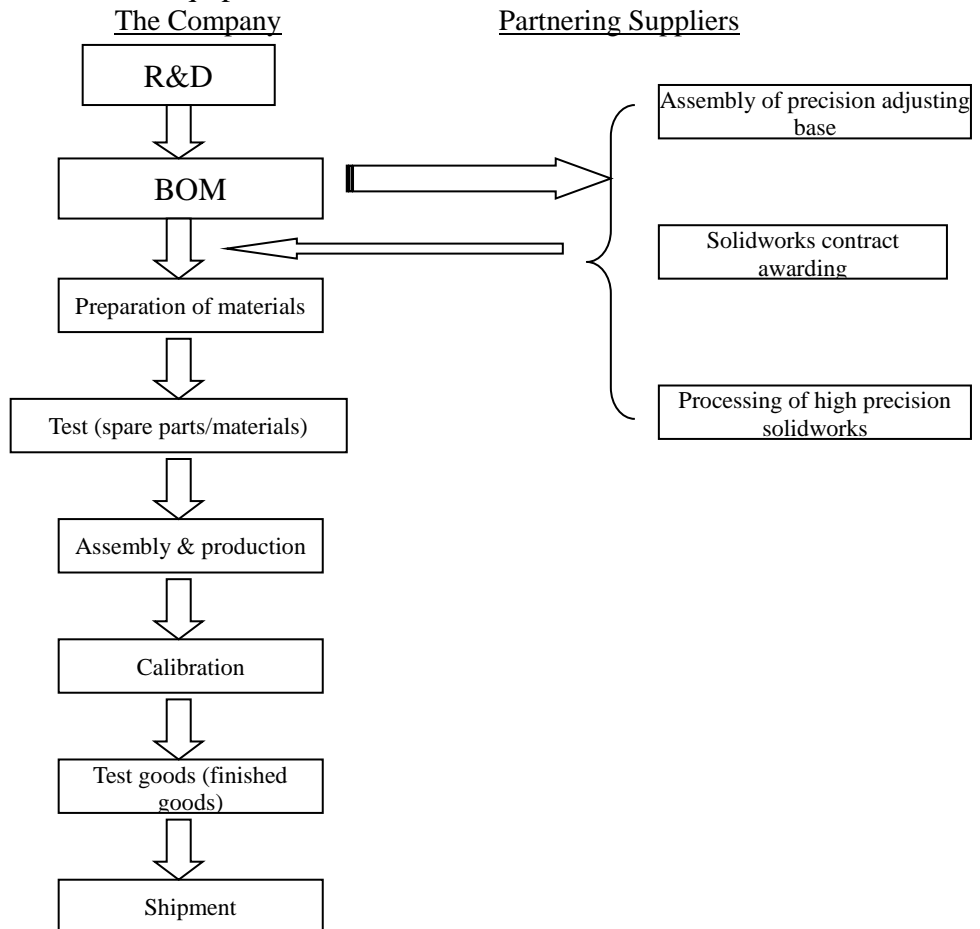
Product or service	Main purpose or function
Wafer probe card for wafer probing	The measuring interface at the wafer probing stage is the bridge between the wafer to be tested and the probing device. It is widely used on the wafer level probing for logic components, memory components and LCD driver components.
Wafer probe card for LCD Driver IC Final Test	The testing interface after packaging is the bridge of signal transmission between the LCD Driver IC to be tested, tape and the probing device.
Vertical probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
MEMS probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
Semi-conductor die testing equipment	It is used to test the optical properties of the die and perform data analysis for the bin value after the photoelectric semi-conductor wafer is manufactured.
Semi-conductor die testing and sorting equipment	It is used on the sorting of dies based on their optical properties after the photoelectric semi-conductor die is manufactured.
Automatic AOI equipment	The equipment will sort out and mark the die with defects by adopting AOI after the photoelectric semi-conductor testing and sorting are complete.

Manufacturing process of products

(a) Wafer probe card



(b) Semi-conductor equipment



(III) Supply of main raw materials

The Company's main products include wafer probe cards and semi-conductor equipment series. The raw materials and supplies required by wafer probe cards include PCB, probe and tube, et al., while those required by semi-conductor equipment include microscope, machine bed, Bed Type Milling Machine, screw track, motor and industrial computer. The Company maintains fair collaborative relationship with domestic/foreign raw material suppliers, and keeps working with two (2) or more suppliers of key materials and spare parts to keep the procurement flexible and disperse the risk over excessive concentration of raw materials and supplies.

(IV) Name list of principal suppliers and clients

(1) Name list of any suppliers that have supplied 10 percent or more of the Company's procurement in the recent two (2) years

Unit: NTD thousand

2021				2022				Ending Q1 of 2023			
Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Net procurement ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	1,734,686	100.00%	N/A	Others	1,788,030	100.00%	N/A	Others	448,028	100.00%	N/A
Net procurement	1,734,686	100.00%		Net procurement	1,788,030	100.00%		Net procurement	448,028	100.00%	

Analysis of variations: The Company had no suppliers that have supplied 10 percent or more of the Company's procurements in 2021 and 2022.

(2) Name list of the customer to whom the Company has sold 10 percent or more of the Company's sales in the recent two (2) years

Unit: NTD thousand

2021				2022				Ending Q1 of 2023			
Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Net sales ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	Others	6,508,725	100.00%	Others	7,439,175	100.00%	N/A	Others	1,783,537	100.00%	N/A
Net sales	Net sales	6,508,725	100.00%	Net sales	7,439,175	100.00%		Net sales	1,783,537	100.00%	

Analysis of variations: The Company had no customer that we sold 10 percent or more of the Company's sales in 2021 and 2022.

(V) Production value over the last two (2) years

Quantity: Probe card: PIN

Unit quantity: Prober:

Set : NTD thousand

Year Production value Main products (or by department)	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Wafer probe card	12,500,000	12,412,767	2,181,305	16,000,000	14,723,596	4,158,201
Semi-conductor equipment	1,100	1,071	1,078,285	1,100	1,074	2,626,178
Total	12,501,100	12,413,838	3,259,590	16,001,100	14,724,670	6,784,379

(VI) Sales value over the last two years

Quantity: Probe card: PIN

Unit quantity: Prober:

Set : NTD thousand

Year Sale volume Main products (or by department)	2021				2022			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card	6,444,688	1,748,365	6,899,807	1,871,834	5,075,456	1,741,981	9,548,132	2,387,976
Semi-conductor equipment	165	195,099	774	1,000,682	98	282,861	759	1,812,702
Others		78,738		1,614,007		100		1,213,555
Total		2,022,202		4,486,523		2,024,942		5,414,233

III. Employee information

Information about the employees employed for the recent two (2) years and as of the date on which the annual report is printed

Year		2021	2022	Ending April 30, 2023
Number of employees	Indirect employees	835	839	839
	Direct employees	761	799	811
	Total	1,596	1,638	1,650
Average age		37.1	37.7	37.9
Average years of service		8.49	8.89	9.07
Qualification (%)	Doctoral degree	0.31	0.31	0.30
	Master's degree	16.67	16.24	16.55
	University/college	68.74	68.86	68.37
	High school	13.72	14.16	14.36
	Below high school	0.56	0.43	0.42

IV. Environment protection expenditure information

The Company has acquired the certificate for environmental management system (ISO 14001) with the expiry date between September 20, 2022 and September 19, 2025. We review the impact of the process on the environment and continue to make improvement. The Company has established a service unit responsible for managing, maintaining and improving the environmental management system. It is also responsible for the external and internal communication regarding environmental issues. The impact our products have on the environment during the manufacturing process is slight. The main pollution includes waste, air pollution and wastewater. We put emphasis on pollution prevention work to reduce the impact on the environment. MPI endeavors to the establishment of the pollution prevention equipment, hoping to decrease the effect of pollution under effective management. We perform inspections on the operations, and the employees in charge of the production line have better environmental awareness now. The Company establishes annual improvement plan and executes control on the discharge of polluted air, water and waste in the hope to prevent pollution and realize our commitment to reducing environmental impact.

We learn from system operation that the main energy consumption occurs in the use of the electricity and, thus, we try to reduce the consumption of the electricity as much as possible. We set the energy performance indicator to an average annual energy saving rate of more than 1%.

- (I) A permit for polluting facility establishment or a pollution discharge permit must be acquired, the pollution prevention fee must be paid or a designated unit for environmental protection must be established according to the legislations. The status of the application,

payment and establishment are listed below:

1. According to the environmental protection laws and regulations, the Company's 2nd Plant in Zhubei, Xinpu Plant and Hukou Plant have acquired the water pollution prevention permit and operation permit for stationary sources of pollution. Designated personnel for polluted water discharge (class B) and designated personnel for air pollution prevention (class A) are established.
2. The Company reports and pays the pollution prevention fee according to the environmental protection laws and regulations.

(II) The investment for pollution prevention equipment of the Company, the purpose of the Company and its potential benefits:

The pollution prevention equipment is used to process the wastewater and gas from the manufacturing process to reduce environmental pollution and comply with the environmental laws and regulations.

(III) The process annual the Company, and the process of pollution dispute handling (if there's any) in the most recent year and until the date of publication of this annual report shall be described: The Company did not cause any environmental pollution in the most recent year and until the date of publication of this annual report.

(IV) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: The Company did not commit any incident in the most recent fiscal year and up to the annual report publication date.

(V) Explaining the current condition of pollution and the impact of improvement on the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming 2 years: None.

(VI) Information about RoHS: Not applicable, due to the characteristics of the Company's business lines.

V. Labor relations

(I) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements made between employers and employees, and the protection of employees' rights:

(1) Employee welfare:

The Company drafts and promotes various welfare primarily to ensure the safety and health of the employees in work. The Employee Welfare Committee organized by employees enables employees to enjoy participating in planning and implementation of

physical activities, in order to make the activities more characteristic and practical to achieve the purpose of physical and mental relaxation. The Company also realizes that employees symbolize the important drive boosting the Company's growth. In addition to operating said Commission to process employees' welfare, the Company also provides the following benefits:

- (a) Favorable yearly salary for the promotion of the quality of life.
- (b) Dragon Boat Festival and Mid-Autumn Festival bonus, annual bonus and gift certificates for the three major holidays.
- (c) Remuneration payable to employees depending on work performance to have employees share profit,
- (d) Regular wage adjustment based on the work performance.
- (e) Performance bonus based on the work performance.
- (f) Allowances for domestic and overseas travels, purchase of books and recreational activities.
- (g) Flexible paid leaves superior to those specified in the Labor Standards Act
- (h) The canteen established by the Company provides four free meals per day to take care of the employees' health.
- (i) Free health examinations are available to employees every year. We employ professional physicians to provide free health consultation for the employees at factories twice every month.
- (j) Offering subsidy for housing, free parking lots for automobiles and motorcycles, fitness and aerobics rooms etc.
- (k) Comfortable reading place with free books, newspapers, and magazines.
- (l) Free self-made coffee and tea bags, and agency sale of coupons.
- (m) Subsidies for wedding, funeral and childbirth.
- (n) Comprehensive education and training
- (o) Labor, health and group insurance programs, and labor pension
- (p) Employee Stock Ownership

2022 employee welfare policies:

Tourism activities	Number of subsidy recipient	Amount of subsidy
Subsidy for employee travel	561 人	15,711,454 (NT\$)

Other activities	Number of participant
Creative Festive Lanterns Light Up MPI	976 persons
Spring Song Drawing Event	952 persons
Squid Game	693 persons
Sing! MPI	882 persons

Moon Festival gifts	1,476 persons
How Familiar Are You With MPI	1,312 persons
2022 Meet the Peach Blossom Spring	20 persons
Creative Spring Festival Couplets and Welcome to Year of Rabbit	1,186 persons
Year-end party	1,616 persons

(2) Continuing education and training systems, and the status of their implementation:

The Company has the dedicated personnel from HR Dept. arrange and plan the competency education and training courses (including the training courses co-organized by other entities and units commissioned by the Company), to be in line with the Company's operating policy and development objectives, upgrade the employees' quality, enrich their basic knowledge, improve their skills and exert their potential, and also to be in line with the propagation under laws and regulations. The Company's education training systems are categorized into internal training, external training and overseas continuing education to satisfy employees' personal need for self-actualization.

2022 Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	3	148	1,110	0
2. Professional competency training	77	1,063	3,871	1,109,713
3. Supervisor's competency training	14	46	180	49,498
4. General education training	82	369	1,209.5	189,830
5. Self-inspiration training	18	1,213	2,047	292,148
Total	194	2,839	8,417.5	1,641,189

(3) Retirement system and the status of its implementation:

Retirement - Applicable to those who chose the old system

The Company allocates the retirement reserve fund every month in accordance with the related regulations of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement.

In any of the following circumstances, the employee shall apply for voluntary retirement:

- I. Where the employee ages at least 55 and worked for 15 years or more.
- II. Where the employee worked for 25 years or more.
- III. Where the employee ages at least 60 and worked for 10 years or more.

In any of the following circumstances, the employee shall be forced to retire:

- I. Where the employee ages at least 65.
- II. Where the employee is unable to perform his/ her duties due to mental incompetency or disability.

The business entity may request the central competent authority to adjust the age

prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature. However, the age shall not be reduced below 55. The household registration data shall be used as the standard to determine the retirement age of the employee and the age shall be fully calculated since the date of birth.

The criteria for payment of employee pensions shall be as follows:

I. Two bases are given for each full year of service rendered. But for the years of service over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. For other years of service, the length of service is calculated as half year when it is less than six months and as one year when it is more than six months.

II. As set forth in Subparagraph 2 of Article 61, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to employees forced to retire due to mental incompetency or disability incurred from the execution of their duties.

The retirement pension base shall be one month's average wage of the employee at the time when the retirement is approved. The average wage means the total wages obtained within 6 months before the date of retirement divided by 6.

When calculating the average wage, wages and the number of days in the following days or periods shall be excluded from calculation:

I. The date of retirement of the employee.

II. The period of medical treatment for occupational injury.

III. Female employees receiving wages at half of the regular payment because their period of service is less than six months and they are unable to work due to maternity leave.

IV. Where, due to a natural disaster, an unexpected event, or other force majeure, the employer cannot continue business operations which results in employees are unable to work.

V. The period when the employee receiving wages at half of the regular payment or no payment due to ordinary sickness or unpaid leave.

The pensions shall be paid within 30 days from the day of retirement.

The right of a employee to claim retirement benefits shall be aborted if it is not exercised within five years from the month following the effective date of retirement.

Other related matters regarding the retirement is conducted in accordance with the employee retirement plan of the Company and the Labor Standards Act.

Retirement - Applicable to those who chose the new system

The Company allocates the labor pension every month in accordance with Labor Pension Act of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement.

The central competent authority shall entrust the Bureau of Labor Insurance to take charge of the revenues, expenditures and safeguard of labor pension, the imposition of late payment

charges and the compulsory execution.

For employees who work for the Company after the enforcement of new labor retirement system, their seniority prior to their application to the new system shall be temporarily reserved. When the labor contract complies with each retirement regulations of the Labor Standards Act, the Company shall use the average wage at the time of terminating labor contract to calculate the severance or retirement payment for the reserved seniority in accordance with the regulations of each laws.

The amount of labor pension borne by the Company shall not be less than 6% of the employee's monthly wage.

The labor pension for an employee counts from the first date of employment to the date that the employee resigns.

The Company shall apply and report in writing to the Bureau of Labor Insurance for terminating the contribution to the pension within 7 days from the date when an employee is on leave without pay, serving in military, suspended from duties because of lawsuit or detained prior to a final judgment of the court.

The labor pension shall be paid and calculated as follows:

- I. Employees who begin their work or resign and are re-employed after July 1, 2005, shall be subject to the new labor retirement system. Employee who is sixty years or older (free from the restriction of the years of service) may claim for the accumulated pension in their individual accounts to which the new labor retirement systems apply from the Bureau of Labor Insurance.
- II. Monthly pension payment: 1. The principal and accrued dividends from the employee's individual account of labor pension are paid in fixed installments. The amount of each installment shall be calculated based upon the life chart of annuity, average life expectancy, interest rate and other factors.
- III. Lump-sum payment: The principal and accrued dividends from an employee's individual account of labor pension are claimed in lump sum at one time. The return rate generated from the utilization of employees' pension contributed in accordance with this Article shall not be less than the interest rate of a two-year fixed term deposit by local banks; in the event of any deficiency, the Treasury shall make up the shortfall.

Pension system	Old system	New system
Applicable legal basis	Labor Standards Act	Labor Pension Act
Contribution method	The Company contributes 2% of the employees' total salary on a monthly basis to the pension fund and deposit at the special pension account under the name of the Pension	The Company contributes 6% of the employees' monthly salary, subject to the employees' insurance enrollment level, to

	Reserve Monitoring Committee at the Bank of Taiwan.	the individual pension accounts of the employees at Labor Insurance Bureau.
Contributed amount	As of December 31, 2022, the balance of the pension contribution by the Company into the special account at the Bank of Taiwan amounted to NT\$102,648 thousand.	The pension contributed by the Company amounted to NT\$79,823 thousand in 2022.

(4) Agreements between labors and management:

The Company is a business applicable under the Labor Standards Act, operates in accordance with Labor Standards Act and has a harmonious labor relation.

(5) Measures to preserve the rights and interests of employees:

The Company upholds the philosophy of sharing earnings with employees by defining the ratio of employee bonus in the Articles of Incorporation to encourage the participation of employees in the management. Meanwhile, the Company has installed the "Opinion Mailbox" to promote the suggestion system. Any approaches for improvement or suggestions helpful for the management or system or facilities of the Company may be sent to the Mailbox. To encourage employees to put forward suggestions, the Company will grant reward subject to the circumstances to provide a communication and opinion exchange channel for employees in life and work.

(6) Work environment and protection measures against the personal safety of employees:

In order to build a safe environment, the Company assigns security guards to guard at the entrance of the Company for 24 hours a day, and installs the access control system and CCTV at various entries/exits. Parking lots are equipped with emergency call buttons. Meanwhile, the Company will inspect and maintain various facilities including the buildings, fire protection equipment, electric equipment, fountains and elevators periodically to protect the personal safety of employees.

The Company has passed the certification of the Occupational Safety and Health Management System (ISO45001) with the expiry date between September 1, 2022 and August 31, 2025. The dedicated department and personnel for the occupational safety are responsible for the planning, execution and supervision of related operations, educational training and external and internal communication. We established the Occupational Safety and Health Committee in compliance with the Occupational Safety and Health Act and regularly hold a meeting every three months to implement the occupational safety and health management of the employees and further protect the safety and health of employees.

The Company has established the disaster prevention and management regulations for labor safety and health, emergent response and safety and health of contractors and has work rules of labor safety and health. Meanwhile, we conduct self-inspection and safety and health education and drills necessary for the prevention of disaster every month to increase employees' awareness of the hazards in the work environment and their emergency response capability and to ensure the efficiency of the implementation of the emergency response plan.

For possible factors that may have impact on the safety and health of employees in the workplace, the Company arranges regular cleaning, disinfection and operating environment inspections. We provide free health examination for the employees every year, employ physicians to factories for health consultation and organize health promotion activities to provide employees with a comfortable and safe work environment.

- (II) List any losses suffered by the company in the most recent fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.
- (III) Disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures: The labor relations of the Company are good and the communication channels between both parties are free from any trouble, therefore, no amount about labor dispute expected to be incurred for the future.

VI. Cybersecurity Management

- (I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

Management framework

Led by the Company's president, the information security committee was established. Meanwhile, the information security representatives appointed across departments/offices are also dedicated to the information security issues. Since 2015, it has passed the certification of ISO27001 Information Security Management Framework. The expiry date of the certificate is between November 16, 2021 and November 16, 2024. Now, it still keeps improving the information security system and information security protection means.

In 2022, the Company's president served as the convener, and the head of Information Management Office as the chairperson of information security management review meeting. The meeting was convened periodically to review the direction and strategies of information

security development to enable the information security management system to keep operating stably. The recent information security governance report has been submitted to the Board of Directors on January 16, 2023.

Information security policy

1. Protect the Company's trade secret/business secrets, and confidentiality of important customers' information.
2. Protect the information application of the core operations, and availability and completeness of supporting services and equipment thereof.
3. Ensure validity and sustainability of the information security management mechanism.

In order to ensure the business sustainability and keep the promise to customers, the Company establishes the corporate information security policy, operating procedures and regulations, in order to solidify the information risk management, enhance the information security control mechanism, practice the information security protection, upgrade the information security level, and provide the related staff from the Company's divisions/offices, and important partners, with some guidelines to follow.

Information security management program

The specific information security management program is stated as following:

1. Check on the information framework

- (1) Check the adequacy of related measures adopted for the business continuity

Check whether any single point of failure exists in the framework and management mechanism for related measures, analyze risk over the adequacy of business continuity, and propose the information framework security evaluation results and suggestions.

- (2) Check the maximum impact and risk profile for the single point of failure

Evaluate whether the impact falls within the risk profile, and research and execute the corrective action plan.

2. Check Internet activities

Check the access log and account authority on the device

Check whether the access log and account authority on the Internet device, information security device and server and the monitoring mechanism satisfy the internal control regulations; check the account authority and access log on these devices based on the principle of least privilege to identify any abnormal log and verify the warning mechanism.

3. Inspect the Internet device, server and terminal, etc.

Vulnerability scanning and correction

Perform vulnerability scanning on Internet device, servers and terminals periodically or in

a timely manner, and correct and fix any detected vulnerability. Evaluate the scope, operating model and vulnerability correction plan for the vulnerability scanning, and status of correction thereof; propose evaluation suggestions on the scanning results, primarily in order to detect potential vulnerability and bugs, and then correct and fix them in order to mitigate the entire information security risk.

4. Inspect the security settings

Server security settings

Check the settings about the “password policy” and “account lockout policy” in the server (e.g. Active Directory), and check whether the domain security policy settings satisfy the internal control regulations through analysis by tools and manual.

5. Internet Fraud Attack Protection

(1) Remind workers to be careful of any fraud messages online through continuous campaigns.

(2) Perform physical educational training program to strengthen workers’ awareness toward online messages and ability to identify genuine and fraud messages.

Primarily aiming to enable workers to understand the risk over email scam, and improve workers’ awareness toward prevention of social engineering scam, in order to mitigate the risk and loss potentially caused by the social engineering scam and to protect customers’ data and important business information and services.

6. Reporting and follow-up on information security incidents

There are relevant operating procedures in place with respect to reporting and processing of the Company's information security incidents.

(1) Upon awareness of any information security incident, the worker shall report it to the committee member or the mailbox as a whistleblower.

(2) The information security incident response team shall investigate and verify the information security incident, and propose the relevant corrective action and information security report.

(3) If the incident is considered so material to affect the Company's competitiveness or financial position adversely, it is necessary to take relevant responsive measures to mitigate the damage as possible as it can.

In consideration of increasing new information security threat types, such as ransomware, social network attacks and email scams, etc., the Company strives to strengthen the employees’ information security awareness and improve the information security protection ability thoroughly by adjusting and improving access to Internet and intranet, implementing backup precisely, and periodically arrange vulnerability scanning and penetration testing.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. Important contract

Contract Nature	Concerned party	Duration	Contents	Restrictive clause
Lease	Chain-Logic International Corp.	January 1, 2019~December 31, 2019 (Renewed automatically upon expiration)	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	N/A
Long-term loan	Chang Hwa Bank - Chengnei Branch	November 8, 2019 ~ October 15, 2029	Loan secured by land and building	N/A
Long-term loan	Chang Hwa Bank - Chengnei Branch	September 23, 2020~September 23, 2027	Loan secured by land and building	N/A
Long-term loan	Chang Hwa Bank - Chengnei Branch	11/09/2021~10/15/2031	Loan secured by land and building	N/A
Agency	Chain-Logic International Corp.	January 1, 2011~undefined (Where neither party agrees to terminate the Contract, the Contract shall be considered remaining effective.)	Exclusive agency of semi-conductor related equipment	N/A

Six. Overview of finance

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

(I) Condensed balance sheets and comprehensive income statements - IFRSs

(1) Condensed balance sheet

Unit: NTD thousand

Item	Year	Financial information in the most recent five (5) years (Note 1)					Financial information for the current fiscal year up to March 31, 2023
		2018	2019	2020	2021	2022	
Current assets		4,889,193	4,815,929	5,240,696	5,430,054	6,408,393	6,478,026
Real estate, plant and equipment		3,030,643	2,933,943	3,203,429	3,532,459	3,427,432	3,403,802
Intangible assets		41,575	34,803	42,546	253,555	287,792	292,470
Other assets		228,787	394,226	489,921	641,401	779,314	784,922
Total assets		8,190,198	8,178,901	8,976,592	9,857,469	10,902,931	10,959,220
Current liabilities	Before distribution	3,059,027	2,646,350	2,477,548	2,538,068	2,793,918	2,590,247
	After distribution	3,218,830	2,846,247	2,893,264	2,914,382	3,453,536	N/A
Non-current liabilities		1,014,240	1,152,706	850,126	1,271,599	1,215,020	1,164,391
Total liabilities	Before distribution	4,073,267	3,799,056	3,327,674	3,809,667	4,008,938	3,754,638
	After distribution	4,233,070	3,998,953	3,743,390	4,185,981	4,668,556	N/A
Equity attributable to the parent company		4,106,841	4,370,704	5,639,945	6,038,315	6,885,467	7,197,069
Capital stock		799,014	799,587	920,802	940,738	942,311	942,311
Capital surplus		977,255	980,325	1,630,283	1,736,500	1,744,545	1,744,545
Retained earnings	Before distribution	2,384,802	2,659,269	3,168,094	3,441,282	4,278,464	4,558,862
	After distribution	2,224,999	2,459,372	2,752,378	3,064,968	3,618,846	N/A
Other equities		(54,230)	(68,477)	(79,234)	(80,205)	(79,853)	(48,649)

Treasury stock		0	0	0	0	0	0
Non-controlling interests		10,090	9,141	8,973	9,487	8,526	7,513
Total equity	Before distribution	4,116,931	4,379,845	5,648,918	6,047,802	6,893,993	7,204,582
	After distribution	3,957,128	4,179,948	5,233,202	5,671,488	6,234,375	N/A

Note 1: Said information was already audited and certified by the CPA.

Note 2: Said titles are free from revaluation of assets.

(2) Condensed comprehensive income statement

Unit: NTD thousand

Item \ Year	Financial information in the most recent 5 years (Note 1)					Financial information for the current fiscal year up to March 31, 2023
	2018	2019	2020	2021	2022	
Operating revenue	5,386,356	5,515,200	5,925,601	6,508,725	7,439,175	1,783,537
Gross profit	2,140,251	2,228,901	2,585,565	2,743,416	3,408,079	844,191
Operating profit or loss	323,282	477,248	860,029	807,618	1,243,003	326,543
Non-operating revenue and expense	74,336	11,783	(15,314)	21,124	197,872	6,864
Profit before tax	397,618	489,031	844,715	828,742	1,440,875	333,407
Net profit from continuing operations for the period	337,628	427,984	714,221	695,458	1,212,262	279,721
Loss of Discontinued Operations	0	0	0	0	0	0
Net profit (loss)	337,628	427,984	714,221	695,458	1,212,262	279,721
Other comprehensive income (after tax)	(19,837)	(8,910)	(16,424)	(7,011)	625	30,868
Total comprehensive income	317,791	419,074	697,797	688,447	1,212,887	310,589
Net profit attributable to Parent company shareholders	334,562	428,370	714,482	693,851	1,213,625	280,398
Net profit attributable to non-controlling interests	3,066	(386)	(261)	1,607	(1,363)	(677)
Total comprehensive	315,339	420,023	697,965	687,933	1,213,848	311,602

income attributable to parent company						
Total comprehensive income attributable to non-controlling interests	2,452	(949)	(168)	514	(961)	(1,013)
EPS	4.19	5.36	8.41	7.44	12.89	2.98

Note 1: Said information was already audited and certified by the CPA.

(II) Condensed balance sheets and comprehensive income statements - Standalone

(1) Condensed balance sheet

Unit: NTD thousand

Item \ Year		Financial information in the most recent five (5) years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		4,267,706	4,028,294	4,406,124	4,692,040	5,539,009
Real estate, plant and equipment		2,784,489	2,768,524	3,060,758	3,315,712	3,243,863
Intangible assets		41,237	34,449	42,320	19,943	33,697
Other assets		1,040,923	1,098,411	1,268,873	1,526,859	1,732,918
Total assets		8,134,355	7,929,678	8,778,075	9,554,554	10,549,487
Current liabilities	Before distribution	2,965,539	2,313,662	2,139,621	2,276,132	2,532,899
	After distribution	3,125,342	2,513,559	2,555,337	2,652,446	3,192,517
Non-current liabilities		1,061,975	1,245,312	998,509	1,240,107	1,131,121
Total liabilities	Before distribution	4,027,514	3,558,974	3,138,130	3,516,239	3,664,020
	After distribution	4,187,317	3,758,871	3,553,846	3,892,553	4,323,638
Equity attributable to the parent company		4,106,841	4,370,704	5,639,945	6,038,315	6,885,467
Share capital		799,014	799,587	920,802	940,738	942,311
Capital surplus		977,255	980,325	1,630,283	1,736,500	1,744,545
Retained earnings	Before distribution	2,384,802	2,659,269	3,168,094	3,441,282	4,278,464
	After distribution	2,224,999	2,459,372	2,752,378	3,064,968	3,618,846
Other equities		(54,230)	(68,477)	(79,234)	(80,205)	(79,853)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	4,106,841	4,370,704	5,639,945	6,038,315	6,885,467
	After distribution	3,947,038	4,170,807	5,224,229	5,662,001	6,225,849

Note 1: Said information was already audited and certified by the CPA.

Note 2: Said titles are free from revaluation of assets.

(2) Condensed comprehensive income statement

Unit: NTD thousand

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	4,704,220	4,880,918	5,168,689	5,558,986	6,245,407
Gross profit	1,887,597	1,971,935	2,218,608	2,256,013	2,742,970
Operating profit or loss	318,625	487,427	787,797	717,480	1,063,305
Non-operating revenue and expense	62,144	(4,405)	40,123	77,628	360,423
Profit before tax	380,769	483,022	827,920	795,108	1,423,728
Net profit from continuing operations for the current period	334,562	428,370	714,482	693,851	1,213,625
Loss of Discontinued Operations	0	0	0	0	0
Net profit (loss)	334,562	428,370	714,482	693,851	1,213,625
Other comprehensive income (after tax)	(19,223)	(8,347)	(16,517)	(5,918)	223
Total comprehensive income	315,339	420,023	697,965	687,933	1,213,848
Net profit attributable to parent company	334,562	428,370	714,482	693,851	1,213,625
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to parent company	315,339	420,023	697,965	687,933	1,213,848
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS	4.19	5.36	8.41	7.44	12.89

Note 1: Said information was already audited and certified by the CPA.

(3) The names of CPAs conducting financial audits in the most recent five years and their audit opinions.

Year	Firm Name	Name of CPA	Audit opinions
2018	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, Tsan-Huang	Unqualified opinions
2019	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions
2020	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions
2021	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions
2022	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling and Chen, Yi-Ling, CPAs	Unqualified opinions

II. Financial analysis in the most recent five years

(I) Financial ratios for the most recent five (5) years - IFRSs

Item (Note 3)		Year (Note 1)				
		Financial information in the most recent five				
		2018	2019	2020	2021	2022
Financial structure	Debt to assets ratio (%)	49.73	46.45	37.07	38.65	36.77
	Long-term funds to PPE ratio (%)	169.31	188.57	202.88	207.20	236.59
Solvency	Current ratio (%)	159.83	181.98	211.53	213.94	229.37
	Quick ratio (%)	72.68	92.88	106.59	107.79	127.39
	Times interest earned ratio	17.92	20.43	52.79	122.89	105.67
Operating capacity	Receivables turnover ratio (time)	5.38	4.64	4.77	5.13	5.93
	Average cash collection days	67.84	78.66	76.51	71.15	61.55
	Inventory turnover ratio (time)	1.34	1.37	1.41	1.49	1.51
	Payables turnover ratio (time)	7.19	7.49	7.15	6.82	7.40
	Average sales days	272.39	266.42	258.86	244.97	241.72
	PPE turnover ratio (time)	1.70	1.85	1.93	1.93	2.14
	Total asset turnover ratio (time)	0.68	0.67	0.69	0.69	0.72
Profitability	ROA (%)	4.48	5.48	8.48	7.44	11.78
	ROE (%)	8.55	10.07	14.24	11.89	18.73
	Income before tax to paid-in capital ratio (%)	49.76	61.16	91.74	88.09	152.91
	Net profit margin (%)	6.27	7.76	12.05	10.69	16.30
	EPS (NT\$) (Note 2)	4.19	5.36	8.41	7.44	12.89
Cash flow	Cash flow ratio (%)	26.36	25.39	45.80	25.27	61.46
	Cash flow adequacy ratio (%)	37.44	43.24	74.74	62.20	117.24
	Cash flow reinvestment ratio (%)	11.11	8.62	10.98	2.37	13.13
Leverage	Operating leverage	4.73	3.31	2.27	2.49	2.02
	Financial leverage	1.08	1.06	1.02	1.01	1.01

Please describe the causes resulting in changes in financial ratios in the most recent 2 years. (Not required, if the changes are less than 20%.)

- (1) Increase in ROA: This is mainly due to the increase in the current net profit.
- (2) Increase in ROE: This is mainly due to the increase in the current net profit.
- (3) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.
- (4) Increase in net profit margin and EPS: This is due to the increase in the current net income after tax.
- (5) Increases in the ratio, adequacy ratio and reinvestment ratio of the cash flow: They are mainly due to the increase in the current net cash inflow from operating activities.

(II) Financial ratios for the most recent five (5) years - Standalone

Item (Note 3)		Year (Note 1)				
		2018	2019	2020	2021	2022
Financial structure	Debt to assets ratio (%)	49.51	44.88	35.75	36.80	34.73
	Long-term funds to PPE ratio (%)	185.63	202.85	216.89	219.51	247.13
Solvency	Current ratio (%)	143.91	174.11	205.93	206.14	218.68
	Quick ratio (%)	59.03	79.99	95.78	97.71	116.38
	Times interest earned ratio	17.66	21.84	59.05	148.19	125.50
Operating capacity	Receivables turnover ratio (time)	5.00	4.10	3.85	3.95	4.09
	Average cash collection days	73	89.02	94.81	92.41	89.24
	Inventory turnover ratio (time)	1.21	1.27	1.33	1.39	1.41
	Payables turnover ratio (time)	6.62	7.25	7.15	6.45	6.67
	Average sales days	301.65	287.4	274.44	262.59	258.87
	PPE turnover ratio (time)	1.65	1.76	1.77	1.74	1.90
	Total asset turnover ratio (time)	0.6	0.61	0.62	0.61	0.62
Profitability	ROA (%)	4.48	5.56	8.69	7.62	12.16
	ROE (%)	8.5	10.11	14.27	11.88	18.78
	Income before tax to paid-in capital ratio (%)	47.65	60.96	89.91	84.52	151.09
	Net profit margin (%)	7.11	8.78	13.82	12.48	19.43
	EPS (NT\$) (Note 2)	4.19	5.36	8.41	7.44	12.89
Cash flow	Cash flow ratio (%)	23.16	11.93	45.54	26.23	48.87
	Cash flow adequacy ratio (%)	31.01	31.72	60.10	48.75	98.72
	Cash flow reinvestment ratio (%)	10.03	1.68	9.56	2.05	9.09
Leverage	Operating leverage	4.41	2.97	2.22	2.46	2.00

	Financial leverage	1.08	1.05	1.02	1.01	1.01
<p>Please describe the causes resulting in changes in financial ratios in the most recent 2 years. (Not required, if the changes are less than 20%.)</p> <p>(1) Increase in ROA: This is mainly due to the increase in the current net profit.</p> <p>(2) Increase in ROE: This is mainly due to the increase in the current net profit.</p> <p>(3) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.</p> <p>(4) Increase in net profit margin and EPS: This is due to the increase in the current net income after tax.</p> <p>(5) Increase in the ratio, adequacy ratio and reinvestment ratio of the cash flow: This is mainly due to the increase in the current net cash inflow from operating activities.</p>						

Equation of financial analysis:

Note 1: Said information in the most recent five years was already audited or reviewed by the CPA.

Note 2: EPS is calculated based on the quantity of shares under weighted average method after being adjusted retroactively.

Note 3: The equation of said items is stated as following:

1. Financial structure

(1) Debt to assets ratio = Total liabilities / total assets.

(2) Long-term funds to PPE ratio = (Total equity+non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets / current liabilities

(2) Quick ratio = (Current assets-inventory-prepayment) / current liabilities

(3) Times interest earned ratio = Earnings before interest and tax / interest expenses for the period.

3. Utility

(1) Receivables turnover ratio (including accounts receivable and notes receivable resulting from operation) = Net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from sales) for the period.

(2) Average cash collection days = 365 / receivables turnover ratio.

(3) Average sales days = 365 / inventory turnover ratio.

(4) Payables (including accounts payable and notes payable arising from sales) turnover ratio = Cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from sales) for the period.

(5) Average sales days = 365 / inventory turnover ratio.

(6) PPE turnover ratio = Net sales / average net PPE.

(7) Total asset turnover ratio = Net sales / average total assets.

4. Profitability

(1) ROA = [Profit and loss after tax + Interest expense × (1- tax rate)] / average total assets.

(2) ROE = Profit and loss after tax / average net shareholder's equity.

(3) Net profit margin = Profit and loss after tax / net sales.

(4) Earnings Per Share = (income attributable to parent company – dividends from preferred shares) / weighed average quantity of outstanding shares.

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross of property, plant and equipment+long-term investment+other non-current assets+working capital).

6. Leverage:

(1) Operating leverage = (Net operating revenue-changed operating costs and expenses) / operating income.

(2) Financial leverage = Operating income / (operating income-interest expenses).

Note 4: The following shall be considered in assessing the equation Earnings Per Share as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.

2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.

3. If any additional shares were issued against retained earnings or capital surplus, the full year or half-year earnings per share must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.

4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss. If preference shares were non-cumulative, the preference shares dividends must be deducted from after tax net profit; no adjustment is required from after tax net loss.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.

2. Capital expenditure refers to the cash outflow for annual capital investments.

3. The increase in inventory is included only when the balance at the ending is greater than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero.”

4. Cash dividend includes cash dividend for common stock and preferred stock.

5. Gross property, plant and equipment refers to the total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonableness and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than NT\$10 per share, said calculation about the ratio of the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

III. Audit Committee' Review Report on the Financial Statements for the Most Recent Year:

Please refer to Page 130 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Pages 221~310 of the annual report.

V. Standalone Financial Statement for the Most Recent Year audited and certified by the CPA: Please refer to Pages 131~220 of the annual report.

VI. In the case of any insolvency of the Company and its affiliates in the most recent year and up to the publication date of the annual report, specify its effect on the Company's financial status: N/A

Seven. Review and Analysis of Overview of Finance Status and Performance, and Risk Management

I. Financial status

Comparative analysis of financial status in the most recent two (2) years

Unit: NTD thousand

Item \ Year	2022	2021	Variance	
			Amount	%
Current assets	6,408,393	5,430,054	978,339	18.02
Real estate, plant and equipment	3,427,432	3,532,459	(105,027)	(2.97)
Right-of-use assets	184,836	160,287	24,549	15.32
Intangible assets	287,792	253,555	34,237	13.50
Deferred income tax assets	147,540	125,092	22,448	17.95
Other non-current assets	251,912	189,562	62,350	32.89
Total assets	10,902,931	9,857,469	1,045,462	10.61
Current liabilities	2,793,918	2,538,068	255,850	10.08
Non-current liabilities	1,215,020	1,271,599	(56,579)	(4.45)
Total liabilities	4,008,938	3,809,667	199,271	5.23
Share capital	942,311	940,738	1,573	0.17
Capital surplus	1,744,545	1,736,500	8,045	0.46
Retained earnings	4,278,464	3,441,282	837,182	24.33
Other equities	(79,853)	(80,205)	352	(0.44)
Total equity	6,893,993	6,047,802	846,191	13.99
<p>(I) Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20% and the amount of change reaches NT\$10,000,000)</p> <p>(1) Increase in other non-current assets: This is due to the increase in prepayment for purchase of equipment.</p> <p>(2) Increase in retained earnings: This is due to the increase in revenue of the period as well as the increase in operating and non-operating income.</p> <p>(II) Future preventive policies: The finance status of the Company is good and has no material impact on the shareholders' equity.</p>				

II. Financial performance

(I) Comparative analysis of financial performances in the most recent two (2) years

Unit: NTD thousand

Item \ Year	2022	2021	Increase (decrease) amount	Change ratio (%)
Operating revenue	7,439,175	6,508,725	930,450	14.30
Operating cost	4,031,096	3,765,309	265,787	7.06
Gross profit	3,408,079	2,743,416	664,663	24.23
Operating expense	2,165,076	1,935,798	229,278	11.84
Operating profit	1,243,003	807,618	435,385	53.91
Non-operating income and expenses	197,872	21,124	176,748	836.72
Profit before tax	1,440,875	828,742	612,133	73.86
Tax expense	228,613	133,284	95,329	71.52
Current net profit	1,212,262	695,458	516,804	74.31
Other comprehensive income	625	(7,011)	7,636	(108.91)
Total comprehensive income	1,212,887	688,447	524,440	76.18

(I) Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)

- (1) Increases in gross profit and operating profit: They are mainly due to a 14% increase in revenue of the period whereas there was only a 7% increase in costs, resulting in the increase in gross profit; in addition, the operating expense ratios for both periods were maintained at 29%, so the operating profit increased.
- (2) Increases in non-operating income and expenses: They are mainly due to the increase in gains on foreign exchange.
- (3) Increases in net income before tax, income tax expenses and current net profit: They are mainly due to the increases in operating revenue, gross profit, operating profit and non-operating income for the period.
- (4) Increase in other comprehensive income for the current period: This is mainly due to the increase in exchange difference arising from translation of the financial statement of foreign operations.
- (5) Increase in total comprehensive income: This is due to the increase in net profit before tax for the current period.

(II) Cause of changes of the Company's main business contents: If material changes have occurred or are expected to occur in the operational policies, market conditions, economic environment or other internal or external factors, the fact and their impact on the future financial operations of the Company and the responsive policies of the Company shall be stated: None.

(III) The estimated sales volume for the coming year and the basis of estimation, and the primary factors leading to the growth or decline of the estimated sales volume: Please refer to the

description in “One. A Message to Shareholders” and “Five. Overview of operation” of this annual report.

III. Cash flow

(I) Analysis of changes in the cash flow for the most recent two (2) years:

Unit: NTD thousand

Item \ Year	2022	2021	Amount of variance	Increase (decrease) ratio (%)
Operating activities	1,717,249	641,340	1,075,909	167.76
Investment activities	(468,638)	(1,152,158)	683,520	(59.33)
Financing activities	(182,401)	389,414	(571,815)	(146.84)
Total	1,066,210	(121,404)	1,187,614	(978.23)

Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)

Increase in cash inflow from operating activities: This is due to the increase in net profit before tax in the current period and the decrease in accounts receivable.

Decrease in cash outflow from investing activities: This is due to the decreases in re-investments and investments in fixed assets.

Cash outflow from financing activities: This is due to the decrease in bank loans.

(II) Liquidity analysis for the most recent two (2) years:

Item \ Year	2022	2021	Increase (decrease) ratio (%)
Cash flow ratio	61.46	25.27	36.19
Cash flow adequacy ratio	117.24	62.20	55.04
Cash flow reinvestment ratio	13.13	2.37	10.76

Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)

(1) Increase in cash flow ratio: This is mainly due to the increase in net profit before tax and the decrease in accounts receivable resulting in the increase in cash flow from operating activities, hence the increased cash flow ratio compared to the previous period.

(2) Increase in cash flow adequacy ratio: This is mainly due to that the percentage of increase in net cash inflow from operating activities for the current period is greater than the percentage of increases in capital expenditure, inventory and cash dividend. Therefore, the cash flow adequacy ratio significantly increased in comparison to the previous period.

(III) Cash flow analysis for the coming year

Unit: NTD thousand

Balance of cash, beginning ^①	Projected Net Cash Flow from the year's operating activities ^②	Projected net cash inflow (outflow) from year-round investment and financing activities	Projected cash balance (deficit) ^{①+②-③}	Remedy for estimated cash shortage	
				Investment plan	Financial plan
2,382,315	1,207,765	(917,830)	2,672,250	N/A	N/A
1. Analysis of changes in cash flows in current period: (1) Cash flow from operating activities: The Company's business is expected to grow steadily with a net cash inflow from operating activities. (2) Cash flows from investing and financing activities: Net cash outflows are expected due to the capital expenditure and the distribution of cash dividend.					
2. Remedy for projected cash shortage and liquidity analysis: Not applicable.					

IV. Major capital expenditure and its impact on the financial operations of the Company in the most recent year: None.

V. Reinvestment policy in the most recent year, the main reasons for profit or loss and the corrective action plan and investment plan for the coming year: The Company upheld the philosophy of conservation and stability for the reinvestment policy in the most recent years, so it is not applicable.

VI. Risk issues in the recent years and as of the publication date of this annual report:

(I) Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future countermeasures:

Item	2022 (in NT\$ thousand)	Proportion to net operating revenue %	Proportion to income after tax %
Interest expenses	13,766	0.19	1.13
Net gains on foreign exchange	151,503	2.04	12.48

(1) Impact of interest rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The interest expense of the Company in 2022 was NT\$13,766 thousand, accounting for 0.19% of the net operating revenue and 1.13% of the profit or loss after tax of the year. The Company will keep good relationships with banks to obtain a

relatively better interest rate and will pay attention to the changes in the interest rate of the financial market to timely adjust the position of funds. Therefore, we estimate that the future interest rate fluctuation has no significant impact on the overall operation of the Company.

- (2) Impact of exchange rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The Company's net gain on foreign exchange in 2022 was NT\$151,503 thousand, accounting for 2.04% of the operating revenue and 12.48% of the profit or loss after tax of the year. The Company has a foreign exchange exposure and a great amount of foreign currency receivables due to the exported products. However, we have the demand for foreign exchange because the daily operation and expenses requires NTD for support. Therefore, the exchange rate fluctuation has significant impact on the profit and loss of the Company. We adopt the following countermeasures to avoid exchange risks.

- (a) We keep close contact with the foreign exchange departments of the correspondent financial organizations to continuously collect the information that may have impact on the foreign exchange market to control the trend of the exchange rate and respond to the effect brought by the fluctuation of exchange rate.
 - (b) Besides adopting natural hedging, the Company also conducts purchase using the sale revenue of the same currency to avoid the foreign exchange risks. The finance and accounting unit will pay close attention to the fluctuation of the foreign exchange market and adjust the foreign currency position depending on the global macroeconomy, price level of the exchange rate and future demand of funds to avoid the possible impact of the exchange rate fluctuation on the Company's operation.
 - (c) The Company has established the "Operating Procedures for Engaging in Derivatives Trading" and the "Procedure for Acquisition or Disposal of Assets." The relevant foreign exchange transactions shall be conducted in accordance with these two procedures.
- (3) Impact of inflation on the profit and loss of the Company, and the future countermeasures:

The Company maintains good relations with our suppliers and the prices of the required raw materials remains stable without any sign of inflation. We will strive to reduce each cost in the future and focus on the changes in the prices of the raw materials to adopt countermeasures timely. We never have any adverse effect on the operation due to inflation to the date on which the annual report was printed, so the inflation has no significant impact on the Company.

(II) Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees

as well as transactions of financial derivatives, major causes for profits or losses and future countermeasures:

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds to others, endorsements and guarantees as well as transactions of financial derivatives. All transactions are conducted in accordance with the relevant requirements and countermeasures defined under the Company's "Operating Procedures for Derivatives Trading," "Operating Procedures for Loaning of Funds to Others," "Operating Procedures for Making of Endorsement/Guarantee"; and "Operating Procedures for Acquisition or Disposal of Assets." Meanwhile, the Company also makes announcement and reports according to the related laws and regulations.

(III) Future R&D plans and expected R&D expenditure:

All of the Company's R&D plans are oriented on customer needs, and it has launched many products and technologies developed in the R&D plans of recent years. In the future, it will continue to invest in R&D and innovation, and in 2023, a total of NT\$300-500 million, approximately 10% of the operating revenue, is expected to be invested into the R&D fund in 2023 to cope with the rapidly changing demands of the market. The key factors to success of the Company's R&D reside in the recruitment, retention and training of talents to correspond to the challenges of new technology and ensure the leadership of the Company in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
Fine-pitch (60um) full-array micro-electro-mechanical vertical probe cards	Structural design and simulation analysis ability	Design under validation	NT\$150 million	2023
High-temperature large-area vertical probe cards for automotive IC tests	Structural design and simulation analysis ability	Design under validation	NT\$150 million	2023
Micro LED multi-channel high-speed low-current measuring equipment	Development of micro-current measuring instrument Micro-distance multi-channel probe card application technology	Design under validation	30 million	2024
Nanosecond pulsed wafer level test system for high-performance Laser Diode and VCSEL.	Nanosecond pulsed sequential control technology	Development under validation	NT\$20 million	2023

	Integration of semi-automatic and automatic integrated high-current measuring equipment for driver ICs			
Automated mass production equipment for compound semiconductors	High-pressure high-current automated equipment technology Micro-lighting defect detection technology Probe card automatic alignment technology	Development under validation	30 million	2023

(IV) Impact on the Company's finance and business due to changes in domestic or foreign policies and laws, and corresponding countermeasures:

The daily operation of the Company complies with the laws and regulations of the competent authorities. We pay attention to the development trends of important policies at home and abroad and the changes in laws and regulations at all times to evaluate their impact on the Company and take appropriate measures in advance to avoid possible adverse effects resulted by the policies and changes in laws and regulations. There is no significant impact of changes in important policies and laws at home and abroad on the financial operations of the Company to the date on which the annual report is printed.

(V) Effect on the company's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response: In response to the changes of technology and industry and to control the changes of market from time to time, the Company accesses the industrial information by exhibitions, network, and related meetings held by industrial, trading and labor unions. We expand the business and precisely control the trend of industrial information in line with our upgrading R&D technology and outstanding competitive strength to immediately understand the market trends and grasp profitable business opportunities.

(VI) Impact of changes in corporate image on the corporate crisis management, and countermeasures: N/A, as the Company has remarkable corporate image.

(VII) Expected benefits and possible risks associated with any merger and acquisition, and countermeasures: N/A.

(VIII) Expected benefits, risks and responsive measures associated with any plant expansion: N/A.

(IX) Risk from centralized purchasing or selling, and countermeasures: N/A.

(X) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: N/A.

(XI) Impact and risk associated with changes in management rights, and countermeasures: N/A.

(XII) For litigious and non-litigious matters, please list major litigious, non-litigious or administrative disputes that have been resolved or are still proceeding involving the Company and/or any director, supervisor, president, any person with actual responsibility for the Company and any major shareholder holding a more than 10% of the shares, and the affiliated companies. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report:

Some former employee of the Company who worked for WinWay Tech. Co., Ltd. upon resignation from the Company was found suspected of infringing upon the Group's trade secrets. Given this, the Group has initiated a criminal complaint. Recently, Hsinchu District Prosecutors Office brought the indictment against WinWay Tech. Co., Ltd. and the former employee. The criminal action is now pending trial by Taiwan Hsinchu District Court.

The Group also initiated a civil action with monetary claim against the defendants. Meanwhile, with respect to the dispute over IPR caused by said parties' infringement upon trade secrets, the Group has petitioned with the Intellectual Property Court and Taiwan Hsinchu District Court for a provisional seizure by furnishing the security bond totaling NT\$69,090 thousand. The preliminary investigation and provisional seizure have been completed with respect to the action. Notwithstanding, considerable criminal facts and evidence still need to be assessed through criminal procedures. The civil action is now pending in the Taiwan High Court and Supreme Court.

The Group's operations remain unaffected by the case, and the Group's finance as well. Further, in order to maintain the fair competition in the industry and defend the IPR, the Group has appointed its attorney-at-law to pursue the defendants' civil and criminal liabilities.

As of December 31, 2022 and 2021, the Group has set aside the provisional seizure totaling NT\$69,090 thousand and NT\$57,550 thousand, respectively.

(XIII) Other material risks and responsive measures: None.

(XIV) Key Performance Indicator (KPI):

The KPI of the probe card operating center of the Company characteristics refer to the R&D of advanced probe card technology and the percentage of the probe card operating revenue thereof. The higher the percentage is, the better it is. The following is the list of the percentage of advanced probe card in the probe card operating revenue of the Company for the most recent two (2) years:

Item of production and technology	2021	2022
Epoxy/Cantilever Probe Cards	50%	40%
Advanced Probe Cards	50%	60%

VII. Other important disclosures: N/A.

Eight. Special notes

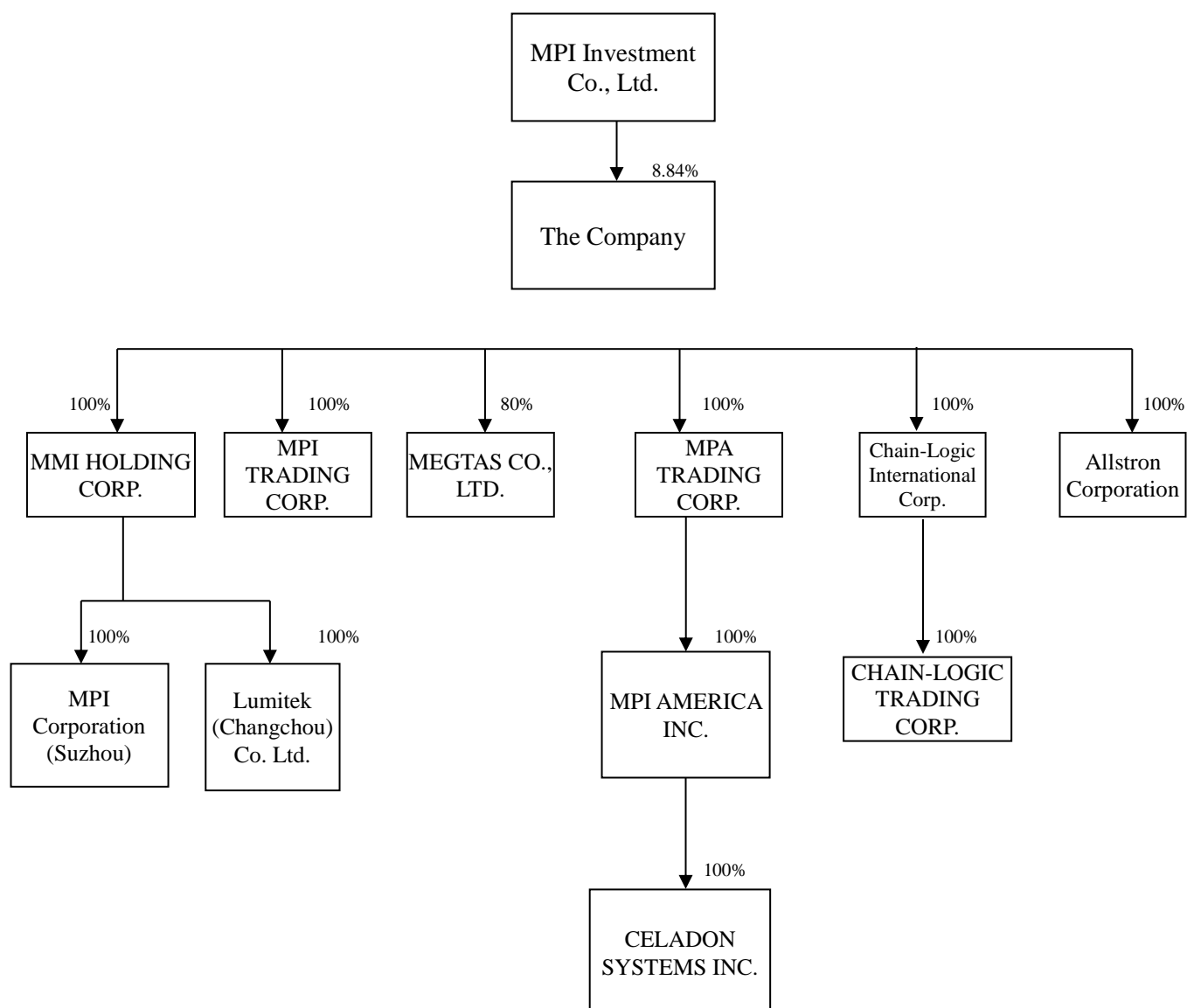
I. Information on affiliate enterprises:

(I) Overview of affiliates

(1) Overview of of affiliates' organization

(a) Organizational chart of the affiliates

December 31, 2022



- (b) The affiliates that meet Article 369-2 of the Company Act were included into the consolidated financial statements of the affiliated companies.
- (c) Entities presumed in parent-subsidary relations according to Article 369-3 of the Company Act: None.

(2) Basic information on affiliates

December 31, 2022; unit: NT\$ thousand

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
MPI Investment Co., Ltd.	2000.12.29	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City	1,107	General investment
Chain-Logic International Corp.	1994.03.01	No. 988, Sec. Litoushan, Wenshan Road, Xintu Township, Hsinchu County	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 22, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US\$1,000	Engage in Probe Card business
MMI HOLDING CO., LTD.	2001.08.07	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US\$18,267,987	Holding company
MEGTAS CO., LTD.	2010.09.01	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam, 331-811, Korea	2,500,000,000 won	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Allstron Corporation	2006.03.31	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	15,500	Information software wholesale, and wholesale and retail of electronic materials, telecommunication devices and precision instruments
MPA TRADING CORP.	April 12, 2017	Vistra (Anguilla) Limited of Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	US\$11,450,000	Holding company
Lumitek (Changchou)	2014.01.10	No. 377, Wu Yi S. Road, China Wujin	US\$16,000,000	R&D and production of

Co. Ltd.		High-tech Industrial Development Zone		LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; domestic procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.
MPI Corporation (Suzhou)	July 11, 2017	No. 13, Chun Hui Road, Suzhou Industrial Park	2,000,000 USD	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.
MPI AMERICA INC.	March 29, 2017	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	US\$11,400,000	Trading of probe cards and semi-automatic probers
CELADON SYSTEMS INC.	1996.05.17	13795 FRONTIER CT BURNSVILLE, MINNESOTA 55337,USA	US\$2,255,106	Manufacturing and sales of probe cards, testing systems and high-performance wires
CHAIN-LOGIC TRADING CORP.	2001.11.19	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James	US\$100	International trading

		Court, St Denis Street, Port Louis, Republic of Mauritius.		
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(3) Entities presumed in parent-subsidiary relations and information on identical shareholders: N/A.

(4) The industries housed in the same business location of the whole business group:

The businesses the Company and its affiliates are engaged in include investment business; production, testing, R&D, manufacturing and trading of semi-conductor equipment and components; agency of semi-conductor equipment; trading; supply service of electronic information; wholesale and retail of electronic devices and materials and manufacturing of electronic components.

(5) Information on directors, supervisors and presidents of the Company's affiliates:

December 31, 2022

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Number of shares (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman	Ko, Chang-Lin	49,636 shares	44.83%
	Director	Li, Tu-Cheng	30,089 shares	27.17%
	Director	Steve Chen	10,029 shares	9.06%
	Supervisor	Scott Kuo	2,966 shares	2.68%
Chain-Logic International Corp.	Name of investor	MPI Corporation Representative: Ko, Chang-Lin	5,000,000 shares	100.00%
	Chairman	Steve Chen		
	Director	Scott Kuo		
	Director	Rose Jao		
	Supervisor	Chan, Chao-Nan		
	President			
MPI TRADING CORP.	Name of investor	MPI Corporation Ko, Chang-Lin	1,000 shares	100.00%
	Responsible person			
MMI HOLDING CO., LTD.	Name of investor	MPI Corporation	18,267,987 shares	100.00%
	Responsible person	Ko, Chang-Lin		

MEGTAS CO.,LTD.	Name of investor	MPI Corporation	400,000 shares	80.00%
	Name of investor	LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: HUAN-SHENG LIN Chairman DU-HWA HWANG Director JUNG-JAE CHEUN Director SHENG-YI CHEN Supervisor	100,000 shares	20.00%
Allstron Corporation	Name of investor	MPI Corporation Representative: Scott Kuo Chairman Steve Chen Director Liu, Yung-Chin Director Rose Jao Supervisor	1,550,000 shares	100.00%
MPA TRADING CORP.	Name of investor	MPI Corporation	11,450,000 shares	100.00%
	Responsible person	Ko, Chang-Lin		
Lumitek (Changchou) Co. Ltd.	Name of investor	MMI HOLDING CO., LTD.	US\$16,000,000	100.00%
	Responsible person	Scott Kuo		
MPI Corporation (Suzhou)	Name of investor	MMI HOLDING CO., LTD.	US\$2,000,000	100.00%
	Responsible person	Chan, Yun-Fu		
MPI AMERICA INC.	Name of investor	MPA TRADING CORP.	6,300,000 shares	100.00%
	Responsible person	Robert S. Carter		
CELADON SYSTEMS INC.	Name of investor	MPI AMERICA INC.	1,000 shares	100.00%
	Responsible person	Karen R. Armendariz		
CHAIN-LOGIC TRADING CORP.	Name of investor	Chain-Logic International Corp.	100 shares	100.00%
	Responsible person	Ko, Chang-Lin		

	Responsible person			
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Note 1. If the affiliate is a foreign company, please list the one of equivalent job rank.

Note 2. If the investee is a limited company by share, please identify the quantity of shares and shareholding; otherwise, please specify the capital contribution and percentage thereof, and note the same.

Note 3. If the director or supervisor is a corporation, please disclose the information about its representative.

Note 4. If said affiliate does not appoint a president, the president shall be assumed by the Chairman (or responsible person or director) of the affiliate concurrently.

Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2022; unit: NT\$ thousand

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit (loss)	Profit or loss for the current period (after tax)	EPS (NT\$) (after tax)
Chain-Logic International Corp.	50,000	453,588	201,777	251,811	532,003	58,518	59,496	11.9
MPI TRADING CORP.	32	58,296	—	58,296	—	(29)	(3,839)	(3,839)
MMI HOLDING CO., LTD.	573,502	701,438	—	701,438	82,468	82,437	83,647	4.58
MEGTAS CO., LTD.	66,509	49,751	7,121	42,630	38,126	(8,989)	(6,819)	(13.64)
Allstron Corporation	15,500	1,483	20	1,463	—	(20)	(12)	(0.01)
MPA TRADING CORP.	321,352	55,074	—	55,074	3	(7,308)	(7,177)	(0.63)
Lumitek (Changchou) Co. Ltd.	502,470	647,010	56,069	590,941	220,138	10,102	24,991	—
MPI Corporation (Suzhou)	60,180	788,909	690,997	97,912	1,291,032	63,782	57,446	—
MPI AMERICA INC.	319,837	621,014	567,247	53,767	1,016,940	(36,249)	(7,268)	(1.17)
CELADON SYSTEMS INC.	62,793	150,816	61,184	89,632	209,567	29,491	29,209	29,209
CHAIN-LOGIC	3	3	—	3	—	(1)	(1)	(7.30)

TRADING CORP.								
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Note 1. All of the affiliates should be disclosed, irrelevant to scale and size.

Note 2. If the affiliate refers to a foreign company, the relevant figures shall be stated in NTD at the foreign exchange rate prevailing on the date of the report.

Note 3. The financial statements of said affiliates were audited and certified by the external auditor of the parent company.

Note 4. If the investee is a limited company, its EPS shall not apply.

Note 5. Foreign exchange rate prevailing on the date of the report: RMB:NTD = 1:4.4114;
weighted average exchange rate: 1:4.37843

NTD:USD = 1:30.725; weighted-average exchange rate: 1:29.2015

NTD:Won=1:0.02457; weighted average exchange rate: 1:0.02404

II. Private placement of securities in the last year up till the date of publication of the annual report: None.

III. Holding or disposal of the company's shares by subsidiaries in the last year, up till the publication date of this annual report: N/A.

IV. Other supplementary information: N/A.

V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

MPI Corporation

Audit Committee's Review Report

The Company's 2022 standalone financial statements and consolidated financial statements prepared and submitted by the Board of Directors have been audited by CPAs Chen, Chih-Ling and Chen, Yi-Ling of Nexia Sun Rise CPAs & Co, who believe that these financial statements fairly present the financial position, business performance and cash flow of the Company. The above statements along with the Business Report and the Earnings Distribution Plan have been reviewed by the Audit Committee, and no irregularities were found. We hereby report as above in accordance with Article 219 of the Company Act and Article 14-4 of the Securities and Exchange Act.

To:

MPI Corporation 2023 Annual General Meeting

MPI Corporation

Convener of Audit Committee:

March 10, 2023

Independent Accountants' Audit Report

To the Board of Directors and Stockholders of MPI Corporation

Opinion

We have audited the accompanying financial statements of MPI CORPORATION (the "Company"), which comprise the balance sheets as of December 31, 2022 and 2021 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2022 were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (26) of Note 4 of the Individual Financial Statements. Regarding relevant disclosure, please refer to (18) of Note 6 and Note 9 Statement of major accounting items - Statement of operating revenue.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Corporation. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these

two key factors during the audit.

Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

- (1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.
- (2) Understood the major revenue type and trading terms of MPI Corporation to assess if the accounting policy of point in time for revenue recognition is appropriate.
- (3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Corporation has handled accounting relevant activities appropriately.
- (4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.
- (5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (15) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (5) of Note 6 of Individual Financial Statements. The Company recognize inventories amounting to NT\$3,050,415 thousand and allowance for inventories amounting to NT\$500,137 thousand. The book value of the Company's inventories as December 31, 2022 was NT\$2,550,278 thousand and accounted 24% of the total assets in the parent company only balance sheet. MPI Corporation mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgement on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the CPA(s) believes that

the inventory valuation and obsolescence loss is one of the key audit matters of the year.

Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

- (1) With the CPA's knowledge of the industry and MPI Corporation's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.
- (2) Understood MPI Corporation's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.
- (3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.
- (4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

Other Matter-Making Reference to the Audits of Component Auditors

As stated in the individual financial statements (6) of Note 6 , Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Respectively, the related shares of investment income from the subsidiaries amounted to NT\$(12,724) thousand and NT\$(66,487) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT\$86,875 thousand and NT\$92,892 thousand as of December 31, 2022 and December 31, 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted

in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our accountants' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would

reasonably be expected to outweigh the public interest benefits of such communication.

NEXIA Sun Rise CPAs & Company
Taipei, Taiwan, Republic of China
March 10, 2023

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

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

MPI CORPORATION
BALANCE SHEETS (ASSETS)
DECEMBER 31, 2022 AND 2021

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

ASSETS	Note	December 31, 2022		December 31, 2021	
		Amounts	%	Amounts	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 1,352,540	13	\$ 657,007	7
Financial assets at fair value through profit or loss – current	6(14)	-	-	68	-
Accounts receivable, net	6(4)	436,997	4	607,289	6
Accounts receivable -related parties, net	6(4).7	1,101,914	11	911,176	10
Other receivables		14,896	-	11,394	-
Other receivables -related parties	7	41,169	1	36,877	-
Inventories, net	6(5)	2,550,278	24	2,424,715	25
Prepayments		40,835	-	43,262	1
Other current assets		380	-	252	-
Total Current Assets		<u>5,539,009</u>	<u>53</u>	<u>4,692,040</u>	<u>49</u>
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income – non-current	6(2)	185,738	2	166,460	2
Investments accounted for using equity method	6(6)	1,075,734	10	956,974	10
Property, plant and equipment	6(7).7.8	3,243,863	31	3,315,712	35
Right-of-use assets	6(8)	108,737	1	114,654	1
Intangible assets	6(9)	33,697	-	19,943	-
Deferred income tax assets	6(20)	128,440	1	118,926	1
Other noncurrent assets	6(10).8	234,269	2	169,845	2
Total Noncurrent Assets		<u>5,010,478</u>	<u>47</u>	<u>4,862,514</u>	<u>51</u>
TOTAL ASSETS		<u>\$ 10,549,487</u>	<u>100</u>	<u>\$ 9,554,554</u>	<u>100</u>

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

MPI CORPORATION
BALANCE SHEETS (LIABILITIES AND EQUITY)
DECEMBER 31 ,2022 AND 2021

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

LIABILITIES AND EQUITY	Note	December 31,2022		December 31,2021	
		Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(11)	\$ -	-	\$ 100,000	1
Contract liabilities – current	6(18),7	554,316	5	573,317	6
Accounts payable		498,628	5	531,016	6
Accounts payable-related parties	7	12,760	-	10,831	-
Payables on equipment		60,029	1	59,870	1
Other payables	6(12)	989,091	10	779,209	8
Other payables-related parties	7	28,431	-	23,881	-
Income tax payable		217,435	2	115,673	1
Provisions-current	6(13)	12,696	-	11,955	-
Lease liabilities – current	6(8)	42,070	-	39,049	1
Corporate bonds payable – current portion	6(14)	-	-	9,536	-
Current portion of long-term loans	6(15)	103,740	1	6,978	-
Other current liabilities		13,703	-	14,817	-
Total Current Liabilities		<u>2,532,899</u>	<u>24</u>	<u>2,276,132</u>	<u>24</u>
NONCURRENT LIABILITIES					
Long-term loans	6(15)	1,024,162	10	1,127,902	12
Provisions-non-current	6(13)	1,317	-	2,684	-
Deferred income tax liabilities	6(20)	9,525	-	10,292	-
Lease liabilities – non-current	6(8)	67,675	1	76,530	1
Net defined benefit liability	6(16)	26,985	-	21,343	-
Other noncurrent liabilities		1,457	-	1,356	-
Total Noncurrent Liabilities		<u>1,131,121</u>	<u>11</u>	<u>1,240,107</u>	<u>13</u>
TOTAL LIABILITIES		<u>3,664,020</u>	<u>35</u>	<u>3,516,239</u>	<u>37</u>
EQUITY					
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	6(17)				
Capital common stock		942,311	9	940,738	10
Capital surplus		1,744,545	17	1,736,500	18
Retained earnings					
Appropriated as legal capital reserve		779,739	7	710,848	7
Appropriated as special capital reserve		80,205	1	79,234	1
Unappropriated earnings		3,418,520	32	2,651,200	28
Total Retained Earnings		<u>4,278,464</u>	<u>40</u>	<u>3,441,282</u>	<u>36</u>
Other					
Foreign currency translation adjustments		(55,687)	(1)	(78,665)	(1)
Unrealized gain(loss) on financial assets at fair value through other comprehensive income-parent company	6(2)	(23,302)	-	(1,540)	-
Unrealized gain(loss) on financial assets at fair value through other comprehensive income-subsiidiaries accounted for using equity method	6(6)	(864)	-	-	-
Total others		<u>(79,853)</u>	<u>(1)</u>	<u>(80,205)</u>	<u>(1)</u>
TOTAL EQUITY		<u>6,885,467</u>	<u>65</u>	<u>6,038,315</u>	<u>63</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 10,549,487</u>	<u>100</u>	<u>\$ 9,554,554</u>	<u>100</u>

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

MPI CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
From January 1 to December 31, 2022 and 2021

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

Items	Note	January 1 ~ December 31, 2022		January 1 ~ December 31, 2021	
		Amounts	%	Amounts	%
OPERATING REVENUE, NET	6(18).7				
Sales revenue		\$ 6,247,577	100	\$ 5,566,991	100
Less: sales returns		(2,026)	-	(7,530)	-
sales discounts and allowances		(144)	-	(475)	-
Operating Revenue, net		6,245,407	100	5,558,986	100
OPERATING COSTS	6(5).7	(3,510,128)	(56)	(3,301,503)	(59)
GROSS PROFIT		2,735,279	44	2,257,483	41
Unrealized Gross profit on sales to subsidiaries and associates		(11,898)	-	(20,534)	-
Realized Gross profit on sales to subsidiaries and associates		19,589	-	19,064	-
GROSS PROFIT, NET		2,742,970	44	2,256,013	41
OPERATING EXPENSES					
Selling expenses		(610,669)	(10)	(492,924)	(9)
General & administrative expenses		(361,509)	(6)	(327,454)	(6)
Research and development expenses	6(9)	(708,047)	(11)	(722,154)	(13)
Expected Credit (losses) gains	6(4)	560	-	3,999	-
Operating expenses, net		(1,679,665)	(27)	(1,538,533)	(28)
OPERATING INCOME		1,063,305	17	717,480	13
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses, net	6(19)	132,360	2	(18,256)	-
Finance costs	6(19)	(11,436)	-	(5,402)	-
Share of profits of subsidiaries and associates	6(6)	126,980	2	11,452	-
Interest income	6(19)	2,901	-	682	-
Rent income	6(8)	20,111	-	14,783	-
Dividend income		1,399	-	-	-
Other non-operating revenue-other items		88,108	1	74,369	1
Total Non-operating Income and Expenses		360,423	5	77,628	1
INCOME BEFORE INCOME TAX		1,423,728	22	795,108	14
INCOME TAX EXPENSE	6(20)	(210,103)	(3)	(101,257)	(2)
NET INCOME		1,213,625	19	693,851	12
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(129)	-	(9,902)	-
Unrealized gain(losses) on valuation of equity instruments at fair value through other comprehensive income	6(2)	(21,762)	-	(1,540)	-
Share of re-measurements from defined benefit plans of subsidiaries and associates		-	-	4,955	-
Share of Unrealized gain(losses) on valuation of equity instruments at fair value through other comprehensive income of subsidiaries and associates	6(6)	(864)	-	-	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		22,978	-	569	-
Other comprehensive income (loss) for the year, net of income tax		223	-	(5,918)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 1,213,848	19	\$ 687,933	12
EARNINGS PER COMMON SHARE(NTD)	6(21)				
Basic earnings per share		\$ 12.89		\$ 7.44	
Diluted earnings per share		\$ 12.74		\$ 7.38	

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

MPI CORPORATION
STATEMENTS OF CHANGES IN EQUITY
From January 1 to December 31 ,2022 and 2021

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

Items	Capital		Retained Earnings			Others		Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealised gain(losses) on financial assets at fair value through other comprehensive income	
BALANCE,JANUARY,1,2021	\$ 920,802	\$ 1,630,283	\$ 639,975	\$ 68,477	\$ 2,459,642	\$ (79,234)	\$ -	\$ 5,639,945
Legal capital reserve			70,873		(70,873)			-
Special capital reserve				10,757	(10,757)			-
Cash Dividends of Common Stock					(415,716)			(415,716)
Capital Reserve From Stock Warrants		115,466						115,466
Other changes in capital surplus		(9,249)						(9,249)
Net Income in 2021					693,851			693,851
Other comprehensive income (loss) in 2021, net of income tax					(4,947)	569	(1,540)	(5,918)
Total comprehensive income (loss) in 2021	-	-	-	-	688,904	569	(1,540)	687,933
Convertible Bonds Transferred To Common Stock	19,936				-			19,936
BALANCE,DECEMBER,31,2021	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ 6,038,315
BALANCE,JANUARY,1,2022	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ 6,038,315
Legal capital reserve			68,891		(68,891)			-
Special reserve				971	(971)			-
Cash Dividends of Common Stock					(376,314)			(376,314)
Capital Reserve From Stock Warrants		8,732						8,732
Other changes in capital surplus		(687)						(687)
Net Income in 2022					1,213,625			1,213,625
Other comprehensive income (loss) in 2022, net of income tax					(129)	22,978	(22,626)	223
Total comprehensive income (loss) in 2022	-	-	-	-	1,213,496	22,978	(22,626)	1,213,848
Convertible Bonds Transferred To Common Stock	1,573							1,573
BALANCE,DECEMBER,31,2022	\$ 942,311	\$ 1,744,545	\$ 779,739	\$ 80,205	\$ 3,418,520	\$ (55,687)	\$ (24,166)	\$ 6,885,467

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

MPI CORPORATION
STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2022 and 2021
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2022	Jan 1 ~ Dec 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,423,728	\$ 795,108
Adjustments to reconcile net income to net cash		
Depreciation	367,477	355,705
Amortization	49,774	52,875
Expected credit loss(gain)	(560)	(3,999)
(Gain) loss on Financial Assets (Liabilities) at Fair Value through Profit or Loss	48	241
Interest expense	11,436	5,402
Interest revenue	(2,901)	(682)
Dividend income	(1,399)	-
Loss (gain) on equity-method investments	(126,980)	(11,452)
(Gain) loss on disposal of property, plant and equipment	6,882	9,467
Unrealized gross profit on sales to subsidiaries and associates	11,898	20,534
Realized gross profit on sales to subsidiaries and associates	(19,589)	(19,064)
(Gain) loss on lease modification	(211)	(169)
Rent concessions	-	(479)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in accounts receivable	170,852	58,806
Decrease (Increase) in accounts receivable-related parties	(190,737)	(275,944)
Decrease (Increase) in other receivables	(2,919)	1,762
Decrease (Increase) in other receivables-related parties	(4,293)	1,476
Decrease (Increase) in inventories	(125,563)	(107,973)
Decrease (Increase) in prepayments	2,427	(3,229)
Decrease (Increase) in other current assets	(128)	123
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	(19,000)	89,744
(Decrease) Increase in accounts payable	(32,389)	51,965
(Decrease) Increase in accounts payable-related parties	1,929	8,511
(Decrease) Increase in other accounts payable	209,641	48,318
(Decrease) Increase in other accounts payable-related parties	6,421	8,504
(Decrease) Increase in provision of liabilities	(626)	4,146
(Decrease) Increase in other current liabilities	(1,114)	1,879
(Decrease) Increase in net defined benefit liability	5,512	(3,834)
Cash generated from operations	1,739,616	1,087,741
Interest received	2,319	674
Interest paid	(9,209)	(2,670)
Cash dividends paid	(376,314)	(415,716)
Income taxes paid	(118,621)	(105,870)
Net cash Provided By Operating Activities	1,237,791	564,159

(Continue)

MPI CORPORATION
STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2022 and 2021
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31, 2022	Jan 1 ~ Dec 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	(41,040)	(168,000)
Acquisition of investments accounted for using equity method	-	(283,471)
Acquisition to property, plant and equipment	(261,884)	(647,249)
Proceeds from disposal of property, plant and equipment	7,783	4,775
Acquisition of Intangible assets	(48,387)	(18,249)
Decrease in other financial assets	-	903
Increase in other non-current assets	(79,565)	-
Decrease in other non-current assets	-	54,634
Cash dividends received	39,424	32,851
Net cash Provided By (Used In) Investing Activities	<u>(383,669)</u>	<u>(1,023,806)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	100,000
Decrease in short-term loans	(100,000)	-
Issuance of long-term loans	-	371,083
Repayments of long-term loans	(6,978)	-
Increase in Guarantee Deposits Received	101	1,260
Cash payments for the principal portion of the lease liability	(51,712)	(50,396)
Net cash Provided By (Used In) Financing Activities	<u>(158,589)</u>	<u>421,947</u>
Net increase (decrease) in cash and cash equivalents	695,533	(37,700)
Cash and cash equivalents at beginning of year	657,007	694,707
Cash and cash equivalents at end of year	<u>\$ 1,352,540</u>	<u>\$ 657,007</u>

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

MPI CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. Company profile

- (1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT\$942,311 thousand and outstanding stock has been 94,231,106 shares until December 31, 2022. 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 primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.
- (3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

2. Date and procedure for ratification of financial report

The parent company only financial statement have been approved and released by the Board of Directors on March 10, 2023.

3. Application of new standards, amendments and interpretations

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

New standards, interpretations and amendments endorsed by FSC and became 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	January 1, 2022

framework'	
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018—2020	January 1, 2022

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

(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
Amendments to IFRS 16, 'Lease liability in a sale and	January 1, 2024

leaseback'	
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 –comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current Liabilities with Covenants'	January 1, 2024

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

4. **Summary of Significant Accounting Policies**

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

(1) Statement of compliance

This parent company only financial statement is prepared in accordance with the "Criteria for the Compilation of Financial Statements by Securities Issuers".

(2) Basis for preparation

A. Basis for measurement

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

- (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Defined benefit 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 Company entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The parent company only financial statements should be presented based on the Company's functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Foreign currency

A. Foreign currency transactions

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

B. Foreign operations

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

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

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

comprehensive income.

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

(4) Current and non-current assets and liabilities

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

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

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

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

(5) Cash and cash equivalent

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

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and

recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

- D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Accounts and notes receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

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

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency;
or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(12) Notes and accounts payable

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

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

(13) Convertible bonds payable

Convertible bonds or issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.
 - B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.
 - C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.
 - D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
 - E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.
- (14) Derecognition of financial liabilities
- A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.
 - B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.
 - C. Where there has been a substantial renegotiation or modification of the terms of an

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

(15) Inventory

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

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

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

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

(17) Investment accounted for using equity method

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

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

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

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

When the Company's share of loss from any affiliate to be recognized on a pro rata basis

is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Company makes payment on behalf of the investee.

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

(18) Investment in subsidiaries

In compiling the financial statements for the individual entities, the company shall value the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the financial statement of the individual entity shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the financial statement of the individual entities shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the change in all shareholders' equities of the subsidiaries does not cause the loss of dominant control of the company, handled as equity transactions with the shareholders.

The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control.

(19) Property, plant and equipment

A. Recognition and measurement

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

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

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and

proceeds on disposal of the same and recognized as the “other gains and losses” in the income statement on a net basis.

B. After cost

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

C. Depreciation

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

No depreciation of land is required.

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

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	18-20
Electrical and mechanical facilities	5-20
Others	1-20
Machine and equipment	1-9
Furniture and fixtures	3-6
Research equipment	1-6
Other equipments	2-6

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

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

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

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

and the present value of the receivable is recognized as ‘unearned finance income of finance lease’.

- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor’s net investment in the finance lease.
- (c) Lease payments (excluding costs for services) during the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

(21) 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 Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable;
- (b) Variable lease payments that depend on an index or a rate;
- (c) Amounts expected to be payable by the lessee under residual value guarantees;
- (d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date;
- (c) Any initial direct costs incurred by the lessee; and
- (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying

asset to the condition required by the terms and conditions of the lease.

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

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

(22) Intangible assets

A. Computer software

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

B. Internally generated intangible assets—research and development expenses

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

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

- Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Ⓑ An entity intends to complete the intangible asset and use or sell it;
- Ⓒ An entity has the ability to use or sell the intangible asset;
- Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And
- Ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

C. Goodwill

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

(23) Impairment of non-financial assets

- A. The Company will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding,

the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

- B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.
- C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit Company expected to benefit from the merger of businesses generating the goodwill.

(24) Reserve for liabilities

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

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

(25) Treasury stock

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

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

(26) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied. The sales usually are made with a credit term of 60-210 days after inspection. The term is consistent with market practice, therefore determining that the contract does not include a significant financing component.
- (b) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.
- (c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

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

C. Financing components

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

D. Incremental costs of obtaining a contract

The Company recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of

consideration that the Company expects to receive less the costs that have not been recognized as expenses.

(27) Borrowings

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

(28) Government subsidies

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

(29) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plan

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

(b) Defined benefit plan

Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.

- ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.
- ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.
- ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

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

D. Remuneration to employee and directors/supervisors

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

(30) Employee share-based payment

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

(31) Income tax

- A. The income tax expenses consist of current income tax and deferred income tax. The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.
- B. The Company calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied income tax. Income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.
- C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the parent company only balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized; insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.
- D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.
- E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

- F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.
- G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(32) Business combination

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

(33) EPS

The Company will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Company's EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted average outstanding common stock. The diluted EPS is calculated upon adjustment of the

effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Company's potential diluted common stock includes the stock options granted to employees.

(34) Information by department

The company has already disclosed the information on the segments in the consolidated financial statements and no disclosure of segments will be made in the financial statement of individual entities.

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

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

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

Revenue recognition on a net/gross basis

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

(c) The Company has discretion in establishing prices for the goods or services.

B. Critical accounting estimates and assumptions

(1) Allowance for uncollectible of receivable accounts

The Company 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 December 31, 2022, the book value of receivable accounts has been NT\$1,538,911 thousand (exclusive of the allowance for uncollectible accounts, NT\$4,828 thousand).

(2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Company 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 Company 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 December 31, 2022, the book value of the Company's inventories has been NT\$2,550,278 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$500,137 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2022, the deferred income tax assets recognized by the Company have been NT\$128,440 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. As of December 31, 2022, the reserve for liabilities recognized by the Company have been NT\$14,013 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company. As of December 31, 2022, the book value of accrual pension liabilities of the Company amounted to NT\$26,985 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand	\$ 2,960	\$ 2,026
Bank deposit:		
Foreign currency deposit	257,343	102,257
Demand deposit	251,105	552,359
Time deposit	841,132	365
Total	<u>\$ 1,352,540</u>	<u>\$ 657,007</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current Items :	\$ —	\$ —
Non-current items :		
Equity instruments		
Stock in domestic listed company through private placement		
-Spirox Corporation	168,000	168,000
Domestic innovation board common stock		
-PlayNitride Inc.	41,040	—
Valuation adjustment	(23,302)	(1,540)
Total	<u>\$ 185,738</u>	<u>\$ 166,460</u>

- A. The Company has passed the acquisition of common stock of Spriox Corporation 7,000 thousand shares through private placement by the Board of Directors meeting in November 25, 2021. The consideration of acquisition is NT\$168,000 thousand.
- B. The Company has passed the acquisition of common stock of PlayNitride Inc. 380 thousand shares in August, 2022. The consideration of acquisition is NT\$41,040 thousand.
- C. Investment in equity instruments at fair value through other comprehensive income
The purpose that the Company invests in the equity instruments is for long-term strategies, but rather for trading purpose. Therefore, those equity instruments are designated as financial assets at fair value through other comprehensive income.
- D. The amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below :

	<u>2022</u>	<u>2021</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	\$ (21,762)	\$ (1,540)

- E. As of December 31, 2022 and December 31, 2021, financial assets at fair value through other comprehensive income were not pledged as collateral.
- F. Information relating to risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(3) **Note receivables, net** : None.

(4) **Accounts receivable, net**

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable	\$ 441,825	\$ 612,659
Less: Allowance for uncollectible accounts	(4,828)	(5,370)
Accounts receivable, net	<u>\$ 436,997</u>	<u>\$ 607,289</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable -related party	\$ 1,101,914	\$ 911,176
Less: Allowance for uncollectible accounts	—	—
Accounts receivable -related party, net	<u>\$ 1,101,914</u>	<u>\$ 911,176</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Overdue receivable (stated as other non-current assets)	\$ —	\$ 18
Less: Allowance for uncollectible accounts	—	(18)
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>

- A. The Company's receivable accounts were incurred for business and never been provided as collateral.
- B. For the information about the changes of allowance for uncollectible accounts provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	<u>Group provision</u>	<u>Individual provision</u>	<u>Total</u>
At January 1,2022	\$ 5,388	—	\$ 5,388
Provision for impairment	—	—	—
Reversal of impairment	(560)	—	(560)
Write-offs during the period	—	—	—
At December 31, 2022	<u>\$ 4,828</u>	<u>—</u>	<u>\$ 4,828</u>
At January 1,2021	\$ 9,387	—	\$ 9,387
Provision for impairment	—	—	—
Reversal of impairment	(3,999)	—	(3,999)
Write-offs during the period	—	—	—
At December 31, 2021	<u>\$ 5,388</u>	<u>—</u>	<u>\$ 5,388</u>

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

	<u>December 31, 2022</u>		<u>December 31,2021</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Neither past due nor impaired	\$ 1,481,172	\$ —	\$ 1,456,686	\$ —
Overdue for 1~90 days	57,750	4,043	60,354	4,225
Overdue for 91~180 days	4,189	628	5,535	830
Overdue for 181~360 days	628	157	1,260	315
Overdue for 1~2 years	—	—	—	—
Overdue for more than 2 years	—	—	18	18
Total	<u>\$ 1,543,739</u>	<u>\$ 4,828</u>	<u>\$ 1,523,853</u>	<u>\$ 5,388</u>

The above ageing analysis was based on past due date.

- D. As of December 31, 2022 and December 31, 2021, accounts receivable were all from contracts with customers.

(5) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw material	\$ 829,462	\$ (309,298)	\$ 520,164
Supplies	181,497	(55,020)	126,477

Work in progress	593,824	(15,013)	578,811
Semi-finished goods	494,497	(108,864)	385,633
Finished goods	929,722	(11,875)	917,847
Commodity	5,730	(67)	5,663
Materials and supplies in transit	15,683	—	15,683
Inventory, net	<u>\$ 3,050,415</u>	<u>\$ (500,137)</u>	<u>\$ 2,550,278</u>

December 31, 2021

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

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

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 3,277,461	\$ 3,159,931
Loss on market price decline inventories (gain from price recovery)	118,748	74,786
Loss on obsolescence of inventory	31,178	14,348
Other operating costs- employees' bonus	76,585	41,727
Estimated warranty liabilities	6,156	10,711
Operating Cost	<u>\$ 3,510,128</u>	<u>\$ 3,301,503</u>

B. As of December 31, 2022 and 2021, the inventory was not pledged as collateral.

(6) Investments accounted for using equity method (Include Credit balance of investments account for using equity method)

The investment of the company accounted for under the equity method on the ending day of the financial reporting period:

December 31, 2022

December 31, 2021

Investee	Ratio of shareholding		Ratio of shareholding	
	Book value	%	Book value	%
Subsidiaries:				
MPI TRADING CORP.	\$ 58,296	100 %	\$ 56,154	100 %
MMI HOLDING CO., LTD.	681,113	100 %	579,718	100 %
MEGTAS CO.,LTD.	33,108	80 %	37,569	80 %
Chain-Logic International Corp.	249,331	100 %	231,124	100 %
Allstron Corporation	1,463	100 %	1,475	100 %
MPA TRADING CORP.	52,423	100 %	50,934	100 %
Total	<u>\$ 1,075,734</u>		<u>\$ 956,974</u>	
Transfer to Credit balance of investments account for using equity method.	<u>\$ —</u>		<u>\$ —</u>	

A. Changes in investment under equity method:

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 956,974	\$ 858,811
Increase in investment in the current period	—	283,471
Cash dividend distributed by subsidiaries	(38,025)	(32,851)
Investment income (loss) recognized under equity method	126,980	11,452
Exchange difference arising from translation of the financial statement of foreign operations	22,978	569
Realized (unrealized) income from downstream transactions with investees	7,691	(1,470)
Other comprehensive income – Actuarial income (loss) of determined welfare	—	4,955
Other comprehensive income–Unrealized gain(loss) on financial assets at fair value through other comprehensive income	(864)	—
Transfer from Credit balance of investments account for using equity method	—	(167,963)
Balance, ending	<u>\$ 1,075,734</u>	<u>\$ 956,974</u>

B. The information about subsidiaries important to the consolidated companies is stated as following:

Refer to the consolidated financial statements of FY2022.

C. Book value and share of operating result of the affiliates not important to the Company individually : None.

D. The Company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the

company accounted for under the equity method in 2022 and 2021.

- E. The financial statements of subsidiary MEGTAS CO., LTD. in FY2022 and FY2021 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment gain (loss) amounting to NT\$(5,456) thousand and NT\$6,432 thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. (include Celadon Systems Inc.) in FY2022 and FY2021 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to NT\$(7,268) thousand and NT\$(72,919) thousand, respectively.

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

Goodwill Impairment

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

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

- H. Guarantee

As of December 31, 2022 and 2021, the company had not pledged its investment accounted for under the equity method as collaterals.

(7) Property, plant and equipment

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

	Land	House and building	Machine and equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
Cost:								
January 1, 2022	\$ 770,963	\$ 2,402,534	\$ 1,128,985	\$ 60,377	\$ 617,165	\$ 4,598	\$ 18,181	\$ 5,002,803
Additions	-	685	44,972	17,050	15,597	1,540	116,427	196,271
Disposals	-	(18,040)	(281,435)	(13,384)	(129,798)	(1,717)	-	(444,374)
Transfer	-	19,886	50,036	481	10,432	-	(21,151)	59,684
December 31, 2022	\$ 770,963	\$ 2,405,065	\$ 942,558	\$ 64,524	\$ 513,396	\$ 4,421	\$ 113,457	\$ 4,814,384
Cost:								
January 1, 2021	\$ 770,963	\$ 1,543,455	\$ 944,232	\$ 48,189	\$ 635,041	\$ 7,571	\$ 646,555	\$ 4,596,006
Additions	-	242,849	54,271	15,417	30,283	186	17,965	360,971
Disposals	-	(28,106)	(39,118)	(3,584)	(93,642)	(3,159)	-	(167,609)
Transfer	-	644,336	169,600	355	45,483	-	(646,339)	213,435
December 31, 2021	\$ 770,963	\$ 2,402,534	\$ 1,128,985	\$ 60,377	\$ 617,165	\$ 4,598	\$ 18,181	\$ 5,002,803
Depreciation and impairment:								
January 1, 2022	\$ -	\$ 546,994	\$ 683,817	\$ 34,081	\$ 418,146	\$ 4,053	\$ -	\$ 1,687,091
Additions	-	88,572	138,726	12,449	77,183	427	-	317,357
Disposals	-	(8,614)	(277,638)	(13,383)	(128,356)	(1,718)	-	(429,709)
Transfer	-	-	(4,218)	-	-	-	-	(4,218)
December 31, 2022	\$ -	\$ 626,952	\$ 540,687	\$ 33,147	\$ 366,973	\$ 2,762	\$ -	\$ 1,570,521
Depreciation and impairment:								
January 1, 2021	\$ -	\$ 485,865	\$ 583,336	\$ 26,169	\$ 433,166	\$ 6,712	\$ -	\$ 1,535,248
Additions	-	76,319	140,394	11,496	77,430	495	-	306,134
Disposals	-	(15,190)	(38,989)	(3,584)	(92,450)	(3,154)	-	(153,367)
Transfer	-	-	(924)	-	-	-	-	(924)
December 31, 2021	\$ -	\$ 546,994	\$ 683,817	\$ 34,081	\$ 418,146	\$ 4,053	\$ -	\$ 1,687,091
Book value								
December 31, 2022	\$ 770,963	\$ 1,778,113	\$ 401,871	\$ 31,377	\$ 146,423	\$ 1,659	\$ 113,457	\$ 3,243,863
December 31, 2021	\$ 770,963	\$ 1,855,540	\$ 445,168	\$ 26,296	\$ 199,019	\$ 545	\$ 18,181	\$ 3,315,712

B. The Company signed the contract with the non-related party about the equipment construction of HuKou factory, in April 2022. The total contract amount was NT\$129,848 thousand.

C. The Company signed the contract with the non-related party about the new construction of Zhubei third factory at Zhubei City Tai Ho Section, in September and October 2019. The total contract amount was NT\$724,000 thousand. The building ownership certificate has been obtained in 2021 for the new plant, and various

projects which recognized to “House and building” have been accepted after completion.

D. **Guarantee**

For details about the secured bank loan and facility as for December 31, 2022 and 2021, please see Note 8.

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

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

A. Leasing arrangements – lessee

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

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

	<u>December 31, 2022</u>	<u>Jan.1~Dec. 31, 2022</u>	<u>December 31, 2021</u>	<u>Jan.1~Dec. 31, 2021</u>
	Book value	Depreciation	Book value	Depreciation
Land	\$ 17,922	\$ 8,542	\$ 22,685	\$ 8,688
Buildings	50,025	21,897	59,369	22,174
Transportation (Business vehicles)	40,790	19,681	32,600	18,709
Total	\$ 108,737	\$ 50,120	\$ 114,654	\$ 49,571

(c) For the year ended in 2022 and 2021, the additions to right-of-use assets were NT\$97,919 thousand and NT\$91,247 thousand respectively.

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

	<u>Jan.1~ Dec. 31, 2022</u>	<u>Jan.1~ Dec. 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,886	\$ 1,523
Expense on short-term lease contracts	\$ 1,793	\$ 2,061
Gains(losses) on lease modification	\$ 211	\$ 169

(e) For the 2022 and 2021, the Company’s total cash outflow for leases were NT\$51,712 thousand and NT\$50,396 thousand respectively.

(f) The company adopts the practical expedient to “Covid-19-related rent concessions”, and recognized the profit of changes in lease payments as other gains resulting from the rent concessions for the 2022and 2021 are NT\$0 thousand and NT\$479 thousand.

B. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 42,070	\$ 39,049
Noncurrent	67,675	76,530
Total	<u>\$ 109,745</u>	<u>\$ 115,579</u>

- (a) Please refer to Note 6(19) B. for the interest expense of lease liabilities.
- (b) The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate range are 1.38%~2% for the 2022 and 2021.

C. Leasing arrangements – lessor

- (a) The Company leases various assets including part of office buildings and plant. Rental contracts are typically made for periods within 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- (b) For the 2022 and 2021, the Company recognized rent income in the amount of NT\$20,111 thousand and NT\$14,783 thousand respectively, based on the operating lease agreement, which does not include variable lease payments.

(9) Intangible assets

The costs, amortization, and the impairment loss of intangible assets of the Company as of and for the ended of December 31, 2022 and 2021 were as follows:

	<u>Computer software</u>		<u>Computer software</u>
January 1, 2022	\$ 19,943	January 1, 2021	\$ 42,320
Addition	48,387	Addition	18,249
Reclassification	—	Reclassification	—
Amortization	(34,633)	Amortization	(40,626)
December 31, 2022	<u>\$ 33,697</u>	December 31, 2021	<u>\$ 19,943</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2022 and 2021 were stated as the following items in the comprehensive income statement:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 11,477	\$ 11,051
Operating expense	38,297	41,824
Total amortization expenses	<u>\$ 49,774</u>	<u>\$ 52,875</u>

B. R&D expenditure

In FY2022 and FY2021, the R&D spending deriving from intangible assets internally developed amounted to NT\$708,047 thousand and NT\$722,154 thousand, respectively, recognized under the title of “Operating expenses – R&D expenses” in the comprehensive income statement.

(10) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipment	\$ 100,312	\$ 61,964
Refundable deposit	88,826	76,346
Deferred Charges	41,887	28,291
Other financial assets- non-current	3,244	3,244
Total	<u>\$ 234,269</u>	<u>\$ 169,845</u>

A. About the refundable deposit as follows:

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

The company was asking for civil compensation from the defendants. For the case, the company applied for provisional seizure and deposited the guarantee amount of NT\$69,090 thousand to Intellectual Property and Commercial Court and Taiwan Hsinchu District Court. After the preliminary investigation, there were still a large number of exhibits waiting for identification. The civil justices were currently judged by Taiwan High Court and the Supreme Court.

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

As of December 31, 2022 and December 31, 2021, the Company has deposited the guarantee of processing fee NT\$69,090 thousand and NT\$57,550 thousand.

B. The costs, amortization, and the impairment loss of Deferred Charges of the Company as of and for the ended of December 31, 2022 and 2021 were as follows:

	<u>Deferred Charges</u>		<u>Deferred Charges</u>
January 1, 2022	\$ 28,291	January 1, 2021	\$ 13,573
Addition	27,687	Addition	25,197
Reclassification	—	Reclassification	—
Amortization expenses	(15,141)	Amortization expenses	(12,249)

Transfer	1,050	Transfer	1,770
Impairment	—	Impairment	—
December 31, 2022	\$ 41,887	December 31, 2021	\$ 28,291

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

(11) Short-term loan

Nature	December 31, 2022		December 31, 2021	
	Amount	Interest rate	Amount	Interest rate
Credit loan	\$ —	—	\$ —	—
Secured borrowings	—	—	100,000	0.75%
Total	\$ —		\$ 100,000	

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

B. Pledged assets for bank loan

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

(12) Other accounts payable

	December 31, 2022	December 31, 2021
Expenses payable	\$ 755,535	\$ 639,889
Employees' remuneration payable	127,800	71,048
Short-term employee benefits	73,071	49,649
Others (less than 5%)	32,685	18,623
Total	\$ 989,091	\$ 779,209

(13) Reserve for liabilities

	Warranty		Warranty
At January 1, 2022	\$ 14,639	At January 1, 2021	\$ 10,493
Increase (decrease)	(626)	Increase (decrease)	4,146
At December 31, 2022	\$ 14,013	At December 31, 2021	\$ 14,639
Current	\$ 12,696	Current	\$ 11,955
Non-current	1,317	Non-current	2,684
At December 31, 2022	\$ 14,013	At December 31, 2021	\$ 14,639

The Company's reserve for warranty and liabilities in 2022 and 2021 was primarily related to the sales of semi-conductor production process and test equipment. The reserve for warranty and liabilities was estimated based on the historical warranty information.

(14) Corporate bonds-payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
4th domestic unsecured convertible bonds	\$ 1,000,000	\$ 1,000,000
Bonds transferred to common stock	(963,300)	(953,500)
Less : Convertible corporate bonds repayment due	—	—
Less : Buy back from open market	(36,700)	(36,700)
Less : Discount of bonds payable	—	(264)
Corporate bonds-payable, net	<u>\$ —</u>	<u>\$ 9,536</u>
Current	\$ —	\$ 9,536
Non-current	—	—
Total	<u>\$ —</u>	<u>\$ 9,536</u>
Embedded derivative-Financial (Assets) liability	<u>\$ —</u>	<u>\$ (68)</u>
Equity element	<u>\$ —</u>	<u>\$ 687</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 resolved on July 10, 2020 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.4 per share.
 - Ⓔ The Company's board of directors reported on July 14, 2021 about the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 18, 2021, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$65.10 per share.
 - Ⓕ The Company's board of directors reported on August 10, 2022 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 20, 2022, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$62.20 per share.
- (f) Bondholders' put option:
The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

- (g) The Company's right of redemption:
- Ⓐ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.
 - Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

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

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

As of December 31, 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,172,384 shares with face value of NT\$953,500 thousand, and recognized NT\$826,222 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

- (b) For the whole 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 157,334 shares with face value of NT\$9,800 thousand, and recognized NT\$8,732 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

As of December 31, 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,329,718 shares with face value of NT\$963,300 thousand, and recognized NT\$834,954 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

It has been fully converted into ordinary shares as of September 2022, and has been approved by the competent authority to terminate OTC trading of convertible bonds on September 16, 2022.

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

	August 15, 2018 (Issuing date)
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	<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 Company from January 1 to December 31, 2022 and 2021 were NT\$(48) thousand and NT\$(241) thousand.
- (b) The Company recognized interest expense of convertible bonds at 2022 and 2021 were NT\$102 thousand and NT\$1,094 thousand respectively.
- E. (a) For the ended December 31, 2021, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.
- (b) For the ended December 31, 2022, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.

(15) Long-term Loans

<u>Lender</u>	<u>Nature</u>	<u>Limit</u>	<u>Period</u>	<u>December 31,</u>
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				2022
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 572,222
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2021/11/09~2031/10/15	235,680
Less: Long-term Loans payable-current portion				(103,740)
Long-term Loans, net				<u>\$ 1,024,162</u>
Interest rates for long-term loans				<u>1.13%</u>

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

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

(16) Pension Benefits

- A. Defined benefit plan
- (a) The Company 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 six 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 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 December 31, 2022, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$102,648 thousand.

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

	December 31,	December 31,
	2022	2021
Present value of defined benefit obligation	\$ 129,633	\$ 114,352
Fair value of planned assets	(102,648)	(93,009)
Net defined benefit liability	<u>\$ 26,985</u>	<u>\$ 21,343</u>

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

	2022	2021
Present value of defined benefit obligation, January 1	\$ 114,352	\$ 105,141
Service cost in current period	8,210	133
Interest cost	743	946
Amount allocated by Labor Standards Act article 56 item 2	1,464	2,231
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	10,099	3,791
Empirical adjustment	(2,763)	6,659
Benefit payment-from planned assets	(2,472)	(4,549)
Present value of defined benefit obligation, December 31	<u>\$ 129,633</u>	<u>\$ 114,352</u>

(d) Changes in fair value of planned assets:

	2022	2021
Fair value of planned assets, January 1	\$ 93,009	\$ 89,865
Interest revenue	616	824
Return (loss) on remuneration of planned assets	7,206	549
Contribution by employer	4,289	6,320
Benefit payment-from planned assets	(2,472)	(4,549)

Fair value of planned assets, December 31	<u>\$ 102,648</u>	<u>\$ 93,009</u>
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(e) Total expenses recognized in comprehensive income statement:

	<u>2022</u>	<u>2021</u>
Service cost in current period	\$ 8,210	\$ 133
Interest cost of defined benefit obligation	743	946
Interest revenue from planned assets	(616)	(824)
Amount allocated by Labor Standards Act article 56 item 2	1,464	2,231
Defined benefit cost stated into income	<u>\$ 9,801</u>	<u>\$ 2,486</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2022 and 2021, please see the labor pension fund utilization report published by the government each year.

(g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	<u>2022</u>	<u>2021</u>
Discount rate	1.25%	0.65%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2022, the weighted average duration of the pension plan has been 9.3 years.

(h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the

reporting date, including the discount rate and update of future salary. Any change in the actuarial hypotheses might materially affect the value of the Company's defined benefit obligation materially.

- (i) The variance in the estimation of discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	<u>Discount rate</u>		<u>Future raise rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 1.00%</u>	<u>Decrease by 1.00%</u>
December 31, 2022				
Effect on defined benefit obligation %	<u>(3.08%)</u>	<u>3.25%</u>	<u>12.33%</u>	<u>(12.98%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,998)</u>	<u>\$ 4,208</u>	<u>\$ 15,990</u>	<u>\$ (16,832)</u>
December 31, 2021				
Effect on defined benefit obligation %	<u>(3.32%)</u>	<u>3.49%</u>	<u>13.26%</u>	<u>(13.96%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,791)</u>	<u>\$ 3,991</u>	<u>\$ 15,165</u>	<u>\$ (15,963)</u>

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

- (j) Expected contributions to the defined benefit pension plans of the Company for the next annual reporting period as at December 31, 2022 is NT\$3,420 thousand.

B. Defined contribution plans

- (a) As of July 1, 2005, the Company instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Company shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual

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

- (b) The pension expenses recognized under the Company's defined contributed pension regulations were NT\$61,082 thousand and NT\$59,015 thousand in 2022 and 2021.

(17) EQUITY

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

	2022	2021
		Unit : Share
Balance, January 1	94,073,772	92,080,197
Convertible Bonds Transferred To Common Stock	157,334	1,993,575
Balance, December 31	<u>94,231,106</u>	<u>94,073,772</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:

	December 31, 2022	December 31, 2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)</u>		
Common stock premium	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,428,895	1,420,163
Treasury Stock Transactions	58,623	58,623
<u>May be used to offset a deficit only (Note2)</u>		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
<u>Such capital surplus may not be used for any purpose</u>		
Others-issuance of new shares due to acquisition	19,858	19,858

of shares of another company		
Stock option (Elements of equity of convertible		687
corporate bonds)	—	
Total	<u>\$ 1,744,545</u>	<u>\$ 1,736,500</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 Company issued last time Domestic unsecured convertible corporate bonds; The Company recognized NT\$49,759 thousand as paid-in capital in excess of par-common stock.

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

Ⓔ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT\$19,858 thousand on the date of investment, stated as capital surplus-others.

C. Retained earnings

(a) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year’s final accounting, it shall first

pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

- (b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.
- (c) Legal reserve
According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.
- (d) Special reserve
Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.
- (e) The appropriations of 2021 earnings had been approved by the shareholders during their meeting on June 15, 2022, and the appropriations of 2020 earnings had been approved by the shareholders during their meeting on August 18, 2021. Details are summarized below:

2021	2020

	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Legal reserve	\$ 68,891		\$ 70,873	
Special reserve	971		10,757	
Cash dividends	376,314	4.00	415,716	4.50

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

D. Treasury stock : None.

E. Share-based payment — employee compensation plan

As of December 31, 2022, information on outstanding ESO is shown below: None.

(18) OPERATING INCOME

A. Operating income

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Sales revenue	\$ 6,245,407	\$ 5,558,986
Processing Fees revenue	—	—
Others		
Commission revenue	—	—
Total	<u>\$ 6,245,407</u>	<u>\$ 5,558,986</u>

B. Contract assets and contract liability

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

(a) Contract assets: None.

(b) Contract liability as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liability-current		
Sales revenue received in advance	\$ 554,316	\$ 573,317
Total	<u>\$ 554,316</u>	<u>\$ 573,317</u>

Revenue of the contract liability recognized in the beginning:

	<u>2022</u>	<u>2021</u>
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 437,549	\$ 288,785

Total	\$ 437,549	\$ 288,785
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(19) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant and equipment	\$ 2,544	\$ 3,584
Losses on obsolescence of property, plant and equipment	(9,426)	(13,051)
Net Gains (losses) on financial assets/liabilities at fair value through profit or loss	(48)	(241)
Net currency exchange gains (losses)	139,085	(8,717)
Gains(losses) on lease modification	211	169
Others	(6)	—
Total	<u>\$ 132,360</u>	<u>\$ (18,256)</u>

B. Financial cost

	<u>2022</u>	<u>2021</u>
Interest expenses		
Bank loan	\$ 10,819	\$ 6,589
Imputed interest from deposit	11	3
Convertible corporate bond	102	1,094
Lease liabilities	1,886	1,523
Subtotal	<u>12,818</u>	<u>9,209</u>
Less: capitalized interest	<u>(1,382)</u>	<u>(3,807)</u>
Total	<u>\$ 11,436</u>	<u>\$ 5,402</u>
Capitalized interest rate	<u>0.61%~1.19%</u>	<u>0.63%~1.10%</u>

C. Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 2,772	\$ 564
Imputed interest from deposit	129	118
Total	<u>\$ 2,901</u>	<u>\$ 682</u>

(20) Income Tax

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

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 220,384	\$ 118,030
Adjustments in respect of prior years	—	—

Total current tax	220,384	118,030
Deferred tax:		
Origination and reversal of temporary differences	(10,281)	(16,773)
Impact of change in tax rate	—	—
Total deferred tax	(10,281)	(16,773)
Income tax expense	\$ 210,103	\$ 101,257

B. The Company recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to December, at 2022 and 2021.

C. The Company income tax expenses recognized under the title of equity are NT\$0 start from January to December, at 2022 and 2021.

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

	2022	2021
Net profit before tax	\$ 1,423,728	\$ 795,108
Income tax on net profit(loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	\$ 284,746	\$ 159,022
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(1,849)	9,592
Income tax effect on deferred income tax assets/liabilities	(10,281)	(16,773)
Unrecognized deferred income tax assets	—	—
Tax-free income	—	—
Maximum foreign-tax deduction	—	—
Income tax effect on investment credit	(67,809)	(50,584)
Imposition of income tax on undistributed earnings	5,296	—
Income tax effect under minimum tax system	—	—
Overestimated (underestimated) income tax in previous year	—	—
Total	\$ 210,103	\$ 101,257

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2022				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 76,278	\$ 23,749	—	—	\$ 100,027
Unrealized exchange loss	820	926	—	—	1,746
Unrealized warranty cost	2,928	(125)	—	—	2,803
Unrealized impairment loss	9,107	—	—	—	9,107
Unrealized gain on inter-affiliate accounts	5,542	(1,538)	—	—	4,004
Tax difference on depreciation expenses	13	—	—	—	13
Realized net investment income (foreign)	8,133	—	—	—	8,133
Unrealized net investment income (foreign)	16,105	(13,498)	—	—	2,607
Total	\$ 118,926	\$ 9,514	—	—	\$ 128,440
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	\$ (427)	\$ (335)	—	—	\$ (762)
Recognition of pension expenses (deficit)	(9,865)	1,102	—	—	(8,763)
Total	\$ (10,292)	\$ 767	—	—	\$ (9,525)
	2021				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					

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

Deferred income tax liabilities

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

(b) Unrecognized deferred income tax assets : None.

(c) Unrecognized deferred income tax liabilities : None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2022 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (projected) in 2022	\$ 67,809	\$ —	\$ 67,809	\$ —	(non-deferred)
	<u>\$ 67,809</u>	<u>\$ —</u>	<u>\$ 67,809</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.

G Authorization of income tax:

The Company has its corporate income tax approved by the taxation authorities until 2020.

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

(21) Earnings Per Common Share

A. Basic EPS

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

B. Diluted EPS

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

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

	2022			2021		
	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	\$1,213,625	94,138	\$ 12.89	\$ 693,851	93,280	\$ 7.44
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$1,213,625	94,138		\$ 693,851	93,280	
Effect of all potential diluted common stocks 4th domestic unsecured convertible corporate bond	—	—		—	150	

Employee stock bonus	—	1,136	—	610		
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$1,213,625	95,274	\$ 12.74	\$ 693,851	94,040	\$ 7.38

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

(22) Business combinations - acquisition of subsidiaries

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

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

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

Nature \ Function	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Wages and salaries	1,175,774	783,269	1,959,043	1,044,077	708,038	1,752,115
Labor and health insurance expense	81,025	51,761	132,786	76,455	51,571	128,026
Pension costs	41,860	29,023	70,883	35,592	25,909	61,501
Director remuneration	-	31,950	31,950	-	17,762	17,762
Other personnel expenses (Note)	106,673	23,453	130,126	115,079	22,326	137,405
Depreciation	269,310	98,167	367,477	250,843	104,862	355,705
Depletion	-	-	-	-	-	-
Amortization	11,477	38,297	49,774	11,051	41,824	52,875

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

- A. For the year ended of December 31, 2022 and 2021, the number of employees of the Company was 1,626 and 1,605, of which the number of directors who were not employees concurrently was both 7.
- B. Companies which are listed in Taiwan Stock Exchange or Taipei Exchange should disclose the following information:
- (a) The average employee benefit expenses was NT\$1,416 thousand for the year ended 2022 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].
- The average employee benefit expenses was NT\$1,301 thousand for the year ended 2021 [(total amount of employee benefit expenses – total amount of director remuneration) / (total number of employees – the number of directors who were not employees concurrently)].
- (b) The average salary expenses was NT\$1,210 thousand for the year ended 2022 [total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].
- The average salary expenses was NT\$1,096 thousand for the year ended 2021 [total amount of salary expenses / (total number of employees – the number of directors who did not have concurrent employees)].
- (c) The adjustment change of average salary expenses was 10.40% [(the average salary expenses in 2022 – the average salary expenses in 2021) / the average salary expenses in 2021].
- (d) The Company has already established audit committee by the rule in 2020 to replace the supervisor. The Company derecognized the supervisor's remuneration in both 2022 and 2021.
- (e) The salary and remuneration policy of the Company :
- Board of Directors and managers' salaries are referred to the industry standards, and the bonuses are allocated according to their performance, risk taking and level of contribution, etc. Employees' salaries are based on their academic background, professional knowledge, years of experience, and their KPI. Employees' annual salaries are also adjusted based on Company's condition to motivate and retain outstanding employees.
- C. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors when allocating the earnings.
- D. 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.

- E. The Company estimated the remuneration to employees was NT\$ 127,800 thousand and NT\$ 71,048 thousand, respectively, in 2022 and 2021, and the remuneration to directors NT\$ 31,950 thousand and NT\$ 17,762 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).
- F. The remuneration to employees and directors 2021 resolved to be allocated at the shareholders' meeting on June 15, 2022 by the Board of Directors meeting were NT\$71,048 thousand and NT\$17,762 thousand, respectively, identical with that recognized in the financial statement 2021, 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 2022.
- G. The remuneration to employees and directors 2020 resolved to be allocated at the shareholders' meeting on August 18, 2021 by the Board of Directors meeting were NT\$73,877 thousand and NT\$18,469 thousand, respectively, identical with that recognized in the financial statement 2020, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2021.
- H. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(24) Supplemental cash flow information

- A. Investing activities paid in cash in part only:

	2022	2021
Purchase of property, plant and equipment	\$ 262,043	\$ 575,330
Add: opening balance of payable on equipment	59,870	133,660

Less: opening balance of payable on equipment	(60,029)	(59,870)
Less: opening balance of payable on equipment-related parties	—	(1,871)
Cash paid during the period	<u>\$ 261,884</u>	<u>\$ 647,249</u>

B. Financing activities not affecting cash flow:

	<u>2022</u>	<u>2021</u>
Convertible bonds being converted to capital stock	\$ 1,573	\$ 19,936

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

	Place of incorporation	Owner's equity (shareholding %)	
		December 31, 2022	December 31, 2021
Chain-Logic International Corp.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
MPA TRADING CORP.	Anguilla	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%
MPI (SUZHOU) CORPORATION	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	80%	80%
MPI AMERICA INC.	USA	100%	100%
Celadon Systems, Inc.	USA	100%	100%

(2) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(3) The names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
CHAIN-LOGIC INTERNATIONAL CORP. (CLIC)	Subsidiary
MEGTAS CO.,LTD. (MEGTAS)	Subsidiary

Lumitek (Changchou) Co. Ltd. (LUMITC)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI (SUZHOU) CORPORATION (MPS)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI AMERICA INC. (MPA)	Subsidiary- a subsidiary of MPA TRADING CORP.
Celadon Systems, Inc.(Celadon)	Subsidiary- a subsidiary of MPI AMERICA INC.

(4) **Important transactions with related parties**

A. **Operating revenue**

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

Type	2022	2021
Sale of products:		
-Subsidiary		
CLIC	\$ 124,195	\$ 91,148
Megtas	3,437	7,852
LUMITC	599	64,197
MPS	1,025,718	482,647
MPA	822,847	669,046
Celadon	151	33
Total	\$ 1,976,947	\$ 1,314,923

The price of the Company's sale to related parties was not significantly different from the Company's general selling price.

B. **Purchase**

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

Type	2022	2021
Subsidiary		
CLIC	\$ 21,101	\$ 17,949
MPS	1,534	568
MPA	878	1,038
Celadon	2,791	—
Total	\$ 26,304	\$ 19,555

The price of the Company's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Accounts receivable-related parties

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

Title	Type	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiary		
	CLIC	\$ 14,843	\$ 29,792
	Megtas	1,297	3,944
	LUMITC	175	47,741
	MPS	594,421	343,213
	MPA	491,178	486,453
	Celadon	—	33
Accounts receivable		1,101,914	911,176
Less: Loss allowance		—	—
Accounts receivable, net		<u>\$ 1,101,914</u>	<u>\$ 911,176</u>
Other receivables	Subsidiary		
	CLIC	\$ 650	\$ 1,058
	Megtas	307	—
	LUMITC	17,123	13,028
	MPS	23,089	22,791
	Total	<u>\$ 41,169</u>	<u>\$ 36,877</u>

D. Accounts payable-related parties

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

Title	Type	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary		
	CLIC	\$ 10,975	\$ 9,501
	MPS	786	570
	MPA	—	760
	Celadon	999	—
		<u>\$ 12,760</u>	<u>\$ 10,831</u>
Other payables	Subsidiary		
	CLIC	22,396	20,920
	Megtas	—	28
	MPS	6,035	2,923
	MPA	—	10
Total		<u>\$ 28,431</u>	<u>\$ 23,881</u>

E. Prepayment

	Type	December 31, 2022	December 31, 2021
Subsidiary			
CLIC		\$ —	\$ 145
Total		\$ —	\$ 145

F. Exchange of property

a. Acquisition of property, plant, and equipment :

Type	Type	2022	2021
Subsidiary			
MPS	R & D equipment	\$ 3,500	\$ 1,875
CLIC	R & D equipment	861	—
Total		\$ 4,361	\$ 1,875

b. Disposition of property, plant, and equipment:

2022 :

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiary- MPS	Machinery equipment	\$ 3,562	\$ (742)	\$ 2,820	\$ 4,364	\$ 1,544
Subsidiary- Megtas	Machinery equipment	\$ 2,187	\$ (1,227)	\$ 960	\$ 1,694	\$ 734
Subsidiary- MPA	R & D equipment	\$ 1,462	\$ (20)	\$ 1,442	\$ 1,666	\$ 224

2021 :

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

G. Loan to others (stated as other receivables-related party): None

H. Purchase of labor services from related parties

The Company's expenditure in labor services to related parties are stated as follows:

Type	2022	2021
Promotion-expenditure in commission:		
-Subsidiary		

CLIC	\$	43,869	\$	40,092
MPS		16,820		10,856
Total	\$	<u>60,689</u>	\$	<u>50,948</u>

I. Others

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

b. Advance sale receipts(stated as contract liabilities-current)

Type	December 31, 2022	December 31, 2021
Subsidiary		
CLIC	\$ 21,796	\$ 62,479
MPA	30,804	75,260
Total	<u>\$ 52,600</u>	<u>\$ 137,739</u>

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

Type	December 31, 2022	December 31, 2021
Subsidiary		
MPA	\$ 126	\$ 1,601
Total	<u>\$ 126</u>	<u>\$ 1,601</u>

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2022	2021
Subsidiary			
CLIC	Other expenses	\$ 5	\$ 18
CLIC	Consumable expenses	\$ 40	\$ —
Megtas	Consumable expenses	\$ —	\$ 28
MPA	Other expenses	\$ —	\$ 2

e. Selling expenses

Type	Nature	2022	2021
Subsidiary			
CLIC	Other expenses	\$ 2,919	\$ 1,762
MPA	Shipping expenses	\$ —	\$ 10
MPA	Other expenses	\$ 13,034	\$ 702

f. General & administrative expenses

Type	Nature	2022	2021
Subsidiary			
MPA	Other expenses	\$ 3,060	\$ —

g. Research and development expenses

Type	Nature	2022	2021
Subsidiary			
CLIC	repair and maintenance expenses	\$ 22	\$ —

h. Lease

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

Type	2022	2021
Subsidiary-CLIC	\$ 3,762	\$ 3,859

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection
Subsidiary-CLIC	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2019/01/01~2019/12/31 Renewed automatically upon expiration	NT\$242 thousand per month (before tax) The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Subsidiary-CLIC	Rent the branch company office at Luchu, Kaohsiung City	2019/01/01~2022/10/31	NT\$10 thousand per month (before tax)
Subsidiary-CLIC	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30 Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.

h. Other revenue

Type	2022	2021
Subsidiary		
CLIC	\$ 235	\$ —
Megtas	—	141
LUMITC	20,229	15,334
MPS	25,762	25,074
MPA	12,756	5,570
Total	\$ 58,982	\$ 46,119

(5) Information about remuneration to the management

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

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	\$ 10,965	\$ 11,004
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Total	<u>\$ 10,965</u>	<u>\$ 11,004</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 Company as the creation of pledge, import business tax, sale commitment and payment promise. The book value thereof is stated as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 770,963	\$ 770,963
Building	1,497,331	1,538,833
Other non-current financial assets (stated as other non-current assets)	3,244	3,244
Total	<u>\$ 2,271,538</u>	<u>\$ 2,313,040</u>

9. Significant contingent liability and unrecognized contractual commitment

(1) **Contingency**: None.

(2) **Commitment**

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

B. The outstanding capital expenditure amount under the purchase orders signed is stated as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase of property, plant and equipment	<u>\$ 70,055</u>	<u>\$ 14,273</u>

10. **Significant disaster loss**: None.

11. **Significant subsequent events:** None.

12. **Others**

(1) **Capital management**

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

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2022 as that in 2021, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on December 31, 2022 and December 31, 2021 are stated as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 3,664,020	\$ 3,516,239
Total net worth	6,885,467	6,038,315
Debt/equity ratio	53%	58%

(2) **Financial instruments by category**

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

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

B. Risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

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

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

Ⓐ Foreign exchange risk

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

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

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

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

December 31, 2022				
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 34,889	30.6926	\$ 1,070,833
	NTD/JPY	\$ 23,358	0.23211	\$ 5,422
	NTD/EUR	\$ 48	32.612	\$ 1,570
	NTD/RMB	\$ 162,809	4.3876	\$ 714,207
	NTD/KRW	\$ 5,188	0.02457	\$ 127
	NTD/HKD	\$ 12	3.884	\$ 46
	NTD/SGD	\$ 24	22.755	\$ 549
	NTD/MYR	\$ 16	6.699	\$ 110
	NTD/RUB	\$ 1	0.4042	\$ 1
	NTD/PHP	\$ 91	0.5443	\$ 49
	NTD/INR	\$ 10	0.3629	\$ 4
NTD/GBP	\$ 102	37.00300	\$ 3,765	
Financial liabilities	NTD/USD	\$ 1,772	30.79	\$ 54,548
	NTD/JPY	\$ 59,126	0.234	\$ 13,833
	NTD/EUR	\$ 567	32.888	\$ 18,660
	NTD/RMB	\$ 178	4.439	\$ 791
	NTD/GBP	\$ 6	37.2261	\$ 247
December 31, 2021				
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 25,731	27.632	\$ 711,003

	NTD/JPY	\$ 17,085	0.24012	\$ 4,102
	NTD/EUR	\$ 174	31.313	\$ 5,434
	NTD/RMB	\$ 102,397	4.3210	\$ 442,461
	NTD/KRW	\$ 5,188	0.02350	\$ 122
	NTD/HKD	\$ 12	3.495	\$ 41
	NTD/SGD	\$ 20	20.335	\$ 416
	NTD/MYR	\$ 13	6.355	\$ 81
	NTD/RUB	\$ 1	0.3707	\$ 1
	NTD/PHP	\$ 91	0.5353	\$ 49
	NTD/INR	\$ 10	0.3665	\$ 4
	NTD/GBP	\$ 255	37.27485	\$ 9,509
Financial liabilities	NTD/USD	\$ 1,818	27.729	\$ 50,404
	NTD/JPY	\$ 112,968	0.2421	\$ 27,344
	NTD/EUR	\$ 471	31.493	\$ 14,843
	NTD/RMB	\$ 867	4.371	\$ 3,788
	NTD/GBP	\$ 6	37.4755	\$ 237

In consideration of the Company's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) were NT\$139,085 thousand and NT\$(8,717) thousand in 2022 and 2021.

Ⓑ Cash flow and fair value interest rate risk

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

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

Ⓒ Equity price risk

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

b. For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

Stock in domestic listed company through private placement

Prices of securities at the reporting date	December 31, 2022		December 31, 2021	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
	Increasing 1%	\$ -	\$ 1,540	\$ -
Decreasing 1%	\$ -	\$ (1,470)	\$ -	\$ (1,610)

Domestic innovation board common stock

Prices of securities at the reporting date	December 31, 2022		December 31, 2021	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
	Increasing 1%	\$ -	\$ 346	\$ -
Decreasing 1%	\$ -	\$ (429)	\$ -	\$ -

Ⓓ Other risks over market value

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

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2022 and 2021 are stated as following:

December 31, 2022		
Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-51,258 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,820 thousand
December 31, 2021		
Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange	Fluctuation in foreign	+/-32,298

risk risk	exchange rate+/- 3%	thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-3,087 thousand

(b) Credit risk

- Ⓐ Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- Ⓑ The Company set up the management of credit risk by Company perspective. According to the loan policy expressly defined internally in the Company, each business dept. Within the Company shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Company also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.
- Ⓒ For the year ended December 31, 2022 and 2021, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.
- Ⓓ The Company's Finance Dept. Manage the credit risk over the deposits in banks and other financial instruments according to the Company's policy. The Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.
- Ⓔ Guarantee
According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. As of December 31, 2022 and 2021, the Company has never made any endorsements/guarantees.

- Ⓕ The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

- Ⓖ The Company in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.
- Ⓗ The Company classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- Ⓘ The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- Ⓢ The Company used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The Company use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Company updated the observed historical default rates and analyzed changes. On December 31, 2022 and 2021, the Company expected credit loss rate during the lifetime is stated as follow:

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

- Ⓚ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 60 days or 210 days. For the information about the changes of loss allowances provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(4).

(c) Liquidity risk

- Ⓐ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.
- Ⓑ The Company'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 Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT\$1,906,418 thousand on December 31, 2022.
- Ⓒ 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	December 31, 2022			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ —	\$ —	\$ —	\$ —
Payable accounts (including related party)	511,388	—	—	511,388
Other payable accounts (including related party)	1,077,551	—	—	1,077,551
Lease liabilities (note)	42,070	32,392	35,283	109,745
Long-term loan (including the current portion)	103,740	166,579	857,583	1,127,902
Total	\$ 1,734,749	\$ 198,971	\$ 892,866	\$ 2,826,586

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

<Note>

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

(3) Fair value information

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

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. 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 Company's investment in Equity instruments - Stock in domestic listed company through private placement and corporate bonds is included in Level 2.
- Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

- Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged bank deposit, bank loan, notes payable, accounts payable and other payables are approximate to their fair values.

December 31, 2022

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

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

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

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

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

	Book value	December 31, 2022		
		Level 1	Level 2	Level 3
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss – current convertible bonds option	\$ —	—	\$ —	—
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	148,190	—	148,190	—
-Stock in domestic listed company through private placement				
Financial assets at fair value through other comprehensive income-Noncurrent items	37,548	—	37,548	—
Equity instruments				
-Domestic innovation board				

common stock

<u>Non-recurring fair value measurements</u>	—	—	—	—
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Liabilities

<u>Recurring fair value measurements</u>	—	—	—	—
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December 31, 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	\$ 68	—	\$ 68	—
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	166,460	—	166,460	—
-Stock in domestic listed company through private placement				
<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>
Convertible bonds option	Binomial tree valuation model : Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

Equity instruments

Valuation techniques and inputs applied for Level 2 fair value measurement

Financial instruments	Instruments and inputs
Equity instruments -Stock in domestic listed company through private placement	Black-Scholes valuation model : Observing the parameters at the end of the period, such as restriction period, stock price, strike price, volatility, and risk-free interest rate, estimate the put value and liquidity discount to obtain the fair value of the privately placed common stock.
Equity instruments- Domestic innovation board stocks	Market approach: Based on the indicators of comparable business items, products, scale and financial ratios, the listed OTC companies are considered to have similar performance and value. Therefore, the value of the rated company should be estimated from the value of the analogous company. In addition, for companies on the innovation board, their stock market liquidity is not good, and the stock price should consider the liquidity discount.

D. There were no transfer between Level 1 and Level 2 for the year ended December 31, 2022 and 2021.

(4) Assessment of impact of COVID-19

The Company's business operation has taken the impact of COVID-19 into consideration. As a result, production of some of the Company's factories came to a halt. As of December 31, 2022, all factories have resumed operations, and do not cause any default risk. Additionally, although the Company's sales orders from certain areas have declined because of the said pandemic, the Company's overall business and financial position were not significantly impacted based on the Company's assessment.

13. Supplementary Disclosures

(1) Significant transactions information

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

No.	Contents	2022
1	Loans to others:	N/A
2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	Attached table 1
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	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.	Attached table 2
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 3
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Not be disclosed in parent company financial statement

Attached table 1 : Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable Securities	Relationship with the securities issuer	Financial Statement Account	Ending Balance				Note
				Number of shares (In thousand shares or thousand units)	Book Value	Percentage Of Ownership (%)	Fair Value	
The Company	Private equity of domestic listed company – Spirox Corporation	–	Note 1	7,000	\$148,190	5.90%	\$148,190	–
The Company	Common stock – PlayNitride Inc	–	Note 1	380	37,548	0.35%	37,548	–

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

Attached table 2: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital

Seller/ buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Extension of loan Duration	Unit price	Duration of loan	Balance	Percentage in total accounts/not es receivable (payable)	
The Company	MPS	The Company's subsidiaries	Sale	\$ 1,025,718	16 %	same as that applicable to the general customer	—	—	Receivable accounts \$594,421	39%	
The Company	MPI AMERICA INC.	The Company's subsidiaries	Sale	\$ 822,847	13 %	same as that applicable to the general customer	—	—	Receivable accounts \$491,178	32%	
The Company	CLIC	The Company's subsidiaries	Sale	\$ 124,195	2 %	same as that applicable to the general customer	—	—	Receivable accounts \$14,843	1%	

Attached Table 3: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	MPS	The Company's subsidiaries	Receivable accounts \$594,421	2.1879	—	—	\$285,651	—
MPI Corporation	MPI AMERICA INC.	The Company's subsidiaries	Receivable accounts \$491,178	1.6833	—	—	\$ 90,675	—

(2) Information on investees

The information about name, territory, business lines, original investment amount, shares

held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) for the year ended December 31, 2022 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%	\$ 58,296	\$ (3,839)	\$ (3,839)	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%	\$ 681,113	\$ 83,647	\$ 84,758	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%	\$ 33,108	\$ (6,819)	\$ (6,068)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	2F, No. 988, Litoushan Sec., Wunshan Rd., Hsinpu, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 249,331	\$ 59,496	\$ 59,501	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%	\$ 1,463	\$ (12)	\$ (12)	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	\$ 321,352 (Note 5)	11,450,000	100%	\$ 52,423	\$ (7,177)	\$ (7,360)	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	\$ (1)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 319,837	\$ 319,837 (Note5)	6,300,000	100%	\$ 53,767	\$ (7,268)	—	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	\$ 283,471 (Note5)	1,000	100%	\$ 341,268	\$ 29,209	—	Subsidiary of MPI AMERICA INC.

Note 1: Except MEGTAS CO., LTD., MPI AMERICA INC., and Celadon Systems Inc. which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

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

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

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. So far, the Group has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company’s shareholding was 100%.

The motion for liquidation of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. was submitted due to no substantial operation. The deregistration was applied by the agent and the application was approved by the ROC in June 2022. So far, the Group awaits for the no-objection from the Financial Supervisory Commission (FSC). Until the date of the accountant’s report, the deregistration of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. (country of registration : Mauritius) has not completed. The liquidation amount of US\$ 88.27 (equivalent to NT\$3 thousand) has remitted in December 2022.

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

(3) Information on investments in Mainland China

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

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 2)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic	USD 16,000,000 (\$ 502,470)	(Note1)	USD 16,000,000 (\$ 502,470)	—	—	USD 16,000,000 (\$ 502,470)	\$ 24,991	100 %	\$ 24,991	\$ 590,941	—

	components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.											
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	USD 2,000,000 (\$60,180) Registered capital USD 3,000,000 (\$ 90,270)	(Note1)	USD 2,000,000 (\$60,180)	—	—	USD 2,000,000 (\$60,180)	\$ 57,446	100 %	\$ 57,446	\$ 97,912	—

process equipment, mechanical equipment and spare parts.												
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Note 1: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

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

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 4,136,396

Note1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : Investment amount approved by the Investment

- (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000(equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.
- (b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US\$2,857,000 (equivalent to NT\$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.
- (c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US\$936,870 (equivalent to NT\$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.
- (d) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. has passed the reduction of cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) by the Board of Directors meeting, and the amount of cash capital reduction has remitted to

CHAIN-LOGIC TRADING CORP. in July, 2019. The amount was used to deduct the accumulated amount of investment in Mainland China.

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

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2022 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

(4) **Major shareholders information**

Name of major shareholders	Shares	Total Shares Owned	Ownership Percentage
MPI Investment Corporation		8,334,626	8.84%

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

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

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

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

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were 94,231,106 shares = 94,231,106 (common stock) + 0 (preferred stock).

14. **Information by department**

Please see the consolidated financial statements 2022.

Independent Accountants' Audit Report

TO the Board of Directors and Stockholders of MPI Corporation

Opinion

We have audited 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 December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2022

were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (27) of Note 4 of the Consolidated Financial Statements. Regarding relevant disclosure, please refer to (17) of Note 6.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Group. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

- (1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.
- (2) Understood the major revenue type and trading terms of MPI Group to assess if the accounting policy of point in time for revenue recognition is appropriate.
- (3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Group has handled accounting relevant activities appropriately.
- (4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.
- (5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have

been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (17) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Consolidated Financial Statements. Regarding descriptions of inventory accounting items, please refer to (5) of Note 6 of consolidated Financial Statements. The Group recognize inventories amounting to NT\$3,262,465 thousand and allowance for inventories amounting to NT\$515,066 thousand. The book value of the Group's inventories as December 31, 2022

was NT\$2,747,399 thousand and accounted 25% of the total assets in the consolidated balance sheet.

MPI Group mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgment on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Group's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the CPA(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

- (1) With the CPA's knowledge of the industry and MPI Group's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.
- (2) Understood MPI Group's inventory management procedures, reviewed its annual inventory plan, and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.
- (3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.
- (4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

Other Matter-Making Reference to the Audits of Component Auditors

Information on the subsidiaries of MPI Corporation included the aforementioned statements covering the period of 2022 and 2021. And the information on direct investment as disclosed in note 13 is valued as audited by other public accountants. Said subsidiaries' total assets of are NT\$693,720 thousand and NT\$653,494 thousand or accounted for 6.36% and 6.63% of the consolidated total assets as of December 31, 2022 and 2021, respectively. As of January 1 to December 31, 2022 and 2021, had net operating revenue amounted to NT\$1,232,875 thousand and NT\$917,927 thousand, or

accounted for 16.57% and 14.10% of the consolidated net operating revenue, respectively.

Other Matter

We have also audited the parent Group only financial statements of MPI CORPORATION as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

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

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

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

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

Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our accountants' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

March 10, 2023

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 accountants' 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 accountants' report and consolidated financial statements shall prevail.

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31, 2022 AND 2021

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

ASSETS	Note	December 31, 2022		December 31, 2021	
		Amounts	%	Amounts	%
CURRENT ASSETS					
Cash and cash equivalents	6(1)	\$ 2,382,315	22	\$ 1,324,292	14
Financial assets at fair value through profit or loss-current	6(13)	-	-	68	-
Notes receivable, net	6(3)	66,549	1	170,531	2
Accounts receivable, net	6(4)	1,056,816	10	1,213,429	12
Other receivables		17,083	-	12,480	-
Income tax receivable		2,626	-	27	-
Inventories, net	6(5)	2,747,399	25	2,574,596	26
Prepayments		101,942	1	119,654	1
Other current assets	8	33,663	-	14,977	-
Total Current Assets		<u>6,408,393</u>	<u>59</u>	<u>5,430,054</u>	<u>55</u>
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income-non-curr	6(2)	195,026	2	166,460	2
Property, plant and equipment	6(6).8	3,427,432	31	3,532,459	36
Right-of-use assets	6(7)	184,836	2	160,287	2
Intangible assets	6(8)	287,792	3	253,555	2
Deferred income tax assets	6(19)	147,540	1	125,092	1
Other noncurrent assets	6(9).8	251,912	2	189,562	2
Total Noncurrent Assets		<u>4,494,538</u>	<u>41</u>	<u>4,427,415</u>	<u>45</u>
TOTAL ASSETS		<u>\$ 10,902,931</u>	<u>100</u>	<u>\$ 9,857,469</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)

DECEMBER 31, 2022 AND 2021

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

LIABILITIES AND EQUITY	Note	December 30, 2022		December 31, 2021	
		Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(10)	\$ -	-	\$ 100,000	1
Contract liabilities – current	6(17)	659,714	6	677,836	7
Notes payable		4,112	-	5,765	-
Accounts payable		523,838	5	556,434	5
Payables on equipment		60,141	1	61,003	1
Other payables	6(11)	1,095,552	10	896,463	9
Income tax payable		239,093	2	130,842	1
Provisions – current	6(12)	12,696	-	11,955	-
Lease liabilities – current	6(7)	70,387	1	59,883	1
Corporate bonds payable-current portion	6(13)	-	-	9,536	-
Current portion of long-term loans	6(14)	110,676	1	10,605	-
Other current liabilities		17,709	-	17,746	-
Total Current Liabilities		2,793,918	26	2,538,068	25
NONCURRENT LIABILITIES					
Long-term loans	6(14)	1,038,813	10	1,134,893	12
Provisions – non-current	6(12)	1,317	-	2,684	-
Deferred income tax liabilities	6(19)	29,708	-	10,921	-
Lease liabilities – non-current	6(7)	116,740	1	101,708	1
Net defined benefit liability	6(15)	26,985	-	20,037	-
Other noncurrent liabilities		1,457	-	1,356	-
Total Noncurrent Liabilities		1,215,020	11	1,271,599	13
TOTAL LIABILITIES		4,008,938	37	3,809,667	38
EQUITY					
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	6(16)				
Capital common stock		942,311	9	940,738	10
Capital surplus		1,744,545	16	1,736,500	18
Retained earnings					
Appropriated as legal capital reserve		779,739	7	710,848	7
Appropriated as special capital reserve		80,205	1	79,234	1
Unappropriated earnings		3,418,520	31	2,651,200	27
Total Retained Earnings		4,278,464	39	3,441,282	35
Others					
Foreign currency translation adjustments		(55,687)	(1)	(78,665)	(1)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	6(2)	(24,166)	-	(1,540)	-
Total others		(79,853)	(1)	(80,205)	(1)
Equity attributable to shareholders of the parent		6,885,467	63	6,038,315	62
NONCONTROLLING INTERESTS		8,526	-	9,487	-
TOTAL EQUITY		6,893,993	63	6,047,802	62
TOTAL LIABILITIES AND EQUITY		\$ 10,902,931	100	\$ 9,857,469	100

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2022 and 2021

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

Items	Note	January 1 ~ December 31, 2022		January 1 ~ December 31, 2021	
		Amounts	%	Amounts	%
OPERATING REVENUE, NET	6(17)				
Sales revenue		\$ 7,238,461	97	\$ 6,155,664	94
Less: sales returns		(6,505)	-	(10,271)	-
sales discounts and allowances		(20,320)	-	(17,351)	-
Commission revenue		13,881	-	4,002	-
Processing Fees revenue		213,658	3	376,681	6
Operating Revenue, net		7,439,175	100	6,508,725	100
OPERATING COSTS	6(5)	(4,031,096)	(54)	(3,765,309)	(58)
GROSS PROFIT, NET		3,408,079	46	2,743,416	42
OPERATING EXPENSES					
Selling expenses		(897,710)	(12)	(728,840)	(11)
General & administrative expenses		(518,242)	(7)	(463,275)	(7)
Research and development expenses	6(8)	(747,551)	(10)	(744,766)	(12)
Expected Credit (losses)gains	6(4)	(1,573)	-	1,083	-
Operating expenses, net		(2,165,076)	(29)	(1,935,798)	(30)
OPERATING INCOME		1,243,003	17	807,618	12
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses, net	6(18)	149,559	2	(25,103)	-
Finance costs	6(18)	(13,766)	-	(6,799)	-
Interest income	6(18)	5,177	-	5,558	-
Rent income	6(7)	16,356	-	10,924	-
Dividend income		1,399	-	-	-
Other non-operating revenue-other items		39,147	-	36,544	1
Total Non-operating Income and Expenses		197,872	2	21,124	1
INCOME BEFORE INCOME TAX		1,440,875	19	828,742	13
INCOME TAX EXPENSE	6(19)	(228,613)	(3)	(133,284)	(2)
NET INCOME		1,212,262	16	695,458	11
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(129)	-	(4,947)	-
Unrealized gain (losses) on financial assets at fair value through other comprehensive income	6(2)	(22,626)	-	(1,540)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		23,380	-	(524)	-
Other comprehensive income (loss) for the year, net of income tax		625	-	(7,011)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 1,212,887	16	\$ 688,447	11
NET INCOME (LOSS) ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 1,213,625	16	\$ 693,851	11
Non-controlling interests		(1,363)	-	1,607	-
		\$ 1,212,262	16	\$ 695,458	11
TOTAL COMPREHENSIVE INCOME (LOSS)					
Shareholders of the parent		\$ 1,213,848	16	\$ 687,933	11
Non-controlling interests		(961)	-	514	-
		\$ 1,212,887	16	\$ 688,447	11
EARNINGS PER COMMON SHARE (NTD)	6(20)				
Basic earnings per share		\$ 12.89		\$ 7.44	
Diluted earnings per share		\$ 12.74		\$ 7.38	

(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 December 31, 2022 and 2021

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

Items	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	Unrealized gain (losses) on financial assets at fair value through other comprehensive income			
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 in 2021					693,851			693,851	1,607	695,458
Other comprehensive income (loss) in 2021, net of income tax					(4,947)	569	(1,540)	(5,918)	(1,093)	(7,011)
Total comprehensive income (loss) in 2021	-	-	-	-	688,904	569	(1,540)	687,933	514	688,447
Convertible Bonds Transferred To Common Stock	19,936	-						19,936		19,936
BALANCE, DECEMBER 31, 2021	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ 6,038,315	\$ 9,487	\$ 6,047,802
BALANCE, JANUARY 1, 2022	\$ 940,738	\$ 1,736,500	\$ 710,848	\$ 79,234	\$ 2,651,200	\$ (78,665)	\$ (1,540)	\$ 6,038,315	\$ 9,487	\$ 6,047,802
Legal capital reserve			68,891		(68,891)			-		-
Special capital reserve				971	(971)			-		-
Cash Dividends of Common Stock					(376,314)			(376,314)		(376,314)
Capital reserve from stock warrants		8,732						8,732		8,732
Other changes in capital surplus		(687)						(687)		(687)
Net Income in 2022					1,213,625			1,213,625	(1,363)	1,212,262
Other comprehensive income (loss) in 2022, net of income tax					(129)	22,978	(22,626)	223	402	625
Total comprehensive income (loss) in 2022	-	-	-	-	1,213,496	22,978	(22,626)	1,213,848	(961)	1,212,887
Convertible Bonds Transferred To Common Stock	1,573	-						1,573		1,573
BALANCE, DECEMBER 31, 2022	\$ 942,311	\$ 1,744,545	\$ 779,739	\$ 80,205	\$ 3,418,520	\$ (55,687)	\$ (24,166)	\$ 6,885,467	\$ 8,526	\$ 6,893,993

(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 December 31, 2022 and 2021

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

Items	Jan 1 ~ Dec 31, 2022	Jan 1 ~ Dec 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,440,875	\$ 828,742
Adjustments to reconcile net income to net cash		
Depreciation	465,795	436,889
Amortization	59,454	59,761
Expected Credit loss (gain)	1,573	(1,083)
(Gain) loss on Financial Assets (Liabilities) at Fair Value through Profit or Loss	48	241
Interest expense	13,766	6,799
Interest revenue	(5,177)	(5,558)
Dividend income	(1,399)	-
(Gain) loss on disposal of property, plant and equipment	(297)	13,323
(Gain) loss on lease modification	(419)	(410)
Rent concessions	(138)	(479)
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	103,982	(90,215)
Decrease (Increase) in accounts receivable	154,224	(111,723)
Decrease (Increase) in other receivables	(4,021)	4,428
Decrease (Increase) in inventories	(172,803)	(90,311)
Decrease (Increase) in prepayments	17,712	13,321
Decrease (Increase) in other current assets	(702)	(657)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	(18,121)	(1,481)
(Decrease) Increase in notes payable	(1,653)	(10,758)
(Decrease) Increase in accounts payable	(32,596)	29,119
(Decrease) Increase in other accounts payable	198,849	92,465
(Decrease) Increase in provision for liabilities	(626)	4,146
(Decrease) Increase in other current liabilities	(36)	1,608
(Decrease) Increase in net defined benefit liability	6,818	(930)
Cash generated from operations	2,225,108	1,177,237
Interest received	4,595	5,551
Interest paid	(9,518)	(2,786)
Cash dividend paid	(376,314)	(415,716)
Income taxes paid	(126,622)	(122,946)
Net cash Provided By (Used In) Operating Activities	<u>1,717,249</u>	<u>641,340</u>

(Continue)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2022 and 2021

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

Items	Jan 1 ~ Dec 31, 2022	Jan 1 ~ Dec 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	(51,192)	(168,000)
Acquisition of subsidiaries (deduction of cash received)	-	(272,560)
Acquisition of property, plant and equipment	(291,410)	(762,140)
Proceeds from disposal of property, plant and equipment	21,132	8,475
Acquisition of intangible assets	(48,933)	(18,985)
Increase in other financial assets	(19,738)	(3,865)
Increase in other non-current assets	(79,896)	-
Decrease in other non-current assets	-	64,917
Cash dividends received	1,399	-
Net cash Provided By (Used In) Investing Activities	<u>(468,638)</u>	<u>(1,152,158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	100,000
Decrease in short-term loans	(100,000)	-
Issuance of long-term loans	3,991	370,339
Increase in Guarantee Deposits Received	101	1,260
Cash payments for the principal portion of the lease liability	(86,895)	(81,092)
Increase (decrease) in non-controlling interests	402	(1,093)
Net cash Provided By (Used In) Financing Activities	<u>(182,401)</u>	<u>389,414</u>
Effects of exchange rate change on cash	<u>(8,187)</u>	<u>429</u>
Net increase (decrease) in cash and cash equivalents	1,058,023	(120,975)
Cash and cash equivalents at beginning of year	<u>1,324,292</u>	<u>1,445,267</u>
Cash and cash equivalents at end of year	<u>\$ 2,382,315</u>	<u>\$ 1,324,292</u>

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

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. Company profile

- (1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT\$942,311 thousand and outstanding stock has been 94,231,106 shares until December 31, 2022. 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 March 10, 2023.

3. Application of new standards, amendments and interpretations

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

New standards, interpretations and amendments endorsed by FSC and became 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.

(4) 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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments 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.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 –comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024

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 were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs that came into effect as endorsed by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

(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
			2022. 12.31	2021 12.31	
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%	Established on March 1, 1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	Established on December 22, 2000.

MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	Established on August 7, 2002.
MPI	MEGTAS CO., LTD	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	80%	80%	Established on September 1, 2010.
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	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%	Established on April 12, 2017.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading business	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%	Established on January 10, 2014.
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established on July 11, 2017.
MPA TRADING CORP.	MPI AMERICA INC.	Selling Probe Card and Test Equipment	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%	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 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%.

The motion for liquidation of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. was submitted due to no substantial operation. The deregistration was applied by the agent and the application was approved by the ROC in June 2022. So far, the Group awaits for the no-objection from the Financial Supervisory Commission (FSC). Until the date of the accountant’s report, **the deregistration** of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. (country of registration: Mauritius) has not completed. The liquidation amount of US\$ 88.27 (equivalent to NT\$3 thousand) has remitted in December 2022.

(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 2022 and 2021 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were NT\$(5,456) thousand and NT\$6,432 thousand.

The financial statements 2022 and 2021 of said subsidiary, MPI AMERICA INC. (include Subsidiary of MPI AMERICA INC. - Celadon Systems Inc.) were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were NT\$(7,268) thousand and NT\$(72,919) thousand.

- 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.

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

(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 noncurrent assets:

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

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

- A. Liabilities expected to be repaid in the Company's normal operating cycle.

- B. Assets primarily held for the purpose of trading.
- C. Assets expected to be discharged within 12 months after the date of the balance sheet.
- 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 fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other

comprehensive income are recognized and derecognized using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) 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.

(10) 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.

(11) 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.

(12) Derecognition of financial assets

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

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

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

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

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

(14) 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.

(15) 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 recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is 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'.

(16) 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.

(17) 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.

(18) 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.

(19) Investment accounted for using equity method

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.

(20) 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:

<u>Item</u>	<u>Useful years</u>
House and building	
Plant and dormitory	20-50
Clean room	18-20
Electrical and mechanical facilities	5-20
Others	1-20
Machine and equipment	1-10
Transportation equipment	4-5
Furniture and fixtures	2-10
Research equipment	1-6
Other equipments	2-7

- 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.

(21) 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.
- (d) 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.

(22) 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. Lease payments are comprised of the following:
- (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.

(23) Intangible assets

A. Computer software

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

B. Internally generated intangible assets—research and development expenses

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

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

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

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

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

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

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

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

C. Goodwill

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

D. Patent

Separately acquired patent are stated at historical cost. Patent acquired in a business combination are recognized at fair value at the acquisition date. Patent has a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 years.

E. Other intangible assets

Separately acquired other intangible assets are stated at historical cost. Other intangible assets are intangible asset from lease and client base acquired in a business combination are recognized at fair value at the acquisition date. Considering to its economic time and should be amortized on a straight-line basis over its economic time of 4-8 years.

(24) Impairment on 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.

(25) 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.

(26) 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.

(27) 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. The sales usually are made with a credit term of 60-210 days after inspection. The term is consistent with market practice, therefore determining that the contract does not include a significant financing component.
- (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.

(28) 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.

(29) 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.

(30) 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.

(31) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are

expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

(32) 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.
- (33) 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.

(34) 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.

(35) 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 recognises 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 recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

(2) Indicators that the 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. As of December 31, 2022, the book value of receivable accounts has been NT\$1,123,365 thousand (exclusive of the allowance for uncollectible accounts, NT\$20,575 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. As of December 31, 2022, the book value of the Group's inventories has been NT\$2,747,399 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT\$515,066 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and

estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2022, the deferred income tax assets recognized by the Group have been NT\$147,540 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. As of December 31, 2022, the reserve for liabilities recognized by the Group have been NT\$14,013 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 December 31, 2022, the book value of accrual pension liabilities of the Group amounted to NT\$26,985 thousand.

(6) Impairment assessment of goodwill

The Group assesses impairment of goodwill based on subjective judgment which includes identifying allocating assets, liabilities and goodwill to related cash-generating units to determine recoverable amounts of this unit. Please refer to Note 6(8) for the information of goodwill impairment. As of December 31, 2022, the goodwill of the Group amounted to NT\$219,551 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash:		
Cash on hand	\$ 3,982	\$ 3,138
Cash in banks:		
Checking deposits	10	10
Demand deposits	1,501,551	1,285,876
Time deposits	876,772	35,268
Total	<u>\$ 2,382,315</u>	<u>\$ 1,324,292</u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:	\$ —	\$ —
Non-current items:		
Equity instrument		
Stock in domestic listed company through private placement		
-Spriox Corporation	168,000	168,000
Domestic innovation board common stock		
-PlayNitride Inc.	51,192	—
Valuation adjustment	<u>(24,166)</u>	<u>(1,540)</u>
Total	<u>\$ 195,026</u>	<u>\$ 166,460</u>

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

B. The Group has passed the acquisition of common stock of PlayNitride Inc. 474 thousand shares in August, 2022. The consideration of acquisition is NT\$51,192 thousand.

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

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

	<u>2022</u>	<u>2021</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	<u>\$ (22,626)</u>	<u>\$ (1,540)</u>

D. As of December 31, 2022, and December 31, 2021, financial assets at fair value through other comprehensive income were not pledged as collateral.

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

(3) Notes receivable, net

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 66,549	\$ 170,531
Less: Allowance for uncollectible accounts	—	—
Notes receivable, net	<u>\$ 66,549</u>	<u>\$ 170,531</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:

	December 31, 2022		December 31, 2021	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 66,549	\$ —	\$ 170,531	\$ —
Overdue for 1~90 days	—	—	—	—
Overdue for 91 to 180 days	—	—	—	—
Overdue for 181 to 360 days	—	—	—	—
Overdue for 1~2 years	—	—	—	—
Overdue for more than 2 years	—	—	—	—
Total	\$ 66,549	\$ —	\$ 170,531	\$ —

The above ageing analysis was based on account day.

C. As of December 31, 2022 and December 31, 2021, notes receivable were all from contracts with customers.

(4) Accounts receivable, net

	December 31, 2022	December 31, 2021
Accounts receivable	\$ 1,076,347	\$ 1,231,774
Less: Allowance for uncollectible accounts	(19,531)	(18,345)
Accounts receivable, net	\$ 1,056,816	\$ 1,213,429

	December 31, 2022	December 31, 2021
Overdue receivable (stated as other non-current assets)	\$ 1,044	\$ 1,197
Less: Allowance for uncollectible accounts	(1,044)	(1,197)
Overdue receivable, net	\$ —	\$ —

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, 2022	\$ 18,484	\$ 1,058	\$ 19,542
Provision for impairment	1,573	—	1,573
Reversal of impairment	—	—	—
Write-offs during the period	(1,302)	(53)	(1,355)
Unwinding of discount and premium	815	—	815
At December 31, 2022	\$ 19,570	\$ 1,005	\$ 20,575
At January 1, 2021	\$ 17,128	\$ 3,938	\$ 21,066
Additions			
-acquired through business combinations	799	—	799
Provision for impairment	598	—	598
Reversal of impairment	—	(1,681)	(1,681)

Write-offs during the period	(3)	(1,213)	(1,216)
Unwinding of discount and premium	(18)	14	(4)
At December 31, 2021	<u>\$ 18,484</u>	<u>\$ 1,058</u>	<u>\$ 19,542</u>

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

	December 31, 2022		December 31, 2021	
	Total	Impairment	Total	Impairment
Neither past due nor impaired	\$ 837,606	\$ -	\$ 1,034,023	\$ -
Overdue for 1~90 days	210,905	14,763	154,165	10,791
Overdue for 91~180 days	23,223	3,483	35,120	5,268
Overdue for 181~360 days	4,090	1,023	7,791	1,948
Overdue for 1~2 years	523	262	675	338
Overdue for more than 2 years	1,044	1,044	1,197	1,197
Total	<u>\$ 1,077,391</u>	<u>\$ 20,575</u>	<u>\$ 1,232,971</u>	<u>\$ 19,542</u>

The above ageing analysis was based on past due date.

D. As of December 31, 2022 and December 31, 2021, accounts receivable were all from contracts with customers.

(5) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 871,668	\$ (317,514)	\$ 554,154
Supplies	186,172	(55,020)	131,152
Work in progress	605,857	(15,014)	590,843
Semi-finished goods	494,497	(108,864)	385,633
Finished goods	988,449	(11,921)	976,528
Commodity	100,139	(6,733)	93,406
Materials and supplies in transit	15,683	—	15,683
Inventory, net	<u>\$ 3,262,465</u>	<u>\$ (515,066)</u>	<u>\$ 2,747,399</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw material	\$ 762,998	\$ (207,261)	\$ 555,737
Supplies	175,605	(40,432)	135,173
Work in progress	588,112	(43,110)	545,002
Semi-finished goods	444,209	(76,421)	367,788
Finished goods	929,824	(21,539)	908,285
Commodity	57,466	(3,196)	54,270
Materials and supplies in transit	8,341	—	8,341
Inventory, net	<u>\$ 2,966,555</u>	<u>\$ (391,959)</u>	<u>\$ 2,574,596</u>

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

	<u>2022</u>	<u>2021</u>
Cost of inventories sold	\$ 3,794,872	\$ 3,619,407
Loss on market price decline inventories (gain from price recovery)	122,435	78,954
Loss on obsolescence of inventory	31,719	14,492
Other operating costs- employees' bonus	76,585	41,727
Estimated warranty liabilities	6,157	10,711
Exchange difference, net	(672)	18
Operating Cost	<u>\$ 4,031,096</u>	<u>\$ 3,765,309</u>

B. As of December 31, 2022 and 2021, inventories of the Group were not pledged as collateral.

(6) Property, plant and equipment

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

B. The Group signed the contract with the non-related party about the equipment construction of HuKou factory, in April 2022. The total contract amount was NT\$129,848 thousand.

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

D. Guarantee

For details about the secured bank loan and facility as for December 31, 2022 and 2021, please see Note 8.

E. For the capitalized interest, please see Note 6(18) B Financial cost.

	Land	House and building	Machine and equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipment	Construction in progress	Total
Cost:									
At January 1, 2022	\$ 770,963	\$ 2,429,395	\$ 1,935,903	\$ 1,779	\$ 78,539	\$ 616,774	\$ 50,115	\$ 18,181	\$ 5,901,649
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	685	72,590	-	18,236	15,600	2,556	116,575	226,242
Disposals	-	(18,040)	(324,354)	-	(13,653)	(129,798)	(7,079)	-	(492,924)
Transfer	-	19,885	50,316	-	481	10,432	-	(21,299)	59,815
Effect of movements in exchange rate	-	408	20,593	27	894	386	1,489	-	23,797
At December 31, 2022	<u>\$ 770,963</u>	<u>\$ 2,432,333</u>	<u>\$ 1,755,048</u>	<u>\$ 1,806</u>	<u>\$ 84,497</u>	<u>\$ 513,394</u>	<u>\$ 47,081</u>	<u>\$ 113,457</u>	<u>\$ 5,718,579</u>
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	-	242,850	124,019	-	16,944	30,311	2,931	17,965	435,020
Disposals	-	(28,106)	(48,281)	-	(3,963)	(93,642)	(3,314)	-	(177,306)
Transfer	-	644,336	209,127	-	934	45,483	-	(646,340)	253,540
Effect of movements in exchange rate	-	193	2,757	13	(343)	(384)	(701)	-	1,535
At December 31, 2021	<u>\$ 770,963</u>	<u>\$ 2,429,395</u>	<u>\$ 1,935,903</u>	<u>\$ 1,779</u>	<u>\$ 78,539</u>	<u>\$ 616,774</u>	<u>\$ 50,115</u>	<u>\$ 18,181</u>	<u>\$ 5,901,649</u>
Accumulated depreciation and impairment :									
At January 1, 2022	\$ -	\$ 553,506	\$ 1,303,795	\$ 800	\$ 49,150	\$ 418,146	\$ 43,793	\$ -	\$ 2,369,190
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	89,857	198,047	342	13,904	77,183	1,970	-	381,303
Disposals	-	(8,614)	(314,657)	-	(13,651)	(128,356)	(6,811)	-	(472,089)
Transfer	-	-	(4,218)	-	-	-	-	-	(4,218)
Effect of movements in exchange rate	-	109	14,760	15	827	-	1,250	-	16,961
At December 31, 2022	<u>\$ -</u>	<u>\$ 634,858</u>	<u>\$ 1,197,727</u>	<u>\$ 1,157</u>	<u>\$ 50,230</u>	<u>\$ 366,973</u>	<u>\$ 40,202</u>	<u>\$ -</u>	<u>\$ 2,291,147</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	-	77,590	188,114	338	13,230	77,430	1,172	-	357,874
Disposals	-	(15,190)	(40,606)	-	(3,961)	(92,451)	(3,300)	-	(155,508)
Transfer	-	-	(924)	-	-	-	-	-	(924)
Effect of movements in exchange rate	-	42	1,584	5	(351)	-	(684)	-	596
At December 31, 2021	<u>\$ -</u>	<u>\$ 553,506</u>	<u>\$ 1,303,795</u>	<u>\$ 800</u>	<u>\$ 49,150</u>	<u>\$ 418,146</u>	<u>\$ 43,793</u>	<u>\$ -</u>	<u>\$ 2,369,190</u>
Book value									
At December 31, 2022	<u>\$ 770,963</u>	<u>\$ 1,797,475</u>	<u>\$ 557,321</u>	<u>\$ 649</u>	<u>\$ 34,267</u>	<u>\$ 146,421</u>	<u>\$ 6,879</u>	<u>\$ 113,457</u>	<u>\$ 3,427,432</u>
At December 31, 2021	<u>\$ 770,963</u>	<u>\$ 1,875,889</u>	<u>\$ 632,108</u>	<u>\$ 979</u>	<u>\$ 29,389</u>	<u>\$ 198,628</u>	<u>\$ 6,322</u>	<u>\$ 18,181</u>	<u>\$ 3,532,459</u>

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

A. Leasing arrangements – lessee

- (a) The Group leases various assets including land, buildings, and business vehicles. Rental contracts are typically made for periods within 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- (b) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>Jan 1~Dec 31, 2022</u>	<u>December 31, 2021</u>	<u>Jan 1~Dec 31, 2021</u>
	Book value	Depreciation	Book value	Depreciation
Land	\$ 17,923	\$ 8,542	\$ 22,685	\$ 8,689
Buildings	102,398	44,725	81,551	40,970
Transportation (Business vehicles)	64,515	31,225	56,051	29,356
Total	<u>\$ 184,836</u>	<u>\$ 84,492</u>	<u>\$ 160,287</u>	<u>\$ 79,015</u>

- (c) For the 2022 and 2021, the additions to right-of-use assets were NT\$162,606 thousand and NT\$133,181 thousand respectively.

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

	<u>Jan 1~Dec 31, 2022</u>	<u>Jan 1~Dec 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,884	\$ 2,780
Expense on short-term lease contracts	\$ 3,787	\$ 2,128
Gains(losses) on lease modification	\$ 419	\$ 410

- (e) For the 2022 and 2021, the Group's total cash outflow for leases were NT\$86,895 thousand and NT\$81,092 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 2022 and 2021 are NT\$138 thousand and NT\$479 thousand.

B. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 70,387	\$ 59,883
Noncurrent	116,740	101,708
Total	<u>\$ 187,127</u>	<u>\$ 161,591</u>

- (a) Please refer to Note 6(18) 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 are 1.38%~4.5% for the 2022 and 2021.

C. Leasing arrangements – lessor

- (a) The Group leases various assets including part of office buildings and plant. Rental contracts are typically made for periods within 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes.
- (b) For the 2022 and 2021, the Group recognized rent income in the amount of NT\$16,356 thousand and NT\$10,924 thousand respectively, based on the operating lease agreement, which does not include variable lease payments.

(8) Intangible assets

The costs, amortization, and the impairment loss of intangible assets of the Group as of and for the ended of December 31, 2022 and 2021 were as follows:

	Computer software	Goodwill	Patent	Others	Total
2022					
January 1, 2022	\$ 22,902	\$ 197,778	\$ 22,329	\$ 10,546	\$ 253,555
Additions - acquired separately	48,933	—	—	—	48,933
Additions - acquired through business combinations	—	—	—	—	—
Reclassification	—	—	—	—	—
Amortization expenses	(35,915)	—	(2,203)	(1,987)	(40,105)
Impairment	—	—	—	—	—
Exchange difference, net	236	21,773	2,343	1,057	25,409
December 31, 2022	<u>\$ 36,156</u>	<u>\$ 219,551</u>	<u>\$ 22,469</u>	<u>\$ 9,616</u>	<u>\$ 287,792</u>
2021					
January 1, 2021	\$ 42,546	\$ —	\$ —	\$ —	\$ 42,546
Additions - acquired separately	18,985	—	—	—	18,985
Additions - acquired through business combinations	2,540	198,424	23,111	11,194	235,269
Reclassification	—	—	—	—	—
Amortization expenses	(41,158)	—	(649)	(585)	(42,392)
Impairment	—	—	—	—	—
Exchange difference, net	(11)	(646)	(133)	(63)	(853)
December 31, 2021	<u>\$ 22,902</u>	<u>\$ 197,778</u>	<u>\$ 22,329</u>	<u>\$ 10,546</u>	<u>\$ 253,555</u>

	Goodwill	
	December 31, 2022	December 31, 2021
Goodwill-Celadon	\$ 219,551	\$ 197,778
Goodwill-Allstron	45,533	45,533
Accumulated impairment - Allstron	(45,533)	(45,533)
Net book value	<u>\$ 219,551</u>	<u>\$ 197,778</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other non-current assets) 2022 and 2021, respectively, were stated as the following items in the comprehensive income statement:

	<u>2022</u>	<u>2021</u>
Operating cost	\$ 15,196	\$ 15,695
Operating expense	44,258	44,066
Total amortization expenses	<u>\$ 59,454</u>	<u>\$ 59,761</u>

B. R&D expenditure

In FY2022 and FY2021, the R&D spending deriving from intangible assets internally developed amounted to NT\$747,551 thousand and NT\$744,766 thousand, respectively, recognized under the title of “Operating expenses – R&D expenses” in the comprehensive income statement.

C. Goodwill Impairment - Allstron

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. Goodwill Impairment Evaluation - Celadon

The Group acquired Celadon Systems, Inc. which generated goodwill of NT\$198,424 thousand. Impairment assessment of goodwill is allocated to the Celadon’s CGU. The recoverable amount of the CGU relating to the goodwill arising from acquisition of Celadon was determined based on value-in-use calculation. The calculation uses projected cash flows and owner-specific synergies based on financial budgets for the next five-year period.

Management determined budgeted gross margin based on past performance and their expectations of market development. The weighted average growth rates used are consistent with the projection included in industry reports. Cash flows and owner-specific synergies beyond the five-year period are extrapolated using the estimated growth rates. As of December 31, 2022, discount rate is 15.28%~15.93%.

Based on previous assessment, there is no impairment loss on goodwill as of December 31, 2022.

E. Please refer Note 6(21) for details of the mergers and acquisitions.

(9) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipment	\$ 100,405	\$ 64,699
Refundable deposit	94,235	81,016
Deferred Charges	44,026	32,356
Other financial assets-	13,246	11,491

non-current		
Total	\$ 251,912	\$ 189,562

A. About the refundable deposit 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\$69,090 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.

As of December 31, 2022 and December 31, 2021, the Group has deposited the guarantee of processing fee NT\$69,090 thousand and NT\$57,550 thousand.

B. The costs, amortization, and the impairment loss of Deferred Charges of the Group as

of and for the ended of December 31, 2022 and 2021 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2022	\$ 32,356	January 1, 2021	\$ 21,909
Addition	29,922	Addition	26,001
Reclassification	—	Reclassification	—
Amortization expenses	(19,349)	Amortization expenses	(17,369)
Transfer	1,050	Transfer	1,770
Impairment	—	Impairment	—
Exchange difference, net	47	Exchange difference, net	45
December 31, 2022	\$ 44,026	December 31, 2021	\$ 32,356

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.

(10) Short-term loan

Nature	Amounts	December 31, 2022		December 31, 2021	
		Interest rates	Amounts	Interest rates	Amounts
Credit loan	\$ —	—	\$ —	—	\$ —

Secured borrowings	—	—	100,000	0.75%
Total	<u>\$ —</u>		<u>\$ 100,000</u>	

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.

(11) Other accounts payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expenses payable	\$ 840,589	\$ 728,258
Employees' remuneration payable	132,100	74,148
Short-term employee benefits	73,071	49,649
Others (less than 5%)	49,792	44,408
Total	<u>\$ 1,095,552</u>	<u>\$ 896,463</u>

(12) Reserve for liabilities

	<u>Warranty</u>		<u>Warranty</u>
At January 1, 2022	\$ 14,639	At January 1, 2021	\$ 10,493
Increase (decrease)	(626)	Increase (decrease)	4,146
At December 31, 2022	<u>\$ 14,013</u>	At December 31, 2021	<u>\$ 14,639</u>
Current	\$ 12,696	Current	\$ 11,955
Non-current	1,317	Non-current	2,684
At December 31, 2022	<u>\$ 14,013</u>	At December 31, 2021	<u>\$ 14,639</u>

The Group's reserve for warranty and liabilities in 2022 and 2021 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.

(13) Corporate bonds-payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
4th domestic unsecured convertible bonds	\$ 1,000,000	\$ 1,000,000
Bonds transferred to common stock	(963,300)	(953,500)
Less : Convertible corporate bonds repayment due	—	—
Less : Buy back from open market	(36,700)	(36,700)
Less : Discount of bonds payable	—	(264)
Corporate bonds-payable, net	<u>\$ —</u>	<u>\$ 9,536</u>
Current	\$ —	\$ 9,536
Non-current	—	—
Total	<u>\$ —</u>	<u>\$ 9,536</u>
Embedded derivative-Financial (Assets) liability	\$ —	\$ (68)
Equity element	<u>\$ —</u>	<u>\$ 687</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 resolved on July 10, 2020 to authorize the Chairman to issue 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 26, 2020, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$67.4 per share.
 - Ⓔ The Company's board of directors reported on July 14, 2021 about

the issuance of the 4th domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 4th Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of July 18, 2021, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$65.10 per share.

Ⓔ The Company's board of directors reported on August 10, 2022 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 20, 2022, the Company's 4th domestic unsecured convertible corporate bonds shall be adjusted as NT\$62.20 per share.

(f) Bondholders' put option:

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

(g) The Company's right of redemption:

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

Ⓑ From the date following expiration of three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may

exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal:

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

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

As of December 31, 2021, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,172,384 shares with face value of NT\$953,500 thousand, and recognized NT\$826,222 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

(b) For the whole 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 157,334 shares with face value of NT\$9,800 thousand, and recognized NT\$8,732 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

As of December 31, 2022, the accumulation of the 4th domestic unsecured conversion of corporate bonds had been issued 14,329,718 shares with face value of NT\$963,300 thousand, and recognized NT\$834,954 thousand as Capital Surplus-Additional Paid-In Capital-Bond Conversion.

It has been fully converted into ordinary shares as of September 2022, and has been approved by the competent authority to terminate OTC trading of convertible bonds on September 16, 2022.

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

	August 15, 2018 (Issuing date)
Total issuing amount of convertible corporate bond	\$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	<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 from January 1 to December 31, 2022 and 2021 were NT\$(48) thousand and NT\$(241) thousand respectively.
- (b) The Group recognized interest expense of convertible bonds at 2022 and 2021 were NT\$102 thousand and NT\$1,094 thousand respectively.
- E. (a) For the ended December 31, 2021, the 4th unsecured convertible bonds in the amount of NT\$36,700 thousand were repurchased by the company from open market, buy back price is NT\$34,832 thousand that is shared to liabilities and equity with difference between book value, is recognized as form treasury stock transaction NT\$387 thousand.
- (b) For the ended December 31, 2022, 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.

(14) Long-term Loans

Lender	Nature	Limit	Period	December 31, 2022
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 572,222
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2021/11/09~2031/10/15	235,680
BMO Harris Bank	Secured bank borrowings (note)	USD 405,000	2021/10/21~2024/10/21	7,761
BMO Harris Bank	Secured bank borrowings (note)	USD 450,000	2022/12/14~2027/12/14	13,826
Less: Long-term Loans payable-current portion				(110,676)
Long-term Loans, net				\$ 1,038,813
Interest rates for long-term loans				1.13%~7.85%

Lender	Nature	Amount	Period	December 31, 2021
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2019/11/08~2029/10/15	\$ 579,200
Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2020/09/23~2027/09/23	320,000

Chang Hwa Bank - Chengnei Branch	Secured bank borrowings	\$ 1,134,880	2021/11/09~2031/10/15	235,680
BMO Harris Bank	Secured bank borrowings (note)	USD 405,000	2021/10/21~2024/10/21	10,618
Less: Long-term Loans payable-current portion				(10,605)
Long-term Loans, net				<u>\$ 1,134,893</u>
Interest rates for long-term loans				<u>0.63%~3.50%</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.

(15) 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 six 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 December 31, 2022, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$102,648 thousand.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	\$ 129,633	\$ 114,352
Fair value of planned assets	(102,648)	(94,315)
Net defined benefit liability	<u>\$ 26,985</u>	<u>\$ 20,037</u>

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

	2022	2021
Present value of defined benefit obligation, January 1	\$ 114,352	\$ 119,299

Service cost in current period	8,210	172
Interest cost	743	1,074
Amount allocated by Labor Standards Act article 56 item 2	1,464	2,231
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	10,099	3,791
Empirical adjustment	(2,763)	1,737
Benefit payment-from planned assets	(2,472)	(13,952)
Present value of defined benefit obligation, December 31	<u>\$ 129,633</u>	<u>\$ 114,352</u>

(d) Changes in fair value of planned assets:

	<u>2022</u>	<u>2021</u>
Fair value of planned assets, January 1	\$ 94,315	\$ 103,278
Interest revenue	616	946
Return (loss) on remuneration of planned assets	7,206	582
Contribution by employer	4,289	3,461
Benefit payment-from planned assets	(2,472)	(13,952)
Settle special pension fund account by the subsidiary	(1,306)	—
Fair value of planned assets, December 31	<u>\$ 102,648</u>	<u>\$ 94,315</u>

(e) Total expenses recognized in comprehensive income statement:

	<u>2022</u>	<u>2021</u>
Service cost in current period	\$ 8,210	\$ 172
Interest cost of defined benefit obligation	743	1,074
Interest revenue from planned assets	(616)	(946)
Amount allocated by Labor Standards Act article 56 item 2	1,464	2,231
Defined benefit cost stated into income	<u>\$ 9,801</u>	<u>\$ 2,531</u>

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on

December 31, 2022 and 2021, please see the labor pension fund utilization report published by the government each year.

- (g) Actuarial hypotheses about pension are summarized as following:
(expressed under weighted average method)

	<u>2022</u>	<u>2021</u>
Discount rate	1.25%	0.65%
Future salary and benefit level	2.25%	2.25%~2.75%

Until December 31, 2022, the weighted average duration of the pension plan has been 9.3 years.

- (h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.

- (i) The variance in the estimation of the Group's discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	<u>Discount rate</u>		<u>Future raise rate</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>	<u>Increase by 1.00%</u>	<u>Decrease by 1.00%</u>
December 31, 2022				
Effect on defined benefit obligation %	<u>(3.38%)</u>	<u>3.25%</u>	<u>12.33%</u>	<u>(12.98%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,998)</u>	<u>\$ 4,208</u>	<u>\$ 15,990</u>	<u>\$ (16,832)</u>
December 31, 2021				
Effect on defined benefit obligation %	<u>(3.32%)</u>	<u>3.49%</u>	<u>13.26%</u>	<u>(13.96%)</u>
Amount of effect on defined benefit obligation	<u>\$ (3,791)</u>	<u>\$ 3,991</u>	<u>\$ 15,165</u>	<u>\$ (15,963)</u>

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

- (j) Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at December 31, 2022 is NT\$3,420 thousand.
- (k) The subsidiary of the Group – Chain-Logic International Corp. had paid

the pension of NT\$5,226 thousand to the employees who meet the retirement requirement of labor retirement reserve fund in July 16, 2021.

- (l) The subsidiary of the Group – Chain-Logic International Corp. has no employee applicable for the labor retirement reserve as at December 31, 2021. The subsidiary has applied for closing the pension fund account since there is no need to pay the pension fund anymore. The application was approved at January 22, 2022 and the balance of the pension fund account NT\$1,560 thousand was claimed at April 7, 2022.

B. Defined contribution plans

- (a) As of July 1, 2005, the Company and domestic subsidiaries 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\$79,823 thousand and NT\$73,548 thousand in 2022 and 2021.

(16) Equity

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

	Unit : Share	
	2022	2021
Balance , January 1	94,073,772	92,080,197
Convertible Bonds Transferred To Common Stock	157,334	1,993,575
Balance , December 31	94,231,106	94,073,772

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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)</u>		
Common stock premium	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	1,428,895	1,420,163
Treasury Stock Transactions	58,623	58,623
<u>May be used to offset a deficit only (Note2)</u>		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	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
Stock option (Elements of equity of convertible corporate bonds)	—	687
Total	<u>\$ 1,744,545</u>	<u>\$ 1,736,500</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.

- ⑤ 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 2021 earnings had been approved by the shareholders during their meeting on June 15, 2022, and the appropriations of 2020 earnings had been approved by the shareholders during their meeting on August 18, 2021. Details are summarized below:

	2021		2020	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 68,891		\$ 70,873	
Special reserve	971		10,757	
Cash dividends	376,314	4.00	415,716	4.50

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

D. Treasury stock : None.

E. Share-based payment — employee compensation plan

As of December 31, 2022, information on outstanding ESO is shown below:

None.

(17) Operating Income

A. Operating income

	2022	2021
Revenue from contracts with customers		
Sales revenue	\$ 7,211,636	\$ 6,128,042
Processing Fees revenue	213,658	376,681
Others		
Commission revenue	13,881	4,002
Total	\$ 7,439,175	\$ 6,508,725

B. Contract assets and contract liabilities

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

(a) Contract assets: None.

(b) Contract liabilities as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract liability-current		
Sales revenue received in advance	\$ 659,714	\$ 677,836
Total	<u>\$ 659,714</u>	<u>\$ 677,836</u>

Revenue of the contract liabilities recognized in the beginning:

	<u>2022</u>	<u>2021</u>
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	\$ 656,690	\$ 466,200
Total	<u>\$ 656,690</u>	<u>\$ 466,200</u>

(18) Non-operating Income And Expenses

A. Other gains and losses, net

	<u>2022</u>	<u>2021</u>
Gains (losses) on disposal of property, plant and equipment	\$ 9,993	\$ -
Losses on obsolescence of property, plant and equipment	(9,696)	(13,323)
Net gains (losses) on financial assets/liabilities at fair value through profit or loss	(48)	(241)
Net currency exchange gains (losses)	151,503	(11,497)
Gains(losses) on lease modification	419	410
Others	(2,612)	(452)
Total	<u>\$ 149,559</u>	<u>\$ (25,103)</u>

B. Financial cost

	<u>2022</u>	<u>2021</u>
Interest expenses		
Bank loan	\$ 11,150	\$ 6,729
Imputed interest from deposit	11	3
Convertible corporate bonds	102	1,094
Lease liabilities	3,884	2,780
Subtotal	<u>15,147</u>	<u>10,606</u>
Less: capitalized interest	(1,381)	(3,807)
Total	<u>\$ 13,766</u>	<u>\$ 6,799</u>
Capitalized interest rate	<u>0.61%~1.19%</u>	<u>0.63%~1.10%</u>

C. Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 5,043	\$ 5,435
Imputed interest from deposit	134	123
Total	<u>\$ 5,177</u>	<u>\$ 5,558</u>

(19) Income Tax

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

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the period	\$ 244,035	\$ 143,304
Income tax on repatriated offshore funds	-	729
Adjustments in respect of prior years	(12,016)	(2,642)
Total current tax	<u>232,019</u>	<u>141,391</u>
Deferred tax:		
Origination and reversal of temporary differences	(3,406)	(8,107)
Impact of change in tax rate	-	-
Total deferred tax	<u>(3,406)</u>	<u>(8,107)</u>
Income tax expense	<u>\$ 228,613</u>	<u>\$ 133,284</u>

B. The Group recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to December, at 2022 and 2021.

C. The Group income tax expenses recognized under the title of equity are NT\$0 start from January to December, at 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Net profit (loss) before tax	\$ 1,440,875	\$ 828,742
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	\$ 288,175	\$ 165,748
Tax rate difference effect in foreign jurisdiction	(5,252)	15,688
Income tax effect included into the items that shall not be recognized pursuant to tax laws	23,623	12,440
Income tax on repatriated offshore funds	-	729
Income tax effect on deferred income tax assets/liabilities	(3,406)	(8,107)
Changes of foreign exchange rate of deferred income tax assets/liabilities	-	-
Unrecognized deferred income tax assets	2	12
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(67,809)	(50,584)
Imposition of income tax on undistributed earnings	5,296	-
Income tax effect under minimum tax system	-	-
Overestimated (underestimated) income tax in previous year	(12,016)	(2,642)
Impact of change in tax rate	-	-
Total	<u>\$ 228,613</u>	<u>\$ 133,284</u>

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2022				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 76,504	\$ 24,024			\$ 100,528
Realized net investment income (foreign)	24,587	(13,498)			11,089
Unrealized exchange loss	820	926			1,746
Unrealized warranty cost	2,928	(125)			2,803
Unrealized impairment loss	9,107	-			9,107
Unrealized gain on inter-affiliate accounts	5,542	(1,538)			4,004
Tax difference on depreciation expenses	5,604	8		\$ 85	5,697
Expected Credit(loss) gains	-	36			36
Unused tax loss carry-forward	-	11,908		622	12,530
Total	\$ 125,092	\$ 21,741		\$ 707	\$ 147,540
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	\$ (597)	\$ (1,222)			\$ (1,819)
Recognition of pension expenses (deficit)	(10,324)	1,561			(8,763)
Tax difference on depreciation expenses	-	(18,674)		\$ (452)	(19,126)
Total	\$ (10,921)	\$ (18,335)		\$ (452)	\$ (29,708)
	2021				
	January1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	\$ 61,623	\$ 14,881			\$ 76,504
Realized net investment income (foreign)	19,081	5,506			24,587
Unrealized exchange loss	5,055	(4,235)			820
Unrealized warranty cost	2,099	829			2,928
Unrealized impairment loss	9,107	-			9,107
Unrealized gain on inter-affiliate accounts	5,248	294			5,542
Tax difference on depreciation expenses	15,947	(10,421)		\$ 78	5,604
Employee services and benefits amortized by year	20	(20)			-
Total	\$ 118,180	\$ 6,834		\$ 78	\$ 125,092

Deferred income tax liabilities			
Temporary difference			
Unrealized exchange gain	\$ (1,510)	\$ 913	\$ (597)
Unrealized net investment income (foreign)	(1,118)	1,118	-
Recognition of pension expenses (deficit)	(9,566)	(758)	(10,324)
Total	<u>\$ (12,194)</u>	<u>\$ 1,273</u>	<u>\$ (10,921)</u>

(b) Unrecognized deferred income tax assets

The information of the amount for which no deferred income tax assets have been recognized were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unused tax loss carry-forward	\$ 8,640	\$ 16,967
Deductible temporary differences	12,167	7,722
Total	<u>20,807</u>	<u>24,689</u>

(c) Unrecognized deferred income tax liabilities : None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2022 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (projected) in 2022	\$ 67,809	\$ —	\$ 67,809	\$ —	(non-deferred)
	<u>\$ 67,809</u>	<u>\$ —</u>	<u>\$ 67,809</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.

G. Authorization of income tax:

	<u>Year</u>
MPI Corporation	2020
Chain-Logic International Corp.	2020
Allstron Corp	2020

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

(20) 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:

	2022			2021		
	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	\$1,213,625	94,138	\$ 12.89	\$ 693,851	93,280	\$ 7.44
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$1,213,625	94,138		\$ 693,851	93,280	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	—	—		—	150	
Employee stock bonus	—	1,136		—	610	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$1,213,625	95,274	\$ 12.74	\$ 693,851	94,040	\$ 7.38

For the details about capital increase, please see Note 6(16).

(21) Business combinations - acquisition of subsidiaries

A. 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) in September, 2021 and obtained the control over Celadon. The main operating activities of Celadon

are selling and manufacturing the Probe Cards, Test systems and High-Performance Cables and it's 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>Acquisition Date</u> <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
Accounts Receivables	25,568
Inventories	15,710
Prepayments	1,664
Property , plant and equipment	18,279
Right-of-use asset	16,512
Identifiable intangible assets-software	2,540
Identifiable intangible assets-patent and others	34,305
Short-term and long-term loans	(11,361)
Contract liability	(1,792)
Account payable	(2,644)
Other payables	(8,133)
Lease liability	(16,512)
Total identifiable net assets	<u>\$ 85,047</u>
Goodwill	<u>\$ 198,424</u>

The fair value of the assets and liabilities of Celadon (excluding identifiable intangible assets-patent and others) were according to the book value as of September 9, 2021 audited by public accountant. The fair value was the optimum expectation at acquisition date.

The gross contractual amounts of accounts receivable totaled NT\$26,347 thousand, of which NT\$779 thousand was expected to be uncollectible at the acquisition date.

The Group has hired expert for the valuation of fair value of the identifiable intangible assets. The Group received the purchase price allocation report in January 2022 which indicated that the fair value of identifiable intangible assets (including patent, intangible asset from lease and client base) of Celadon at the date of acquisition was NT\$34,305 thousand.

The comparative figures have been restated as if the initial accounting was completed at the acquisition date. The balance of the items on the

consolidated balance sheets before and after the adjustments are the following:

	Acquisition Date (Provisional Amount)	Acquisition Date (Fair Value)
Accounts receivable	\$ 26,347	\$ 25,568
Inventories	\$ 19,326	\$ 15,710
Identifiable intangible assets-patent	\$ -	\$ 23,111
Identifiable intangible assets-others	\$ -	\$ 11,194
Account payable	\$ 3,873	\$ 2,644
Other payable	\$ 6,774	\$ 8,133
Goodwill	\$ 228,204	\$ 198,424

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\$57,915 thousand Celadon also contributed profit before income tax of NT\$6,015 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\$169,366 thousand and profit before income tax of NT\$(34,547) thousand.

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

Nature \ Function	2022			2021		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expense						
Wages and salaries	1,236,377	1,067,093	2,303,470	1,139,924	940,317	2,080,241
Labor and health insurance expense	83,409	71,079	154,488	78,417	68,637	147,054
Pension costs	49,038	40,586	89,624	40,935	40,370	81,305
Director remuneration	—	31,950	31,950	—	17,762	17,762
Other personnel expense (Note)	115,959	45,255	161,214	121,790	34,677	156,467
Depreciation	326,624	139,171	465,795	300,053	136,836	436,889
Depletion	—	—	—	—	—	—
Amortization	15,196	44,258	59,454	15,695	44,066	59,761

(Note) 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 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 estimated the remuneration to employees was NT\$127,800 thousand and NT\$71,048 thousand, respectively, in 2022 and 2021, and the remuneration to directors NT\$31,950 thousand and NT\$17,762 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).

D. The remuneration to employees and directors 2021 resolved to be allocated at the shareholders' meeting on June 15, 2022 by the Board of Directors meeting were NT\$71,048 thousand and NT\$17,762 thousand, respectively, identical with that recognized in the financial statement 2021, 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 2022.

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

F. 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”.

(23) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 290,548	\$ 689,483
Add: opening balance of payable on equipment	61,003	133,660
Less: ending balance of payable on equipment	(60,141)	(61,003)
Cash paid during the period	<u>\$ 291,410</u>	<u>\$ 762,140</u>

B. Financing activities not affecting cash flow:

	<u>2022</u>	<u>2021</u>
Convertible bonds being converted to capital stocks	<u>\$ 1,573</u>	<u>\$ 19,936</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 year ended December 31, 2022 and 2021.

(4) Information about remuneration to the management

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

	<u>2022</u>	<u>2021</u>
Salary and other short-term employee benefits	\$ 10,965	\$ 11,004
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total	<u>\$ 10,965</u>	<u>\$ 11,004</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>December 31, 2022</u>	<u>December 31, 2021</u>
Land	\$ 770,963	\$ 770,963
Buildings	1,514,020	1,556,371
Pledged bank deposit (stated as other current assets)	31,904	13,920
Other non-current financial assets (stated as other non-current assets)	13,246	11,491
Total	<u>\$ 2,330,133</u>	<u>\$ 2,352,745</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 capital expenditure amount under the purchase orders signed is stated as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchases of property, plant and equipment	<u>\$ 70,833</u>	<u>\$ 17,955</u>

10. **Significant disaster loss**: None.

11. **Significant subsequent events**: None.

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 2022 as that in 2021, dedicated to maintaining the debt/equity ratio less than 50%~100%. The Company's debt ratios on December 31, 2022, and 2021 are

stated as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 4,008,938	\$ 3,809,667
Total net worth	6,893,993	6,047,802
Debt/equity ratio	58%	63%

(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 fair value through other comprehensive income, 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, lease liabilities, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

- (a) The 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 currency, 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:

		December 31, 2022		
		Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Currency unit				
Financial assets	NTD/USD	\$ 37,229	30.6961	\$ 1,142,783
	NTD/JPY	\$ 23,358	0.23211	\$ 5,422
	NTD/EUR	\$ 2,491	32.612	\$ 81,242
	NTD/RMB	\$ 168,726	4.3873	\$ 740,306
	NTD/KRW	\$ 5,188	0.02457	\$ 127
	NTD/HKD	\$ 12	3.884	\$ 46
	NTD/SGD	\$ 24	22.755	\$ 549

	NTD/MYR	\$ 16	6.699	\$ 110
	NTD/GBP	\$ 102	37.00300	\$ 3,765
	NTD/INR	\$ 10	0.3629	\$ 4
	NTD/PHP	\$ 91	0.54430	\$ 49
Financial liabilities	NTD/USD	\$ 1,882	30.790	\$ 58,255
	NTD/JPY	\$ 56,126	0.2340	\$ 13,833
	NTD/EUR	\$ 628	32.888	\$ 20,664
	NTD/RMB	\$ 224	4.439	\$ 994
	NTD/GBP	\$ 7	37.2261	\$ 247
December 31, 2021				
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 29,112	27.642	\$ 804,719
	NTD/JPY	\$ 17,336	0.24012	\$ 4,163
	NTD/EUR	\$ 1,757	31.216	\$ 54,840
	NTD/RMB	\$ 120,194	4.3230	\$ 519,597
	NTD/KRW	\$ 5,188	0.02350	\$ 122
	NTD/HKD	\$ 12	3.495	\$ 41
	NTD/SGD	\$ 20	20.335	\$ 416
	NTD/MYR	\$ 13	6.355	\$ 81
	NTD/GBP	\$ 255	37.27485	\$ 9,509
	NTD/INR	\$ 10	0.3665	\$ 4
	NTD/PHP	\$ 91	0.5353	\$ 49
Financial liabilities	NTD/USD	\$ 2,506	27.759	\$ 69,570
	NTD/JPY	\$ 112,968	0.2421	\$ 27,344
	NTD/EUR	\$ 512	31.494	\$ 16,140
	NTD/RMB	\$ 871	4.371	\$ 3,805
	NTD/GBP	\$ 6	37.4755	\$ 237

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\$151,503 thousand and NT\$(11,497) thousand in 2022 and 2021.

Ⓑ 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.

Ⓒ Equity price risk

a. Equity securities held by the Group are susceptible to price risk arising from uncertainties about future values of the investment

securities. The Group manages the equity price risk through placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

b. For the years ended December 31, 2022 and 2021, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

Stock in domestic listed company through private placement

Prices of securities at the reporting date	December 31, 2022		December 31, 2021	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
Increasing 1%	\$ -	\$ 1,540	\$ -	\$ 1,680
Decreasing 1%	\$ -	\$ (1,470)	\$ -	\$ (1,610)

Domestic innovation board common stock

Prices of securities at the reporting date	December 31, 2022		December 31, 2021	
	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income	Sensitivity of Profit or Loss	Sensitivity of other comprehensive income
Increasing 1%	\$ -	\$ 431	\$ -	\$ -
Decreasing 1%	\$ -	\$ (536)	\$ -	\$ -

Ⓓ 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, 2022 and 2021 is stated as following:

December 31, 2022		
Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-56,412 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,874 thousand

December 31, 2021		
Primary risk	Range of change	Sensitivity of Profit or Loss
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-38,293 thousand

Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-3,114 thousand
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(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.
- Ⓒ For the year ended December 31, 2022 and 2021, 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. Manage 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. As of December 31, 2022 and 2021, 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 December 31, 2022 and 2021, the Group expected credit loss rate during the lifetime is stated as follow:

Notes Receivable	Accounts Receivable					
Dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year

Expected loss rate	100%	0%	7%	15%	25%	50%	100%
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- Ⓚ The Group grants the loan period varying based on the evaluation on each trading customer, generally O/A 60 days or 210 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(3) and Note 6(4).

(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\$1,921,019 thousand on December 31, 2022.
- Ⓒ 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	December 31, 2022			Total
	Within 1 year	1~2 years	More than 2 years	
Short-term loan	\$ -	\$ -	\$ -	\$ -
Payable accounts (including related party)	527,950	-	-	527,950
Other payable accounts (including related party)	1,155,693	-	-	1,155,693
Lease liabilities (note)	70,387	55,141	61,599	187,127
Long-term loan (including the current portion)	110,676	172,934	865,879	1,149,489
Total	<u>\$ 1,864,706</u>	<u>\$ 228,075</u>	<u>\$ 927,478</u>	<u>\$ 3,020,259</u>
December 31, 2021				

Non-derivative financial liabilities	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ 100,000	\$ -	\$ -	\$ 100,000
Payable accounts (including related party)	562,199	-	-	562,199
Other payable accounts (including related party)	957,466	-	-	957,466
Lease liabilities (note)	59,883	40,480	61,228	161,591
Long-term loan (including the current portion)	10,605	107,497	1,027,396	1,145,498
Corporate bond payable	9,536	-	-	9,536
Total	\$ 1,699,689	\$ 147,977	\$ 1,088,624	\$ 2,936,290

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

(3) Fair value information

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

- Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. 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 Equity instruments- Stock in domestic listed company through private placement, financial products and corporate bonds is included in Level 2.
- Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

- Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged Deposit, bank loan , notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2022			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets	-	-	-	-
Financial liabilities				
Bonds payable (including current portion)	-	-	-	-
	December 31, 2021			
	Fair value			

	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level3</u>
Financial assets	-	-	-	-
Financial liabilities				
Bonds payable (including current portion)	\$ 9,536	—	\$ 9,536	-

ⓑ 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:

	<u>December 31, 2022</u>			
		<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	-	-	-	-
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	\$148,190	-	\$ 148,190	-
-Stock in domestic listed company through private placement				
Financial assets at fair value through other comprehensive income-Noncurrent items				
Equity instruments	46,836		46,836	
-Domestic innovation board common stock				
<u>Non-recurring fair value measurements</u>	-	-	-	-
Liabilities				
<u>Recurring fair value measurements</u>	-	-	-	-
	<u>December 31, 2021</u>			
		<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	\$ 68	-	\$ 68	-
Financial assets at fair value through other comprehensive	166,460	-	166,460	-

income-Noncurrent items				
Equity instruments				
-Stock in domestic listed company through private placement				
<u>Non-recurring fair value measurements</u>	-	-	-	-
Liabilities				
<u>Recurring fair value measurements</u>	-	-	-	-

⑥ 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>
Convertible bonds option	Binomial tree valuation model : Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

Equity instruments

Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial instruments</u>	<u>Instruments and inputs</u>
Equity instruments -Stock in domestic listed company through private placement	Black-Scholes valuation model : Observing the parameters at the end of the period, such as restriction period, stock price, strike price, volatility, and risk-free interest rate, estimate the put value and liquidity discount to obtain the fair value of the privately placed common stock.
Equity instruments -Domestic innovation board stocks	Market approach: Based on the indicators of comparable business items, products, scale and financial ratios, the listed OTC companies are considered to have similar performance and value. Therefore, the value of the rated company should be estimated from the value of the analogous company. In addition, for companies on the innovation board, their stock market liquidity is not good, and the stock price should consider the liquidity discount.

D. There were no transfer between Level 1 and Level 2 for the year ended December 31, 2022 and 2021.

(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 December 31, 2022, 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~ December 2022
1	Loans to others	N/A
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	Attached table 1
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	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 2

Attached table 1 : Holding of marketable securities (not including subsidiaries, associates and joint ventures)

Securities held by	Marketable Securities	Relationship with the securities issuer	Financial Statement Account	Ending Balance				Note
				Number of shares (In thousand shares or thousand units)	Book Value	Percentage of Ownership (%)	Fair Value	
MPI	Private equity of domestic listed company – Spirox Corporation	–	Note 1	7,000	\$148,190	5.90%	\$148,190	–
MPI	Common stock – PlayNitride Inc.	–	Note 1	380	37,548	0.35%	37,548	–
Chain-Logic International Corp.	Common stock – PlayNitride Inc.	–	Note 1	94	9,288	0.09%	9,288	–

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

Attached table 2 : Business relationship and important transactions between parent company and subsidiaries

a. 2022

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	\$ 124,195	Note 4	2%
				Receivable accounts	\$ 14,843	Note 6	-
				Advance sale receipts	\$ 21,796	Note 4	-
				Other receivable accounts	\$ 651	Note 8	-
				Rent revenue	\$ 3,762	Note 7	-
				Other revenue	\$ 235	Note 4	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 599	Note 4	-
				Receivable accounts	\$ 175	Note 6	-
				Other receivable accounts	\$ 17,123	Note 8	-
				Other revenue	\$ 20,229	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 822,847	Note 4	11%
				Receivable accounts	\$ 491,178	Note 6	5%
				Advance sale receipts	\$ 30,804	Note 4	-
				Other revenue	\$ 12,756	Note 4	-
				Temporary receipts	\$ 126	Note 6	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 1,025,718	Note 4	14%
				Receivable accounts	\$ 594,420	Note 6	5%
				Other receivable accounts	\$ 23,089	Note 8	-
				Other revenue	\$ 25,762	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Sales revenue	\$ 3,437	Note 4	-
				Receivable accounts	\$ 1,297	Note 6	-
				Other receivable accounts	\$ 307	Note 8	-
0	MPI Corporation	Celadon Systems Inc.	1	Sales revenue	\$ 151	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 23,248	Note 4	-
				Receivable accounts	\$ 11,219	Note 6	-
				Revenue from commission	\$ 43,724	Note 5	1%

				Receivable Commission	\$ 22,004	Note 6	-
				Other receivable accounts	\$ 149	Note 8	-
				Other revenue	\$ 1,701	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 1,464	Note 4	-
				Receivable accounts	\$ 17	Note 6	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 13,831	Note 4	-
				Receivable accounts	\$ 668	Note 4	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 1,841	Note 5	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sales revenue	\$ 271	Note 4	-
1	Chain-Logic International Corp.	CHAIN-LOGIC	1	other unearned revenue	\$ 3	Note 8	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 4,454	Note 4	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 6,426	Note 4	-
				Receivable accounts	\$ 362	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 1,526	Note 4	-
				Revenue from commission	\$ 16,152	Note 5	-
				Receivable accounts	\$ 2,672	Note 6	-
				Receivable Commission	\$ 4,124	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 2,710	Note 4	-
				Receivable accounts	\$ 202	Note 6	-
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 134	Note 4	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 16,473	Note 4	-
				Other revenue	\$ 4	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 432	Note 4	-
				Other revenue	\$ 77	Note 4	-
6	Celadon Systems, Inc.	MPI Corporation	2	Repairs and Maintenance Income	\$ 2,672	Note 4	-
				Receivable accounts	\$ 997	Note 6	-
6	Celadon Systems, Inc.	MPI AMERICA INC.	2	Sales revenue	\$ 1,732	Note 4	-
				Receivable accounts	\$ 1,403	Note 6	-

b. 2021

No.	Trader	Trading counterpart	Affiliation	Status of transaction
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(Note 1)			with trader (Note 2)	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	\$ 91,148	Note 4	1%
				Receivable accounts	\$ 29,792	Note 6	-
				Advance sale receipts	\$ 62,479	Note 4	1%
				Other receivable accounts	\$ 1,058	Note 8	-
				Rent revenue	\$ 3,859	Note 7	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	\$ 64,197	Note 4	1%
				Receivable accounts	\$ 47,741	Note 6	-
				Other revenue accounts	\$ 13,028	Note 8	-
				Other receivable	\$ 15,334	Note 4	-
0	MPI Corporation	MPI AMERICA INC.	1	Sales revenue	\$ 669,046	Note 4	10%
				Receivable accounts	\$ 486,453	Note 6	5%
				Advance sale receipts	\$ 75,260	Note 4	1%
				Temporary receipts	\$ 1,601	Note 6	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sales revenue	\$ 482,647	Note 4	7%
				Receivable accounts	\$ 343,213	Note 6	3%
				Other receivable accounts	\$ 22,791	Note 8	-
				Other revenue	\$ 24,876	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Sales revenue	\$ 7,852	Note 4	-
				Receivable accounts	\$ 3,945	Note 6	-
				Other revenue	\$ 141	Note 4	-
0	MPI Corporation	Celadon Systems Inc.	1	Sales revenue	\$ 33	Note 4	-
				Receivable accounts	\$ 33	Note 6	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	\$ 18,074	Note 4	-
				Receivable accounts	\$ 9,536	Note 6	-
				Revenue from commission	\$ 40,237	Note 5	1%
				Receivable Commission	\$ 20,740	Note 6	-
				Other receivable accounts	\$ 146	Note 8	-
				Other revenue	\$ 1,655	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 1,947	Note 4	-
				Receivable accounts	\$ 460	Note 6	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 9,313	Note 4	-
				Receivable accounts	\$ 4,530	Note 4	-
				Advance sale receipts	\$ 743	Note 6	-

1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 2,571	Note 5	-
				Receivable accounts	\$ 1	Note 6	-
1	Chain-Logic International Corp.	MPI AMERICA INC.	3	Sales revenue	\$ 497	Note 4	-
				Receivable accounts	\$ 496	Note 6	-
2	MEGTAS CO., LTD.	MPI Corporation	3	Sales revenue	\$ 29	Note 4	-
				Receivable accounts	\$ 28	Note 6	-
2	MEGTAS CO., LTD.	Chain-Logic International Corp.	3	Sales revenue	\$ 10,376	Note 4	-
				Receivable accounts	\$ 941	Note 6	-
2	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 5,515	Note 4	-
				Receivable accounts	\$ 1,774	Note 6	-
3	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sales revenue	\$ 565	Note 4	-
				Revenue from commission	\$ 9,844	Note 5	-
				Receivable Commission	\$ 3,478	Note 6	-
3	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	\$ 1,513	Note 4	-
				Revenue from commission	\$ 761	Note 5	-
				Receivable accounts	\$ 17	Note 6	-
3	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sales revenue	\$ 309	Note 4	-
				Receivable accounts	\$ 350	Note 6	-
4	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 1,263	Note 4	-
				Receivable accounts	\$ 768	Note 6	-
				Other revenue	\$ 479	Note 4	-
4	MPI AMERICA INC.	Chain-Logic International Corp.	3	Sales revenue	\$ 418	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	Chain-Logic International Corp.	3	Other revenue	\$ 738	Note 4	-
5	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sales revenue	\$ 63	Note 4	-

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 years ended on Dec.31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on Dec 31.

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

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

Note 6: O/A 60~210 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 year ended December 31, 2022 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%	\$ 58,296	\$ (3,839)	\$ (3,839)	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%	\$ 681,113	\$ 83,647	\$ 84,758	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%	\$ 33,108	\$ (6,819)	\$ (6,068)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	2F, No. 988, Litoushan Sec., Wunshan Rd., Hsinpu, Hsinchu County	Professional agent of semi-conductor	\$ 50,000	\$ 50,000	5,000,000	100%	\$ 249,331	\$ 59,496	\$ 59,501	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%	\$ 1,463	\$ (12)	\$ (12)	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	\$ 321,352 (Note 5)	11,450,000	100%	\$ 52,423	\$ (7,177)	\$ (7,360)	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	\$ (1)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 319,837	\$ 319,837 (Note5)	6,300,000	100%	\$ 53,767	\$ (7,268)	—	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	\$ 283,471 (Note5)	1,000	100%	\$ 341,268	\$ 29,209	—	Subsidiary of MPI AMERICA INC.

Note 1: Except MEGTAS CO., LTD., MPI AMERICA INC., and Celadon Systems Inc. which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

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

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

Note 4: The subsidiary of the Group – CHAIN-LOGIC TRADING CORP. has reduced the cash capital US\$1,100,000 (equivalent to NT\$34,234 thousand) in July 2019 and US\$300,000 (equivalent to NT\$8,963 thousand) in January 2020. So far, the Group has invested a total of US\$100 in the subsidiary, CHAIN-LOGIC TRADING CORP., totaling 100 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

The motion for liquidation of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. was submitted due to no substantial operation. The deregistration was applied by the agent and the application was approved by the ROC in June 2022. So far, the Group awaits for the no-objection from the Financial Supervisory Commission (FSC). Until the date of the accountant's report, the deregistration of the subsidiary of the Group – CHAIN-LOGIC TRADING CORP. (country of registration : Mauritius) has not completed. The liquidation

amount of US\$ 88.27 (equivalent to NT\$3 thousand) has remitted in December 2022.

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

(3) Information on investments in Mainland China

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

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 2)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 (\$ 502,470)	(Note 1)	USD 16,000,000 (\$ 502,470)	-	-	USD 16,000,000 (\$ 502,470)	\$ 24,991	100 %	\$ 24,991	\$ 590,941	—
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)	\$ 57,446	100 %	\$ 57,446	\$ 97,912	—

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

Note 2: The recognition of investment income was on the basis of the financial

statement audited by CPA of the parent company.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 18,000,000 (NTD 562,650)	USD 19,410,272.42 (NTD 611,455)	NTD 4,136,396

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

Note2 : (a) Investment amount approved by the Investment LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US\$1,800,000(equivalent to NT\$54,111 thousand) is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.

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

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

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

(e) The subsidiary of the Group – CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. was liquidated and written down in November, 2019. Part of the liquidation amount of US\$300,000 (equivalent to NT\$8,963 thousand) has remitted to Chain-Logic International Corp. by CHAIN-LOGIC TRADING CORP. in January, 2020 and was used to deduct the accumulated amount of investment in

Mainland China. The Investment been approved by Commission on MOEA put on record on February 27, 2020.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, for the year ended December 31, 2022 (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**

Shares Name of major shareholders	Total Shares Owned	Ownership Percentage
MPI Investment Corporation	8,334,626	8.84%

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

Note5: The total number of common stock and preferred stock delivered in dematerialized form (including treasury stock) were e 94,231,106 shares = 94,231,106 (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.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.

<u>By territory</u>	<u>2022</u>		<u>2021</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
Taiwan	\$ 2,356,472	\$ 3,642,065	\$ 2,366,167	\$ 3,643,007
China	1,991,576	182,165	1,601,156	193,684
U.S.A.	1,171,816	308,834	1,080,060	285,717
Singapore	768,969	—	646,991	—
Korea	17,820	5,662	19,848	1,964
Other countries	1,132,522	—	794,503	—
Total	<u>\$ 7,439,175</u>	<u>\$ 4,138,726</u>	<u>\$ 6,508,725</u>	<u>\$ 4,124,372</u>

(Note)The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

2022 : None.

2021 : None.

MPI Corporation

Chairman: Ko, Chang-Lin