



Stock Code: 2338

# Taiwan Mask Corporation

## 2022 Annual Report

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

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

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# One. Report to Shareholders

To begin with, I would like to express my appreciation to all shareholders for their support. Due to the uncertainty in the global situation, changes brought by the pandemic, the impact of inflation and the protectionist strategies employed by many countries, the supply chain has been reorganized and unbalanced, which has also affected the development of the semiconductor industry. With the continuous and stable strategic planning and the timely and appropriate introduction of new production capacity and equipment, the management team and all employees of Taiwan Mask Corporation have been working with our supply chain partners and growing with our strategic clients, and the 2022 revenue had a substantial growth and reached a record high.

Taiwan Mask has continued to grow in its field of business and expanded its strategic planning. Subsidiaries under the group also focuses on the development in their respective fields and expand business to add to the synergy. Key talents have been recruited for the expansion of our business and implementation of strategies. Continuing the growth of the previous few years, Taiwan Mask was able to turn in an outstanding performance in 2022.

Taiwan Mask's 2022 parent-only revenue reached NT\$3.888 billion, a 40% increase over 2021. The Group's consolidated revenue was NT\$7.741 billion, a 27% increase over 2021. In terms of operational performance, we continue to upgrade technologies and improve production capacity and manufacturing quality, shortening lead times and improving customer satisfaction by strengthening organizational functions and transforming management systems. Taiwan Mask Corporation has carried out robust strategic planning to add high-end photomask manufacturing services and expanded its photomask foundry services to strategic partners, significantly increasing its revenue and profitability.

## (I) 2022 Business Report

### 1. 2022 consolidated revenue and net income, and the comparison with 2021:

Unit: NT\$Thousand

General ledger account	2021	2022	Growth rate
Operating revenue	6,077,362	7,741,118	27%
Net income (loss)	886,561	445,632	-50%

### 2. Profitability analysis

Unit: NT\$Thousand

Items	2021	2022	Growth rate
Gross profit	1,409,380	2,098,625	49%
Operating profit	434,012	1,248,276	188%
Pre-tax profit	1,178,098	673,713	-43%
Net income	886,561	445,632	-50%
Basic after-tax EPS	5.65	3.37	-40%

### 3. Technology research and development

In the direction of technology research and development, TMC will expand the production capacity of 65nm and 40nm key production machines according to the market demand, deepen the

manufacturing technology service capability, and pass the verification and mass production one by one according to the new machine delivery time and customer demand and will invest in the development of manufacturing of 28nm photomasks in 2023 to strengthen technology service capability. In order to meet the Group's business development needs, we also plan to build a factory in Tongluo Science Park to prepare for the Group's medium and long-term business expansion. The subsidiary Miracle Technology continues to expand its foundry services in Taiwan and China, and is building up its capacity to develop power components to meet market demand. The subsidiary Aptos Technology, by focusing on flash memory packaging and testing, has achieved steady growth and is developing new applications for its existing technologies to revitalize its assets and create value. The subsidiary Xsense Technology Corporation has been developing high power laser thermal substrate manufacturing services and has successfully expanded to new customers in 2022. The subsidiary Innova Vision INC. a contact lens manufacturer, has successfully set up an automated production line and is gradually entering mass production. DIGITAL-CAN TECH. CO., LTD. joined the Group, and has also deployed in many defense and industrial laminate manufacturing applications.

#### 4. Production and manufacturing service

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

## (II) Summary of 2023 Business Plan

1. Continue to strengthen its operations, quality improvements, improve quality and yield, build the production capacity and order acceptance of high-end process photomasks, lower manufacturing cost, optimize customer service, and to maximize the current production line's performance.
2. Continue to expand the photomask business required for 40nm technology for 12-inch wafers: After the successful mass production of 65nm photomasks, we will actively expand photomask manufacturing services for 12-inch wafer fabs in 2023, and introduce the mass production of 40nm photomask and plan investment in manufacturing technology and production services for 28nm photomasks.
3. The Group's synergy integration and full performance: Under the foundation of photomask service by the parent company, combining with its subsidiaries, including Miracle Tech's foundry management service, Aptos Tech's packaging and manufacturing service, Xsense Tech's heat dissipation substrate production, Innova Vision's contact lens manufacturing and DIGITAL-CAN TECH's laminate manufacturing, there are expectations to create more values for shareholders through the Group's internal collaborations and the effective sharing of resources and management.
4. Put ESG-related operations and management into practice: Since the establishment of the Taiwan Mask Charity Foundation, we have continued to pay attention to and commit ourselves to social care and

care for the disadvantaged. With the joint participation of the Group and employees, we have been trying to realize the philosophy of “Doing good and causing good” and take actions to co-create a “society with common good”. In addition, the subsidiary Adl Energy is working toward the goal of energy storage. We also encourage disruptive innovation in our approach for research and development projects, and are committed to solving energy issues and fulfilling our corporate social responsibilities.

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

1. Future development strategies

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

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

There is a close relationship between the development of the photomask industry and semiconductor industry. In recent years, the markets and applications of 5G and 6G, AI, IOT, automotive electronics, high-speed computing and energy-saving fast charging continue to grow, thus driving the prosperity of the semiconductor and related industries. The protectionism and geopolitics in many countries have brought about new business opportunities and growth, despite the impact and increased uncertainty. TMC increased its production capacity in a timely and appropriate manner, and steadily and progressively invested in new facilities to develop new technologies to assist customers and develop with them for mutual benefit.

Wishing you all  
good health and prosperity.

**Sean Chen, Chairman**





## Two. Company Profile

### I. Date of incorporation

October 21, 1988.

### II. Company history

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

developments of integrated circuit for 16 M DRAM and 64 M DRAM.

- 1993/10 ICS company of the United States came to Taiwan to present the Zero-Defect Quality Award to the Company, in recognition of the Company's speedy delivery of goods and great quality with zero defects.
- 1994/01 Collaborated with Electronics Institute of Industrial Technology Research Institute (ITRI) to co-develop finished photomask products for Liquid Crystal Display (LCD) usage and to formally supply them to LCD manufacturers.
- 1994/05 The newly purchased CORE-2564 laser-beam mask/reticle lithography system arrived at the factory. It was the newest model at that time with added computerized rapid processing function and it allowed development of Phase Shift Mask.
- 1994/11/21 The Company was approved by the 235<sup>th</sup> Meeting of the Marketable Securities Listing Committee of the Taipei Stock Exchange Corporation (TWSE) and agreed for the Company's stock to be listed as Class II stocks. Officially listed on April 17, 1995.
- 1995/02/13 The Company's stocks were co-handled with the eleven securities underwriter of CTBC Securities on matters of public sale prospectus prior to listing, the negotiated sale price was NT\$47 per share.
- ~
- 1995/03/14 All matters of the sale were completed on March 14, 1995, and on March 27 of the same year submitted a declaration to TWSE for official listing on April 17.
- 1995/05/13 The Company had purchased a large-size exposure machine which arrived at the factory for set-up, becoming the first company in Taiwan to be able to provide large-size photomasks needed by LCD.
- 1995/06/06 The shareholders' meeting approved increasing the authorized capital stock to NT\$700,000,000.
- 1995/10/17 Purchased the third CORE2564 machine to the factory for set-up.
- 1996/01/05 The Securities and Futures Bureau (SFB) approved the Company's cash capital increase of NT\$85,437,500. The offering was completed on April 2, 1996.
- 1996/06/01 The shareholders' meeting approved increasing the authorized capital stock to NT\$1 billion.
- 1996/06/27 The Company purchased electron beam exposure system equipment produced by Japan's electro-optical company which arrived at the factory for set-up. The machine's model is JBX-7000MV which was designed especially for the production of 64M and 256M DRAM. The Company had introduced a variable shaped beam exposure system for the first time, along with the available equipment at that time, it brought the Company's production method at that time into a new era.
- 1996/07/08 The Company signed a collaborative agreement with United Microelectronics Corporation (UMC) for 0.35 micrometer ( $\mu\text{m}$ ) photomask mass production. UMC to purchase one 0.35  $\mu\text{m}$  processing photomask exposure machine to be placed at the Company in 1997. The Company was then responsible for management of the production and manufacturing, supplying photomask to UMC's 8-inch wafer factory.
- 1996/08/02 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased had arrived at the factory for installation. The system model was ALTA-3000 which was considered as the newest precision equipment model at that time, a model type designed specifically for 0.35  $\mu\text{m}$  manufacturing for mass production and 0.25  $\mu\text{m}$  manufacturing

development. This machine system provided abundant support and supply to the Company in supplying photomask to 8-inch integrated circuit factories.

- 1996/11/09 Joint meeting of directors and supervisors during the 3<sup>rd</sup> Term 14<sup>th</sup> Meeting had approved cash capital increase of NT\$119,228,750, actual paid-in capital after capital increase was NT\$1,100,000,000.
- 1997/05/21 The convening of the 1997 Shareholders' Meeting had approved increasing the authorized capital stock to NT\$2,500,000,000, 4<sup>th</sup> Term Election of Directors and Supervisors with Mr. Chi-Mo Wang's reappointment as the 4<sup>th</sup> Term Chairperson.
- 1997/07/23 Groundbreaking ceremony for the Company's second factory, expected year of completion was 1998.
- 1998/05/21 The 1998 shareholders' meeting approved increasing the authorized capital stock to NT\$2,700,000,000.
- 1999/05/05 The 1999 shareholders' meeting approved increasing the authorized capital stock to NT\$3,891,000,000.
- 2000/04 The laser-beam mask/reticle lithography system made by U.S.A.'s ETEC company that the Company purchased was the ALTA-3500 model. It was a model type designed specifically for 0.18  $\mu\text{m}$  manufacturing for mass production and 0.15  $\mu\text{m}$  manufacturing development.
- 2000/06/12 The 2000 shareholders' meeting approved the merger with Hsintai Technology Company Limited and increased the authorized capital stock to NT\$4,500,000,000. Election of the 5<sup>th</sup> Term directors and supervisors took place during the meeting, with Mr. Shan-Ko Hsu elected to chairperson.
- 2000/12/01 Baseline date for merger of Hsintai Technology Company Limited.
- 2001/04/24 The 2001 shareholders' meeting approved increasing the authorized capital stock to NT\$5,200,000,000. By-election for the 5<sup>th</sup> Term directors and supervisors took place due to resignation of one director and one supervisor from Wensheng Investment Company and ITIC respectively. After the by-election, Biyou Electronics Industrial Company and Tech Alliance Corp. took up positions of director and supervisor respectively.
- 2002/03 The Company's second factory had completed construction and was in usage.
- 2003/06/03 The 2003 shareholders' meeting elected 6<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 6<sup>th</sup> Term chairperson.
- 2006/06/12 The 2006 shareholders' meeting elected 7<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 7<sup>th</sup> Term chairperson.
- 2009/06/10 The 2009 shareholders' meeting elected 8<sup>th</sup> Term directors and supervisors, Mr. Shan-Ko Hsu was reappointed to 8<sup>th</sup> Term chairperson.
- 2012/06/28 The 2012 shareholders' meeting elected 9<sup>th</sup> Term directors and supervisors, Mr. Parkson Chen was elected to 9<sup>th</sup> Term chairperson.
- 2015/06/25 The 2015 shareholders' meeting elected 10<sup>th</sup> Term directors, independent directors and supervisors, Mr. Parkson Chen was elected to 10<sup>th</sup> Term chairperson.
- 2017/06/23 The 2017 shareholders' meeting elected 11<sup>th</sup> Term directors, independent directors and

supervisors, Mr. K.J. Wu was elected to 11<sup>th</sup> Term chairperson.

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

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

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

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

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

2020/04/10 Weida Hi-Tech Company issued new stocks for cash capital increase separately on April 10,  
2020/05/15 2020 and May 15, 2020. The Group did not keep up with the subscription for shareholding, which  
2020/06/02 caused the shareholding to drop to 36.7%. Weida Hi-Tech Company then held an extraordinary  
general meeting of shareholders on June 2, 2020 to elect new directors. The Company won one  
seat of director and lost the control of the Weida.

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

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

2021/06 Established the Taiwan Mask Charity Foundation.

2021/07 The issuance of the 3rd series domestic unsecured convertible bonds for NT\$1.8 billion was  
approved.

2022/09 Approved the issue of 2022 1st series secured corporate bonds for NT\$500 million.

2022/10 Introduced verification of 40nm photomask manufacturing process.

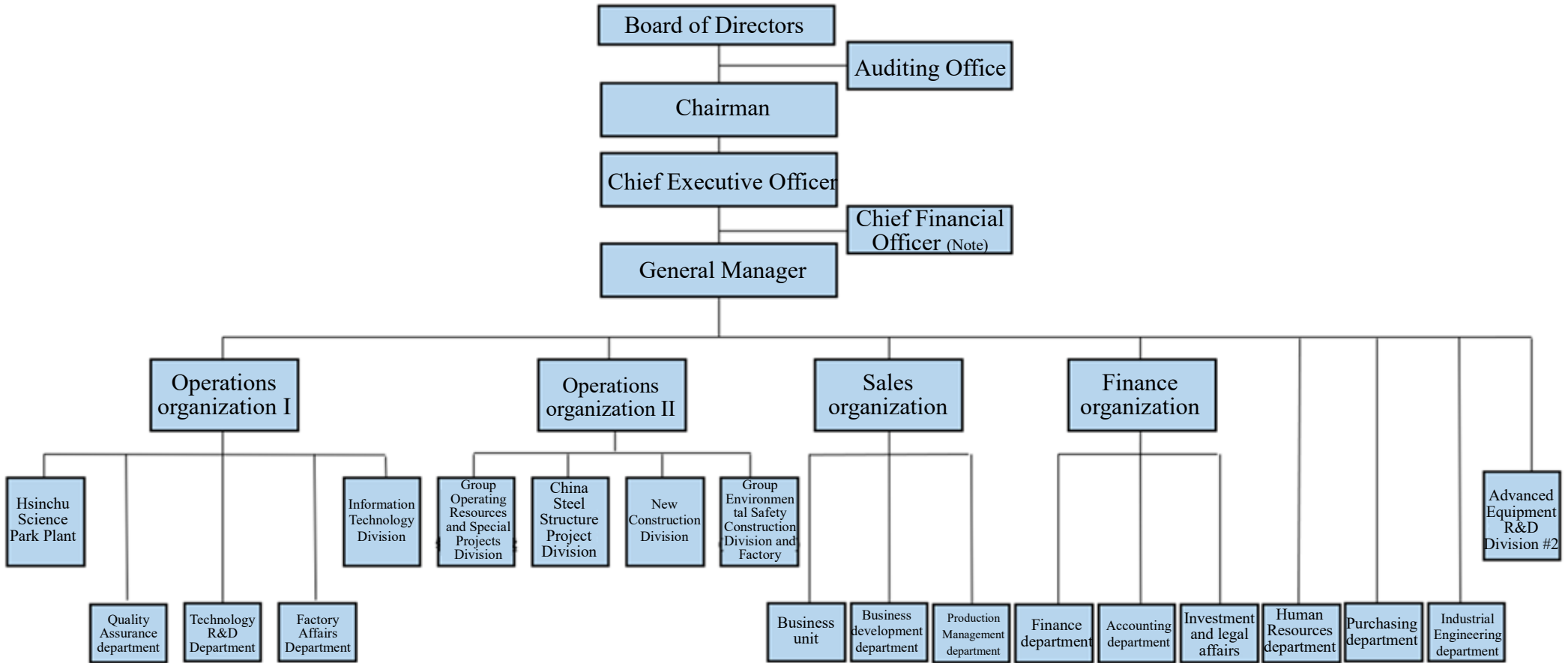
2022/12 Constructed the laser welding R&D center and network with steel structure industry leaders to  
drive industry transformation.

2022/12 Approved the issue of 2022 2nd series secured corporate bonds for NT\$500 million.

# Three. Corporate Governance Report

## I. Organizational Structure

(I) Structure



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

(II) Business operations of main departments

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

## II. Profile of directors, president and vice presidents

### (I) Information on president and vice presidents

March 31, 2023

Job title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse, underage dependents		Shares held in the names of others		Main career (academic) backgrounds	Concurrent Position in Other Companies	Managers who are Spouse or Blood Relatives Within the Second Degree			Note
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chief Executive Officer	Republic of China	K.J. Wu	Male	2020/1/15	3,000,000	1.17%	2,075,523	0.81%	-	-	MBA, University of Maryland, United States of America; Director, Finance Office, ITRI Chairperson, Taiwan Mask Corporation	Chairperson, Taiwan Mask Charity Foundation	-	-	-	-
General Manager	Republic of China	Lidon Chen	Male	2020/1/15	2,750,000	1.07%	0	0.00%	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	Chairman, Xsense Technology Corporation (B.V.L) Taiwan Branch Director of Digital-Can Tech. Co., Ltd. Director, Aptos Technology INC. Director of Weida Hi-Tech Co., Ltd. Director of Moment Semiconductor, Inc.	-	-	-	-
Chief Financial Officer	Republic of China	Eve Yang	Female	2020/3/17	1,300,000	0.51%	0	0.00%	-	-	MBA, University of North Alabama, USA Vice President of Finance, FOCI Fiber Optic Communications, Inc.	Chairperson, Youe Chung Capital Corporation Director of Digital-Can Tech. Co., Ltd. Supervisor, Xsense Technology Corporation	-	-	-	-
Chief Operating Officer	Republic of China	Nester Huang	Male	2020/2/20	1,059,000	0.42%	0	0.00%	-	-	Bachelor degree, Department of Applied Physics, Tunghai University Director of Manufacturing (Back-end processes), Micron Technology, Inc. General Manager, JCET Group Co., Ltd.	Chairman of Digital-Can Tech. Co., Ltd. Director, Aptos Technology INC.	-	-	-	-

Vice General Manager of Operations	Republic of China	Che-Pin Tseng	Male	2021/8/30	2,000	0.00%	2,000	0.00%	-	-	Bachelor degree, Department of Applied Physics, Chung Yuan Christian University. Vice President of Operations, Episil Holding Inc. Vice President of Operations, Toppan Chunghwa Electronics, Co., Ltd. Taiwan Branch	-	-	-	-	-
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Note: There are no situations where the aforementioned personnel are the same person as the Chairperson, or is a spouse or first-degree relative of the Chairperson.



## (II) Profile of directors and independent directors

March 31, 2023

Job title	Nationality or Place of Registration	Name	Gender and Age	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Chairman	Republic of China	Sean Chen	Male 55	2020/3/18	3 Years	2020/3/18	1,980,342	0.78%	2,000,000	0.78%	294,000	0.11%	-	-	Syracuse University, MS. Computer Science Director, Tachun Venture Capital Co., Ltd. Chairperson, Ontario Technology Corporation Chief Executive Officer, xFuture Ltd. Executive Vice President, GLMS Group (NTT Com Asia Partner) Director of Business Unit, AVerMedia Technologies, Inc. Chief Executive Officer and Co-Founder, Goosean Media Inc. Assistant Vice President, Sales Consultation, Oracle Corporation Asia Pacific, Greater China region Manager, Application Software Development Group, Oracle Corporation USA Headquarter IT Manager, Taiwan Semiconductor Manufacturing Company Limited	Chairman, Taiwan Mask Corporation Chief Executive Officer, USA's N2 Connectivity Inc Chairman, Jaas data inc. Director, Xsense Technology Corporation (B.V.I.) Taiwan Branch Director, BKS Tec Corp. President, Ontario Capital Co., Ltd.				
Director	Republic of China	Lidon Chen	Male 58	2020/3/18	3 Years	2020/3/18	0	0%	2,750,000	1.07%	-	-	-	-	Master's, Department of Atmospheric Sciences, National Central University General Manager of Xintec Inc. General Manager of DelSolar Co., Ltd.	Director and President of Taiwan Mask Corporation Chairman, Xsense Technology Corporation Director of Digital-Can Tech. Co., Ltd. Director, Aptos Technology INC. Director of Weida Hi-Tech Co., Ltd. Director of Moment Semiconductor, Inc.				
Director	Republic of China	Chao-Yi Wu	Female 38	2020/3/18	3 Years	2020/3/18	8,868,922	3.51%	9,907,000	3.86%	418,000	0.16%	-	-	Master's degree, Cornell University, USA Manufacturing and Engineering Department, Wintec Industries Inc. Management Department, Sinyi Realty Inc., Japan	Chairperson, Taiwan Mask Corporation President, Browave Corporation Japan Director, Browave Corporation Chairman, Ontario Capital Co., Ltd.	Chief Executive Officer	K.J. Wu	Father and daughter	

															Account Manager, Browave Corporation President, Browave Corporation Japan				
Director	Republic of China	Fushuo Investment Co., Ltd.	Corporate	2020/3/18	3 Years	106/6/23	6,364,000	2.52%	4,364,000	1.70%	-	-	-	-		Chairperson, Taiwan Mask Corporation Director, AI Memory Corporation			
		Representative: Martin Chu	Male 56	2020/11/4	3 Years	2020/11/4	0	0%	0	0%	-	-	-	-	M.S., Pennsylvania State University, U.S.A. General Manager, Logic and Special Application Foundry Group, Powerchip Semiconductor Manufacturing Corp. President of Maxchip Electronics Executive vice president of Maxchip Electronics	General Manager, Logic and Special Application Foundry Business Group, Powerchip Semiconductor Manufacturing Corp. Board Member, Powerchip Semiconductor Manufacturing Corp. Chairperson, Fu Shuo Investment Co., Ltd.			

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

Job title	Nationality or Place of Registration	Name	Gender and Age	Date elected/appointed	Term	Date first elected	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held in the names of others		Main career (academic) backgrounds	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Note
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Job title	Name	Relationship	
Independent Director	Republic of China	WANG, WEI-CHEN	Male 63	2021/7/05	3 Years	2021/7/05	-	-	-	-	-	-	-	-	Department of Accounting, National Chengchi University CPA, PwC Taiwan	Independent director, Taiwan Mask Corporation Independent director, ENNOSTAR Inc. Independent director, FEATURE INTEGRATION TECHNOLOGY INC. CPA, Zhicheng Hexing CPA Firm	-	-	-	-
Independent Director	Republic of China	Huan-Kuei Cheng	Male 67	2021/07/05	3 Years	2021/7/05	6,051	0.00%	6,051	0.00%	-	-	-	-	Master of Business Administration, Saginaw Valley State University, Michigan, USA Director, National Chung-Shan Institute of Science and Technology Director, Browave Corporation Supervisor, National Chung-Shan Institute of Science and Technology Assistant Professor, Graduate Institute of Accounting, Soochow University	Independent director, Taiwan Mask Corporation Director, National Chung-Shan Institute of Science and Technology	-	-	-	-
Independent Director	Republic of China	Hui-Fen Chan	Female 54	2022/05/26	3 Years	2022/5/26	7,000	0.00%	7,000	0.00%	-	-	-	-	Master of Law, Boston University Bachelor of Law, National Taiwan University Taiwan Attorney and New York State Attorney Qualification Chief Legal Officer, Altek Corporation Head of Legal Affairs, Siliconware Precision Partner Attorney, H. L. Partners Attorney, Lee and Li	Independent director, Taiwan Mask Corporation Independent director, ITEQ CORPORATION, Independent director, Chipmos Technologies Inc. Independent Director, Formosa I Wind Power Co., Ltd. (Note 2) Chairman of Keep Enlightenment Management Consulting Co., Ltd. Chairman, KEEP ENLIGHTMENT MARKETING CORP.	-	-	-	-

Note:

1. There are no situations where the aforementioned personnel hold concurrent positions as the chairperson and general manager or equivalent position (manager as the highest level), or is a spouse or first-degree relative of the Chairperson.
2. Formosa I Wind Power Co., Ltd. is not a public company.

## (III) Major shareholders of corporate shareholders

March 31, 2023

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

## (IV) Main shareholders of majority corporate shareholders

March 31, 2023

Name of Legal Person	Majority corporate shareholders
Powerchip Technology Corporation	Chung-Jen Huang (4.75%), Chia-I Chen (2.58%), RESEN CORPORATION (1.25%), DEUTRON ELECTRONICS CORPORATION (1.22%), Ming-Hui Chen, (0.95%), Novax Technologies, Inc. (0.78%), JENDAN INVESTMENT INC. (0.73%), SYNAGE TECHNOLOGY CORPORATION (0.69%), Yi-Meng Wu (0.67%), Yuanlong Investment Co., Ltd. (0.63%)

## (V) Disclosure of professional qualifications of directors and independence of independent directors

March 31, 2023

Criteria Name	Professional qualifications and experience	Independence (Note 1)	Concurrently serving as an independent director in other publicly listed companies
Sean Chen	<ol style="list-style-type: none"> <li>1. Have more than 5 years of work experience in the area of commerce or otherwise necessary for the business of the Company.</li> <li>2. Experience in technology industry.</li> <li>3. Currently the Chairman of Taiwan Mask Corporation.</li> <li>4. Not been a person of any conditions specified in Article 30 of the Company Act.</li> </ol>	Not applicable.	None.
Lidon Chen	<ol style="list-style-type: none"> <li>1. Have more than 5 years of work experience in the area of commerce or otherwise necessary for the business of the Company.</li> <li>2. Experience in technology and photovoltaic industry.</li> <li>3. Currently the President and a director of Taiwan Mask Corporation.</li> <li>4. Not been a person of any conditions specified in Article 30 of the Company Act.</li> </ol>	Not applicable.	None.
Chao-Yi Wu	<ol style="list-style-type: none"> <li>1. Have more than 5 years of work experience in the area of commerce or otherwise necessary for the business of the Company.</li> <li>2. Experience in technology and real estate industry.</li> <li>3. Currently a director of Taiwan Mask Corporation and Taiwan Mask</li> </ol>	Not applicable.	None.

	Charity Foundation. 4. Not been a person of any conditions specified in Article 30 of the Company Act.		
Fushuo Investment Co., Ltd. Representative: Martin Chu	1. Have more than 5 years of work experience in the area of commerce or otherwise necessary for the business of the Company. 2. Experience in technology and investment industry. 3. Currently the President of Business Groups of Powerchip Semiconductor Manufacturing Corp. 4. Not been a person of any conditions specified in Article 30 of the Company Act.	Not applicable.	None.
Wei-Chen Wang	1. More than 5 years of accounting and auditing experience. 2. CPA, PwC Taiwan 3. Not been a person of any conditions specified in Article 30 of the Company Act.	Conformed	3
Huan-Kuei Cheng	1. More than 5 years of auditing and corporate governance experience. 2. Had worked as a university professor. 3. Currently a director of National Chung-Shan Institute of Science and Technology and an independent director of Taiwan Mask Corporation. 4. Not been a person of any conditions specified in Article 30 of the Company Act.	Conformed	3
Hui-Fen Chan	1. More than 5 years of legal affairs and commerce experience. 2. Taiwan Attorney and New York State Attorney Qualifications. 3. Current an independent director of Taiwan Mask Corporation and other publicly traded companies. 4. Not been a person of any conditions specified in Article 30 of the Company Act.	Conformed	2

Note 1: Status of independence: Including but not limited to whether the independent director, spouse or second-degree relatives are serving as directors, supervisors or employees of the Company or its affiliates; the number of shares and the shareholding percentage held by the independent director, spouse or second-degree relative (or in the name of others); whether the person is serving as a director, supervisor or employee of a company that has a specific relationship with the Company; the independent director, spouse or second-degree relative have not provided the Company or its affiliates with business, legal, financial, accounting and other services to receive remuneration within the last 2 years.

#### (VI) Diversity and Independence of the Board of Directors

##### 1. Diversity of the Board of Directors

The “Corporate Governance Best Practice Principles” defined that the composition of the board should be diverse. In addition to limiting those who

hold concurrent positions to no more than 1/3 of the total board seats, and that there should be at least two seat of female directors, the diversity policy should be formulated based on the Company’s operations, business activities and growth, and should include, but is not limited to the standards of the following two aspects:

- (1) Background and value: Gender, age, etc.
- (2) Professional background and skills and industry experience.

Specific management objectives of the diversity policy and the status of achievement:

Management objectives	Achievement
There should be at least three independent directors, accounting no less than 1/5 of the board seats.	Achieved
The number of directors taking concurrent positions as the Company’s managers shall not exceed 1/3 of the board seats.	Achieved
At least two seats of female directors.	Achieved

## Implementation of diversity of board members in 2022:

Name	Job title	Gender	Age	Nationality	Service term of independent directors	Professional knowledge and skills						As an employee
					Less than 3 years	Technology industry	Business administration	Finance/Accounting	Legal	Corporate governance	Sustainability industry	
Sean Chen	Chairman	Male	55	Republic of China		v	v					
Lidon Chen	Director	Male	58			v	v				v	v
Chao-Yi Wu	Director	Female	38			v	v	v				
Martin Chu	Director	Male	56			v	v					
Wei-Chen Wang	Independent Director	Male	63			v	v	v		v		
Huan-Kuei Cheng	Independent Director	Male	67			v	v	v		v		
Hui-Fen Chan	Independent Director	Female	54			v	v		v	v	v	

## 2. Independence of the Board of Directors

The Company has three independent directors, who have more than one-third of the board seats, all of whom are professionals with rich professional and industrial experience. Independent director Wei-Chen Wang is a CPA and has more than 20 years of practical experience in the industry, accounting, finance and auditing. Independent director Huan-Kuei Cheng was a director and supervisor of the National Chung-Shan Institute of Science and Technology and taught at a university; he also has rich experience in business, accounting, auditing, corporate governance and industry. Independent director Hui-Fen Chan is a practicing attorney in Taiwan and New York State of the US, and has worked in the semiconductor industry; she also has extensive business, legal and industry experience. All three independent directors are in compliance with Articles 2, 3 and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, meeting the qualification requirements of specialization, work experience, independence and number of firms concurrently served as an independent director, and are not in the circumstances specified in Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act.

### III. Remuneration paid during the most recent fiscal year to directors of the board (including independent directors), the general manager, and vice general managers

#### (I) Remuneration for directors (including independent directors)

Unit: NTD Thousand

Job title	Name	Director compensation								The sum of A, B, C and D as a % of the net profit after tax (Note 10)		Compensation received as employee								The sum of A, B, C, D, E, F and G as a % of the net profit after tax (Note 10)		Related profit sharing from earnings from investees other than the subsidiaries or the parent company (Note 11)	
		Compensation (A) (Note 2)		Pension (B)		Director remuneration (C) (Note 3)		Business execution expenses (D) (Note 4)				Base Compensation, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employee remuneration (G) (Note 6)							
		The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	The Company	All companies included in the financial statements (Note 7)	Cash	Stock	Cash	Stock	The Company	All companies included in the financial statements (Note 7)		
Chairman	Sean Chen																						
Director	Lidon Chen																						
Director	Chao-Yi Wu	0	0	0	0	10,286	10,286	140	140	2.34	2.34	4,920	4,920	0	0	340	0	340	340	1.18	1.18	None	
Director	Fushuo Investment Co., Ltd. Representative: Martin Chu																						
Independent Director	Wei-Chen Wang																						
Independent Director	Huan-Kuei Cheng	3,744	3,744	0	0	3,970	3,970	90	90	1.75	1.75	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	Hui-Fen Chan																						

Note:

1. The policy, system, standards and structure of remuneration payments to independent directors, and describe the relations between the responsibility, risk, time committed to the organization and other factors and the amount of remuneration to them.

##### (1) Director remuneration payment policy:

According to Article 23 of the Articles of Incorporation, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit for director remuneration. However, profits must first be taken to offset against cumulative losses, if any. Employee remuneration, as mentioned above, can be paid in cash or in shares. Qualified employees of subsidiaries are also included in the payment. Current year profit situation as mentioned in the preceding paragraph refers to the profit which is the current year's pre-tax profit before distribution of employee remuneration and director and supervisor remuneration. The distribution of employee and director remuneration shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.

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

The remuneration of the Company's directors shall be determined by the Board of Directors, as authorized by the Articles of Incorporation, with reference to the extent of each director's participation in the Company's operations and his or her contribution, and with reference to the usual level of domestic and foreign industry payment standards. If the Company is



profitable, the board (including the Remuneration Committee) shall decide the amount of remuneration for directors in accordance with the Articles of Incorporation. Independent directors are ex-officio members of the Audit Committee. Considering their duties, risks and time commitment, they are paid reasonable remuneration in addition to the director remuneration they receive. According to the Company Charter, the Company shall distribute not more than 2% of the current year's profit situation for director remuneration. The proportion distributed by the Company is reasonable, in accordance to the Charter.

2. In addition to the disclosure shown in the above table, the remuneration received by the directors for their service provided to all companies listed in the financial reports in the most recent fiscal year: None.
3. The elected 12th directors of the Company, Cheng-Hsiang Chen, Fushuo Investment (representative Martin Chu), Lidon Chen, Chao-Yi Wu, and independent directors Wei-Chen Wang, Huan-Kuei Cheng and Hui-Fen Chan (took office on May 26, 2022).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

should be changed to “Parent company and all non-consolidated affiliates”.

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

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

## (III) Remuneration for President and Vice Presidents

Unit: NT\$Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a % of the net profit after tax (Note 8)		Remuneration from investee enterprises other than subsidiaries (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	K.J. Wu (Note 1)													
General Manager	Lidon Chen													
Chief Operating Officer	Nester Huang	12,808	12,808	0	0	3,166	3,166	23,800	0	23,800	0	5.65	8.92	None
Chief Financial Officer	Eve Yang													
Vice President	Po-Wen Hsiao													
Vice President	Che-Pin Tseng													

Note 1: No remuneration was paid to the Chief Executive Officer, K.J. Wu

## (IV) Range of remuneration to President and Vice Presidents

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

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

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

Note 2: Refers to the salary, differential pay for the job and severance of general manager and assistant general managers in the most recent year.

Note 3: Refers to the various rewards, bonuses, transportation, special disbursement, various allowances, housing, cars and other tangibles and other remunerations of general manager and assistant general managers in the most recent year. In the case of provision of housing, cars and other forms of transportation or personal expenditure, disclose the nature and cost of the assets provided and the rent, gasoline and other payments paid at the actual or the fair market price. If a driver is assigned to the executive, please note the Company's payment to the driver, which is not included in the remuneration here. The salary expenses recognized in accordance with IFRS2 Share-based Payment, including obtaining employee stock options, restricted stock awards, participation in new share issuance through cash capital increase, should be included in the remuneration.

Note 4: Refers to the employee remuneration (including stocks and cash), approved by the board, to be allocated to the general manager and assistant general managers in the most recent year. If the amount cannot be estimated, calculate the amount for this year based on the actual allocated amount last year.

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

Note 6: The total amount of various types of remunerations paid by the Company to the president and each vice president and disclose the names in the specified pay grades: The amount disclosed in the table is the actual payment for 2022.

Note 7: The total amount of various types of remunerations paid by all companies (including the Company) in the consolidated report to each one of general managers and assistant general managers should be disclosed. Disclose their names in the specified range grades.

Note 8: The net income after tax refers to the number in the standalone financial report.

Note 9: a. This field should clearly state the amount of remuneration paid to general managers and assistant general managers from non-consolidated affiliates or parent company.

b. If the general manager or assistant general managers of the Company receive remuneration from a non-consolidated affiliates or the parent company, the amount shall be included in Field E of the appropriate grade range, and the field name should be changed to “The parent company and all non-consolidated affiliates.”

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

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

## (V) Remuneration for management level - Top 5

Unit: TWD Thousand

Job title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				The sum of A, B, C and D as a % of the net profit after tax (Note 6)		Remuneration from investee enterprises other than subsidiaries (Note 7)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Lidon Chen	12,808		0	0	3,166	0	23,800	0		0			None
Chief Operating Officer	Nester Huang													
Chief Financial Officer	Eve Yang													
Vice President	Po-Wen Hsiao													
Vice President	Che-Pin Tseng													

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

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

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

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

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

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

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

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

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

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

March 31, 2023 Unit: NT\$Thousand

	Job title (Note 1)	Name (Note 1)	Stock	Cash	Total	Total as a percentage of net income (%)
Managerial Officer	General Manager	Lidon Chen	-	23,800	23,800	3.38
	Chief Operating Officer	Nester Huang				
	Chief Financial Officer	Eve Yang				
	Vice President	Po-Wen Hsiao				
	Vice President	Che-Pin Tseng				

Note 1: Names and titles can be disclosed separately and the profit distribution can be summarized in an aggregate amount.

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

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

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

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

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

Unit: NTD in thousands; %

Year	Items	Total compensation for directors		Total compensation for President and vice presidents		Total compensation		Total amount as % of net income of the Company and on the consolidated financial statements	
		The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
2021		18,255	18,255	74,224	74,224	92,479	92,479	7.80	7.80
2022		18,230	18,230	39,774	39,774	58,004	58,004	8.24	8.24

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

1. The director remuneration is determined in accordance with the Articles of Incorporation, and is no more than 2% of the profit of the year. The Remuneration Committee deliberates on the amount, which is then submitted to the board for resolution.
2. The appointment, remuneration, and dismissal of the president and vice presidents are subject to the Company's regulations, and remuneration is paid according to their contribution, performance, duties and service tenure. The Remuneration Committee deliberates on the standard of remuneration for the president and vice presidents, which is then submitted to the board for resolution.
3. The Company's main principle for remuneration is to connect duties and performance results, and provide remuneration relatively competitive to attract and retain talents.

## IV. Implementation status of corporate governance

### (I) Operation of the Board of Directors

The Board of Directors met seven times in 2022 and the attendance of directors was as follows:

Job title	Name	Actual Attendance in Person (B)	Number of proxy attendants	Actual Attendance in Person (%), (B/A)	Note
Chairman	Sean Chen	7	0	100	
Director	Fushuo Investment Co., Ltd. Representative: Martin Chu	5	2	71	
Director	Lidon Chen	7	7	100	
Director	Chao-Yi Wu	7	7	100	
Independent Director	Wei-Chen Wang	7	7	100	
Independent Director	Huan-Kuei Cheng	7	7	100	
Independent Director	Hui-Fen Chan	4	4	100	Took office after the by-election on May 26, 2022, and should attend 4 times.

Other matters that shall be recorded:

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

1. Matters listed in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, and Article 14-3 of the Securities and Exchange Act does not apply. For the explanation on the matters listed in Article 15-5 of the Securities and Exchange Act, please refer to the information on the operation of the Audit Committee in this year's annual report. (p. 20)
2. Other BOD resolutions to which objections or qualified opinions for the record or in writing are expressed by independent directors: None.

II. For the recusal of directors due to conflicts of interest, please describe the name of the director, the proposal content, the reason for recusal and the participation in voting:

Board Meeting Date	Name of director	Content of proposal	Reasons for recusal	Participation in voting
2022/05/06	Director Lidon Chen	Appointment of directors of subsidiary Aptos Technology	Representative of Youe Chung Capital Corporation serving as a director of Aptos Technology Inc.	Did not participate in discussion and voting

III. Self-assessment by the Board of Directors, its evaluation cycle, scope of assessment, method, and assessment contents:

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



- IV. Targets and implementation status evaluation of strengthening the functional competence of the Board of Directors in current year and the most recent fiscal year:
1. The Company has formulated the “Rules of Procedure for Board of Directors Meetings “in accordance with Paragraph 8, Article 26-3 of the Securities and Exchange Act for compliance.
  2. The Company has established an remuneration committee on December 28, 2011, which determines and regularly reviews the remuneration to directors and managerial officers, and regularly reviews the policies, systems, standards and structure of performance appraisal and salary remuneration of directors and managerial officers.
  3. The Company has established its Audit Committee on June 23, 2017, which performs its duties specified in the Securities and Exchange Act, the Company Act and other laws and regulations.
  4. In order to put corporate governance into practice and strengthen board functions, the Company formulated the Board and Functional Committee Performance Appraisal Measures on May 6, 2020. The internal board performance appraisal is conducted (subject to the appraisal procedures and indicators) at least once a year, and once every three years by external independent specialized institution or teams of external experts and scholars, and the results are reported to the board in the first quarter of the next year. The results of the 2022 self-evaluation of the board and functional committees are “Excellent”, and there are no improvements needed. The results have been reported to the board meeting on March 3, 2023.

(II) Implementation of 2022 Board of Directors' performance evaluation

Evaluation cycle	Assessment duration	Scope of assessment	Assessment methods	Assessment contents	Assessment result
Conduct once a year	2022/01/01 - 2022/12/31	Board of Directors as a whole	Internal self-evaluation of the Board of Directors	Board performance evaluation: Includes the level of participation in the operation of the Company, improvement of the quality of the board of directors' decision making, composition and structure of the board of directors, election and continuing education of the directors and internal control.	Self-evaluation by the board: An average score of 4.99, the result is considered excellent, in line with the corporate governance requirements.
	2022/01/01 - 2022/12/31	Each individual director	Self-evaluation of directors	Individual board member performance evaluation: Includes the alignment of the goals and missions of the Company, awareness of the duties of a director, level of participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education and internal control.	Self-evaluation by the Board members (self- or peer-evaluation): An average score of 4.95, the result is considered excellent, in line with the corporate governance requirements.
	2022/01/01 - 2022/12/31	Each functional committee	Self-evaluation of committee member	Functional committee performance appraisal: The participation in the operation of the Company, awareness of the duties of the functional committee, improvement of quality of decisions made by the functional committee, makeup of the functional committee and election of its members and internal control.	1. Self-evaluation of the Audit Committee: An average of 5. 2. Self-evaluation of Remuneration Committee: An average of 4.99. The results are considered excellent, in line with corporate governance requirements.

(III) Operations of the Audit Committee

The 2nd session of the Audit Committee held meetings 7 times (A) in 2022, and the attendance of independent directors is shown as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Percentage of actual attendance (%) (B/A)	Note
Independent Director	Wei-Chen Wang	7	0	100	
Independent Director	Huan-Kuei Cheng	7	0	100	
Independent Director	Hui-Fen Chan	4	0	100	Took office after the by-election on May 26, 2022. Should attend 4 times.

Other matters that shall be recorded:

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

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

Meeting date	Content of proposal	Any objection, expression of reservations or significant recommendations by independent directors	Results of the Audit Committee's resolution	Company's response to the Audit Committee's opinions
The 10 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2022/03/04	(1) Shelf registration for issuance of new shares (2) Shelf registration for the issuance of new shares of common stock for 2022. (3) 2021 business report and financial statements. (4) The Company's 2021 Internal Control System Validity Evaluation and Declaration of Internal Control System. (5) Amendment to provisions of the Measures for Handling Acquisition or Disposal of Assets. (6) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD.	None	Unanimous vote by all attending committee members to approve the proposal after the chairperson consulted with the members.	Not applicable.
The 11 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2022/05/06	The Company's Q1 2022 financial report.			
The 12 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2022/05/26	Issue common shares by private placement.			
The 13 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2022/08/05	The Company's Q2 2022 financial report.			
The 14 <sup>th</sup> meeting of the 2 <sup>nd</sup> term 2022/11/04	The Company's Q3 2022 financial report.			

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

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

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

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

Date	Important highlights of the communications
2022/03/04	(1) Audit items and deficiency tracking improvement status report. (2) The Company's 2021 Internal Control System Validity Evaluation and Declaration of Internal Control System.
2022/05/06	Audit items and deficiency tracking improvement status report.
2022/08/05	Audit items and deficiency tracking improvement status report.
2022/11/04	Audit items and deficiency tracking improvement status report.

The Company's internal audit officer communicates the auditor's report results with the audit committee, and reports to the audit committee at the quarterly meetings. If special circumstances arise, the internal audit officer will report to the audit committee immediately. There are no occurrences of special circumstances in the year of 2022. Communications between the Company's Audit Committee and the Internal audit officer have been well.

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

Date	Important highlights of the communications
2022/03/04	The CPAs expressed opinions of the review results for the Company's 2021
2022/05/06	The accountant expressed opinions of the review results for the Company's Q1 2022
2022/08/05	The accountant expressed opinions of the review results for the Company's Q2 2022
2022/11/04	The CPAs expressed opinions of the review results for the Company's Q3 2022
The Company's certified public accountants (CPA) will report the audit or review results of the current quarter's financial statement during the audit committee's quarterly meetings, and other communications items of requirements by related laws and regulations. If special circumstances arise, the CPA will report to the audit committee immediately. There are no occurrences of the abovementioned special circumstances for the year of 2022. Communications between the Company's Audit Committee and CPA have been well.	

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

1. Information of the members of the Remuneration Committee

Identity	Name	Having more than 5 years' work experience and professional qualifications listed below			Compliance of independence (Note)										Number of listed companies that the members of the Remuneration Committee concurrently serve in	Note	
		Lecturer (or above) of commerce, law and finance, accounting, or any subject relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the Company's operations	1	2	3	4	5	6	7	8	9	10			
Independence Director	Wei-Chen Wang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independence Director	Huan-Kuei Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Independence Director	Hui-Fen Chan		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	
Others	Chi-Jen Chou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

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

(1) Not employed by the Company or any of its affiliated companies.

(2) Not a director or supervisor of the company or any of its affiliates (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)

(3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.

(4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1).

(5) Not directly owning 5% or more of the Company's total issued shares or one of the top five shareholders in terms of the number of shares owned, and not a director, supervisor or employee of a corporate shareholder who is designated as the Company's director or supervisor in accordance with Paragraph 1 or 2, Article 27 of the Company Act (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)

(6) Not a director, supervisor or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)

(7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, general manager or equivalent position, or a spouse of these personnel, of the Company (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)

(8) A director, supervisor, manager or a shareholder with over 5% ownership of a company or institution which does not have financial or business dealings with the Company (The same does not apply, however, in cases where the specified company or institution holds 20% or more and no more than 50% of the total number of issued shares of the Company, and the person is an independent director of the Company, its parent company, a subsidiary or a related company under the same parent company, as appointed in accordance with these regulations or with the laws of the country of the parent company or subsidiary.)

(9) Not a professional individual or an owner, partner, director, supervisor or officer of a sole proprietorship, partnership, company or institution that, provides auditing or commercial, legal, financial, accounting services, which receive less than NTS500,000 in accumulated remuneration over the most recent two years, to the company or to any affiliate of the company or a spouse thereof. This excludes roles as Remuneration Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers and Acquisitions Act.

(10) Does not meet any of the conditions stated in Article 30 of The Company Act.

## 2. Information on the operational status of the Remuneration Committee

- (1) The Remuneration Committee has 3 members, and there are 3 incumbents as of the publication date of the annual report.
- (2) The term of the current members: From May 6, 2020 to May 5, 2023. The Remuneration Committee convened 5 meetings in 2022 (A). The qualifications and attendance of the members are as follows:

Job title	Name	Actual number of attendants (B)	Number of proxy attendants	Actual rate of attendants (%) [B/A]	Note
Convener	Huan-Kuei Cheng	5	0	100%	
Committee member	Chi-Jen Chou	5	0	100%	
Committee member	Wei-Chen Wang	5	0	100%	
Committee member	Hui-Fen Chan	1	0	100%	Elected on August 5, 2022, and should attend at least 1 meeting.

Other matters that shall be recorded:

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

Meeting date	Term	Content of proposal	Committee members' opinions	Company's handling of the members' opinions	Resolution outcome
2022/01/21	The 11 <sup>th</sup> meeting of the 5 <sup>th</sup> term	(1) Special allowance for chairman of Aptos Technology Inc. (2) According to the Company's "Policy on Transfer of Share Buyback to Employees," the Company plans to transfer to managerial officers for its 28 <sup>th</sup> share buyback.	Approved by all committee members	Not applicable.	Approved
2022/03/04	The 11 <sup>th</sup> meeting of the 5 <sup>th</sup> term	(1) Remuneration items and amount for CEO Mei-Hui Li of Innova Vision. (2) Remuneration items and amount for Vice President of Operations Che-Pin Tseng of TMC. (3) Distribution of employees and directors' remuneration for 2021	Approved by all committee members	Not applicable.	Approved
2022/05/06	The 12 <sup>th</sup> meeting of the 5 <sup>th</sup> term	(1) Remuneration items and amount for finance officer Shu-Chuan Shen of Innova Vision.	Approved by all committee members	Not applicable.	Approved
2022/08/05	The 13 <sup>th</sup> meeting of the 5 <sup>th</sup> term	(1) Distribution of 2021 employee remuneration for managerial officers. (2) Distribution of 2021 board remuneration.	Approved by all committee members	Not applicable.	Approved
2022/11/04	The 14 <sup>th</sup> meeting of the 5 <sup>th</sup> term	(1) Amount of remuneration payment to newly appointed COO and CFO of TMC.	Approved by all committee members	Not applicable.	Approved

### (3) Duty of the Salary and Compensation Committee

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

(1) Establish and conduct regular review of directors' and managers' performance assessment and compensation policies, systems, standards and structures.

(2) Conduct regular assessment of compensation for the Company's directors and managers.

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

(1) The performance evaluation of the directors and managers and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operations performance and future risks.

(2) Shall not lead directors and managers to pursue salary and compensation, engaging in risky conducts that outstrip the company's capacity to handle.

(3) The bonus proportion of short-term performance for directors and senior level managers and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company's business.

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

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

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

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

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

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

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



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

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Begin	End			
Chairman	Sean Chen	2022/10/12	2022/10/12	Securities and Futures Institute, R.O.C.	2022 Regulatory Compliance on Insider Equity Trading Briefing Seminar	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Director General Manager	Lidon Chen	2022/10/14	2022/10/14	Corporate Operating and Sustainable Development Association	Capital Market Operation and M&A Transactions in the Biotechnology Industry	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Juristic person director Representative	Martin Chu	2022/09/20	2022/09/20	Business Development Foundation of the Chinese Straits	Prospecting China's Economic Trends and Assessing the Impact of Key Economic Policies	3
		2022/09/20	2022/09/20	Business Development Foundation of the Chinese Straits	Development and Trends of New-Generation Vehicle Technology	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Director	Chao-Yi Wu	2022/07/27	2022/07/27	TWSE and Taipei Exchange	Sustainable Development Roadmap Industry Promotion Conference	2
		2022/08/24	2022/08/24	Corporate Operating and Sustainable Development Association	Strategy and Management of Enterprise Transformation	3
		2022/08/31	2022/08/31	Corporate Operating and Sustainable Development Association	Importance of Intellectual Property Management to Corporate Governance	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Independent Director	Wei-Chen Wang	2022/04/06	2022/04/06	Securities and Futures Institute	Corporate Governance and Securities Regulations	3
		2022/08/31	2022/08/31	Corporate Operating and Sustainable Development Association	Importance of Intellectual Property Management to Corporate Governance	3
		2022/10/06	2022/10/06	TWSE and Taipei Exchange	Announcement of reference guidelines for independent directors and audit committees of public companies exercising powers and briefing sessions for directors and supervisors in 2022	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3

Job title	Name	Date of training course		Organizer	Course title	Number of hours for continuing education
		Begin	End			
Independent Director	Huan-Kuei Cheng	2022/08/26	2022/08/26	Taiwan Corporate Governance Association	How the Audit Committee Supervises the Effectiveness of Internal Control	3
		2022/10/05	2022/10/05	Securities and Futures Institute, R.O.C.	2022 Regulatory Compliance on Insider Equity Trading Briefing Seminar	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Independent Director	Hui-Fen Chan	2022/03/10	2022/03/10	Quantum International Group (QIC) and Georgeson, TWSE	Discussion on Supervision of Independent Directors and the Board From International Perspectives	1
		2022/05/04	2022/05/04	Alliance Advisors & Taiwan Corporate Governance Association	Online forum of international double summits	2
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
Chief Financial Officer & Head of corporate governance & Principal accounting officer	Eve Yang	2022/08/24	2022/08/24	Corporate Operating and Sustainable Development Association	Strategy and Management of Enterprise Transformation	3
		2022/08/31	2022/08/31	Corporate Operating and Sustainable Development Association	Importance of Intellectual Property Management to Corporate Governance	3
		2022/10/19	2022/10/19	Allied Association for Science Park Industries	Prevention and Case Study of Insider Trading	3
		2022/11/04	2022/11/04	Taiwan Institute of Directors	Looking at Fast-Growing Companies from the Perspective of Century-Old Companies	3
		2022/09/22	2022/09/23	International College of Innovation and Industry Liaison of National Chung Hsing University	2022 Taxation and Legal Practices Class for Accounting Officers	12

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

Companies and the reasons

Assessment items	Operational status			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
I. Does the Company stipulate and disclose the corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has adopted corporate governance best practice principles approved by the Board of Directors, and disclosed on the company’s website.	No significant differences
II. The shareholding structure of the Company and shareholders’ rights and interests				No significant differences
(I) Does the company stipulate internal operating procedures to process matters in regard to the shareholders’ recommendations, doubts, disputes and litigation, and conduct implementation based on these procedures?	V		(I) The Company has a spokesperson who can handle the suggestions, questions and disputes of shareholders. If there are any dispute matters, the Company’s legal team will take over for handling.	
(II) Does the Company have a list of major shareholders who actually control the company and a list of shareholders who ultimately control these major shareholders?	V		(II) For a shareholding situation whereby there are directors, managers and main shareholders with over 10% shareholding, such information will be submitted and disclosed on the website of Market Observation Post System in a timely fashion according to legal requirements.	
(III) Does the Company create and	V		(III) The Company has formulated monitoring and governance procedures for subsidiaries, procedures for	

<p>implement risk control and firewall mechanisms with its affiliates?</p> <p>(IV) Does the Company stipulate internal regulations that prohibit insiders from buying and selling securities with the unpublished information on the market?</p>	V	<p>lending capital and endorsements/guarantees, asset acquisition and disposal procedures and so on related internal procedures, so as to establish appropriate risk management control and firewall. Audit personnel regularly monitor the implementation status.</p> <p>(IV) The Company has formulated Procedures for Handling Material Inside Information and policies to prevent insider trading.</p>									
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors stipulate and implement a diverse policy regarding the composition of the board members?</p> <p>(II) Other than the establishment of a Remuneration Committee and Audit Committee which</p>	V	<p>(I) The Company's board has seven members (including three independent directors), whose expertise covers technology industry, strategy and operation management, sales, finance, accounting, auditing, legal affairs, corporate governance, and sustainability. The Company has formulated a diversification policy for the composition of the board and has implemented accordingly, refer to Article 20 of the Company's Corporate Governance Code of Conduct for the diversification policy, which has been disclosed on the Company's website simultaneously.</p> <p>There are a total of seven members (including three independent directors) for the Company's 12<sup>th</sup> Boards of Directors members, expertise covering industrial and finance, accounting and business, fulfilling the diversification of Board members. Cheng-Hsiang Chen, Lidon Chen, Martin Chu, Chao-Yi Wu, all of whom are skilled in leadership, business judgment, management, crisis management, and have industry knowledge and international market perspectives; Wei-Chen Wang, a certified public accountant with extensive experience in industry, accounting and finance; Huan-Kuei Cheng, a former university professor and director and supervisor of the National Chung-Shan Institute of Science and Technology with experience in industry and academia; and Hui-Fen Chan is a practicing attorney in Taiwan and New York State of the US, and has worked in the semiconductor industry, and she also has extensive business, legal and industry experience.</p> <p>Specific management objectives of the diversification policy and the current status:</p> <table border="1" data-bbox="680 1034 1738 1329"> <thead> <tr> <th>Management objectives</th> <th>Achievement</th> </tr> </thead> <tbody> <tr> <td>There should be at least three independent directors, accounting no less than 1/5 of the board seats.</td> <td>Achieved</td> </tr> <tr> <td>The number of directors taking concurrent positions as the Company's managers shall not exceed 1/3 of the board seats.</td> <td>Achieved</td> </tr> <tr> <td>At least two seats of female directors.</td> <td>Achieved</td> </tr> </tbody> </table> <p>(II) Besides the establishment of a Remuneration Committee and Audit Committee, the Company will establish other functional committees in the future based on the considerations of the company's operational requirements.</p>	Management objectives	Achievement	There should be at least three independent directors, accounting no less than 1/5 of the board seats.	Achieved	The number of directors taking concurrent positions as the Company's managers shall not exceed 1/3 of the board seats.	Achieved	At least two seats of female directors.	Achieved	No significant differences
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At least two seats of female directors.	Achieved										

<p>are required by law, does the Company plan to set up other functional committees?</p> <p>(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors' salary and nomination of reappointment?</p>	<p>V</p>	<p>(III) The Company had already on March 20, 2019 formulated procedures for Board of Directors performance evaluation, and at the end of each year, hold the Board of Directors performance evaluation for the current year based on the evaluation procedures and indicators as written in the rules. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.</p> <p>The Company shall consider the company situation and requirements to formulate the measurement items of the board of directors performance evaluation, and shall cover the following five aspects:</p> <ul style="list-style-type: none"> <li>I. Level of participation in business operations of the Company.</li> <li>II. Improve the decision-making quality of the board of directors.</li> <li>III. Composition and structure of the board of directors.</li> <li>IV. Election and continuing education of the directors.</li> <li>V. Internal control.</li> </ul> <p>Measurement items of the directors' performance assessment to include six major aspects as below:</p> <ul style="list-style-type: none"> <li>I. Understand the objectives and mission of the Company.</li> <li>II. Understanding of directors' job responsibilities.</li> <li>III. Level of participation in business operations of the Company.</li> <li>IV. Internal relationship management and communication.</li> <li>V. Professionalism and continuous education of directors.</li> <li>VI. Internal control.</li> </ul> <p>At the end of each fiscal year, the executing unit shall collect related information for the board of directors, individual board members, and distribute the "Internal self evaluation survey for board of directors" and "Self evaluation survey for board member" to fill in. Lastly, after the executing unit collects the information, shall assign ratings based on the evaluation indicators, include the evaluation results in records and submit a report to the board of directors.</p> <p>The Company had completed 2022 Board of Directors performance evaluation at the beginning of 2023, and had reported the evaluation results to the Board meeting on March 3, 2023. The results will be used as a reference for individual director's remuneration and nomination/reappointment later.</p>	
<p>(IV) Does the company regularly evaluate its certified public accountant's independence?</p>	<p>V</p>	<p>(IV) The company regularly conducts a review of the CPA's independence based on Certified Public Accountant Act and The Norm of Professional Ethics for Certified Public Accountant.</p> <p>The Company conducts review of the CPA's independence and competency at least once a year against indicators for accounting firms, requesting CPAs and the firm that he/she works for to provide related information and declarations. The assessment is carried out by the Company's finance unit, assessment results for 2022 were reported to the Audit Committee on November 4, 2022, and submitted to the Board of Directors for deliberation on the same day.</p>	

Auditor independence		Independence		Note
Item	Explanation	Yes	no	
1	The professional accountants should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.	V		
2	The audit or review of financial statements provides moderate but not absolute certainty to a wide range of potential users of statements. In addition to maintaining independence in fact, accountants' independence in appearance is more important. Therefore, members of the audit service team, other co-practicing accountants, firms, and firm-affiliated companies must maintain independence from audit clients.	V		
3	The accountants appointed by the Company has the following qualifications: (See 3.1~3.3 below)			
3.1	Integrity: A professional accountant should be straightforward and honest in all professional and business relationships.	V		
3.2	Objectivity: A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments.	V		
3.3	Independence: An accountant should maintain independence in appearance and fact when performing the audit or review of financial statements, and express opinions in a fair manner.	V		
4	The independence of accountants is related to integrity, impartiality, and objectivity. There is no lack or loss of independence of accountants at the time of appointment, which in turn affects the standpoint of integrity and objectivity and impartiality.	V		
5	The independence of accountants is not affected by self-interest, self-assessment, defense, familiarity and coercion.	V		
6	Independence being affected by self-interest means obtaining financial benefits through the Company, or conflicts of interest with the Company due to other interest relationships. No circumstances shown as follows: (6.1~6.6 below)			
6.1	Have a direct or significant indirect financial interest relationship with the Company.	V		
6.2	Have financing or guarantee activities with the Company or its directors and supervisors.	V		
6.3	Consider the possibility of losing the Company as a client.	V		
6.4	Have a close business relationship with the Company.	V		
6.5	There is a potential employment relationship with the Company.	V		
6.6	Contingent fees related to the Company's audit case.	V		
7	In terms of the independence being affected by self-assessment, reports or judgments made by accountants in non-audit service cases are used as an important basis for audit conclusions in the process of auditing or reviewing financial information; or that members of the audit service team have served as the Company's directors and supervisors, or may hold positions that directly and significantly influence the audit. No circumstances shown as follows: (7.1~7.2 below)			
7.1	Members of the audit service team are currently serving or have served in the last two years as the Company's directors, supervisors or managers, or the positions that directly and significantly influence the audit.	V		
7.2	The non-audit services provided to the Company directly affect the key matters of audit.	V		
8	Independence being affected by defense refers to that members of the audit service team become the defenders of the audit client's position or opinions, causing their objectivity to be questioned. No circumstances shown as follows: (8.1~8.2 below)			

8.1	Promote or mediate the trading of stocks or other securities issued by the Company.	V		
8.2	The accountant has acted as counsel of the Company or represented the Company in coordinating matters relating to conflicts with a third party.	V		
9	Independence being affected by familiarity refers to the close relationship with the board of directors, supervisors, and managers of the Company, which makes accountants or audit service team members overly concerned with or sympathetic to the interests of audit clients. No circumstances shown as follows: (9.1~9.3 below)			
9.1	Have a family relationship with the Company's directors, supervisors, managers, or persons who have significant influence on the audit.	V		
9.2	A certified public accountant from the joint CPA firm, within one year after retirement, serves as the Company's director, supervisor, manager or position that has a significant influence on the audit.	V		
9.3	Accept valuable gifts or gratuity from the Company or its directors, supervisors, and managers.	V		
10	The impact of coercion on independence refers to that the members of the audit service team bear or feel intimidation from the Company that prevents them from maintaining objectivity and clarifying professional suspicions. No circumstances shown as follows: (10.1~10.2 below)			
10.1	Accountants are requested to accept improper choices made by the management in accounting policies or improper disclosures in financial statements.	V		
10.2	In order to lower audit expenses, pressure is applied on accountants to improperly reduce the audit work that should be performed.	V		
	Competence	Requirements of competence met		Note
Item	Explanation	Yes	no	
1	Whether they have accountant qualifications to perform accounting tasks.	V		
2	Whether there has been no punishment by the competent authority or the CPA association, or sanction in accordance with Paragraph 3, Article 37 of the Securities and Exchange Act. Article 37 of the Securities and Exchange Act (Regulation of CPA Auditing and Attestation) Paragraph 3. Depending upon the seriousness of mistake or omission committed by a certified public accountant in the attestation of the financial reports referred to in Paragraph 1, the Competent Authority may impose any of the following sanctions: (1). Warning. (2). Suspension from practicing any attestation under this Act for a period of two years. Voidance of his/her attestation permission.	V		
3	Knowledge of the industry relevant to the Company.	V		
4	Whether to perform the audit of financial statements in accordance with generally accepted auditing standards and the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant, and issue financial reports in accordance with the audit planning schedule.	V		
5	Whether taking advantage of an accountant's status to be an unfair competition in business.	V		
6	Whether the latest changes in accounting, auditing and other related laws and regulations are proactively provided to the management, and are fully discussed and communicated on major differences.	V		

**Assessment result**

Based on the various assessments for the independence and competency, the Company has found that both the CPAs, Ya-Hui Cheng Chien-Yu Liu from PricewaterhouseCoopers, Taiwan, meet the Company's criteria and are qualified to serve as the Company's attesting CPAs.

<p>IV. Does the listed or OTC company have qualified and suitable number of corporate governance personnel, and does the company appoint a corporate governance officer to be responsible for matters regarding corporate governance (including but not limited to providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and preparing meeting minutes for the board of directors meeting, shareholders meeting and so on)?</p>	<p>V</p>	<p>The Company currently has established internal units to handle meeting related matters for the Board of Directors and shareholder’s meetings, to process company registration and registration of alteration, prepare meeting minutes for Board of Directors’ and shareholders’ meetings.</p> <p>The Company’s CFO is concurrently responsible for corporate governance-related issues in order to protect shareholders’ rights and interests and strengthen the functions of the board. CFO Ms. Eve Yang has several years of experience in accounting and other managerial work in publicly traded and OTC companies, and she also adheres to the philosophy of corporate governance and continues to carry out tasks required for the position. The main duties of the Company’s corporate governance personnel consist of providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and handling related matters for the board of directors meeting and shareholders meeting according to the laws and regulations, and so on.</p> <p>2022 Business implementation status:</p> <ol style="list-style-type: none"> <li>1. Assists independent directors and directors to implement business operations, provides necessary information and arranges continuous learning for directors: <ol style="list-style-type: none"> <li>(1) Regularly notifies the Board members on the latest revisions to laws and regulations and its development relating to the company’s area of operations and corporate governance.</li> <li>(2) Monitors the confidential level of related information and provides the directors the required company information, maintaining communications among directors and every business head ensuring smooth exchanges.</li> <li>(3) Assists independent directors and directors to formulate annual continuing education plans and course arrangements according to the company’s industrial characteristics and the director’s experiences and background.</li> </ol> </li> <li>2. Assists in the procedures for meetings of Board of Directors and Shareholders and resolutions matters, in compliance to laws and regulations: <ol style="list-style-type: none"> <li>(1) Reports to the Board of Directors, independent directors, Audit Committee on corporate governance implementation status, confirms whether the Shareholders meeting and Board of Directors meetings are convened according to the laws and regulations and the corporate governance best practice principles.</li> <li>(2) Assists in reminding directors the related laws and regulations for executing businesses or for making official resolutions to the Board of Directors.</li> <li>(3) Responsible for checking on matters relating to announcing material information of important resolutions by the Board of Directors to ensure the legality and accuracy of the material information in guaranteeing fairness on investors trading information.</li> </ol> </li> <li>3. Maintaining investor relationships: Make arrangements for directors and major shareholders, institutional investors or general shareholders for exchanges and communications when the need arises, to ensure investors obtain sufficient information to assess and decide the reasonableness of the corporate capital market value, so as to allow shareholders rights and interests are well maintained.</li> <li>4. Informing directors of the formulated Board meeting agenda seven days prior to the meeting, convening board meetings and providing meeting information, providing reminders beforehand where recusal of directors due to conflicts of interests is required for any topic discussion, and to complete board meeting records within 20 days of the meeting.</li> </ol>	<p>No significant differences</p>
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		<p>5. Registering the date of shareholders meeting in prior according to the laws and regulations, preparing meeting notice, meeting handout, and meeting records within the legal deadline, and carry out registration matters relating to revisions to Charter or re-election of directors.</p> <p>Continuing education status for 2022: CFO Ms. Eve Yang completed a 12-hour professional training course on corporate governance in 2022. Please refer to “Continuing education of the directors and managers in the recent fiscal year” for details.</p>											
<p>V. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to sustainable development issues that stakeholders consider important?</p>	<p>V</p>	<p>The Company has created a website as a communications channel with the stakeholders, to provide contact methods and a designated section for stakeholders has been created, making appropriate responses to important sustainable development issues that are of concerns to the stakeholders.</p> <p>1. Types of stakeholders The Company’s definition of stakeholder is “Internal and external groups or individuals who can exert influences to TMC or are subject to influence by photomask companies.” Based on this definition, the stakeholders of the Company include shareholders, investors, employees, customers, suppliers, and governance agencies and so on.</p> <p>2. Topics of concerns by stakeholders After the identification of the stakeholders, various communications channels are set-up in accordance to their influences on the Company and their areas of concern. Through the well-established communications channels by the Company’s responsible units, corporate governance, economic, environment and social topics as concerned by the stakeholders are compiled. The key influences to the Company’s sustainable development as defined by the assessment of major topics of concern are “Business ethics and business integrity,” “Reducing operations impacts to the environment,” “Improving customer service satisfaction” and “Social welfare and caring.”</p> <p>3. Communication channels with stakeholders</p> <table border="1" data-bbox="622 954 1429 1457"> <thead> <tr> <th>Contact channels</th> <th>Contact method</th> </tr> </thead> <tbody> <tr> <td>Relationship of shareholder and investor</td> <td>Company Spokesperson: CFO Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw</td> </tr> <tr> <td>Dedicated Customer Service Section</td> <td>Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw</td> </tr> <tr> <td>Supplier service section</td> <td>Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw</td> </tr> <tr> <td>Employee</td> <td>Employee relationship contact - Division Head Ya-</td> </tr> </tbody> </table>	Contact channels	Contact method	Relationship of shareholder and investor	Company Spokesperson: CFO Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw	Dedicated Customer Service Section	Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw	Supplier service section	Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email –mike_tsai@tmcnet.com.tw	Employee	Employee relationship contact - Division Head Ya-	<p>No significant differences</p>
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			relationship	Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw	
VI. Does the Company entrust a professional shareholder services agency to conduct matters regarding the shareholders meeting?	V			The Company has appointed Grand Fortune Securities to handle the Company’s shareholders meeting matters.	No significant differences
VII. Information disclosure (I) Does the Company create a website to disclose information regarding its finance, business operations and corporate governance? (II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company’s information, implementing the spokesperson system, and uploading videos of the investor conferences on the company’s website)? (III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V  V  V			(I) The Company’s website has a dedicated page to disclose information regarding its finance, business operations and corporate governance.  (II) The Company has designated a personnel responsible for disclosing related information on the Market Observation Post System website on a regular basis and from time to time, has continued to monitor various outside reports and information and established the spokesperson system, all of the above based on the regulations of the Taiwan Stock Exchange. The company website is updated based on the investor conference processes.  (III) The Company has announced and filed its annual financial report within 75 days after the end of the year. The first, second, and third quarter financial reports and monthly operating status have been announced earlier than the deadline.	There are no significant differences with the other matters except this part where the company has not yet published and reported its annual financial report within two months after the end of the fiscal year at this moment.
VIII. Does the Company have other important information	V			(I) Status of employee rights and caring for employees: Please refer to the annual report section on “Labor relations information.”	No significant differences

<p>that can help people to understand the operations of corporate governance (including but not limited to the employees' rights, employee care, Investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the Company and so on)?</p>			<p>(II) Status of rights and interests of the relationships with the investors, suppliers and stakeholders: Please refer to this annual report for the section on "Fulfillment of sustainable development" and the Company's website on the "page dedicated to the stakeholders."  (III) Status of continuing education for directors: Please refer to this annual report section on "Continuing education of the directors and managers."  (IV) Status of risk management policy and risk measurement standards: Please refer to this annual report section on "Analysis and assessment of risks."  (V) The Company purchases liability insurance for all directors every year, and has reported the latest status on insurance to the board of directors on March 3, 2023.</p>	
<p>IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:  The Company has undergone corporate governance evaluation in accordance with the regulations of the competent authorities. In the latest (8<sup>th</sup>) Taiwan Stock Exchange governance evaluation, the Company placed in the first 66%-80% of companies and has followed and gradually improved the corporate governance indicators issued by the Corporate Governance Center. It will review and prepare improvement plans for the items that have not yet met corporate governance standards.</p>				

(VIII) Fulfillment of sustainable development and differences from the Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons for discrepancies

The Company fulfills its sustainable development based on the following principles:

#### Implementation of corporate governance

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

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

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

#### Development of sustainable environment

The Company complies with relevant environmental laws and regulations and ESG international standards to properly protect the natural environment, and strives to achieve the goals of environmental sustainability in the performance of operating activities. This year, the Company is committed to improving the utilization efficiency of various resources and the use of renewable materials with low environmental impact, making the Earth's resources more sustainable.

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

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

In order to increase the utilization rate of water resources, the Company carries out water conservation plans to properly handle sustainable utilization of water resources and prevent pollution of water, air and land. The Company also adopts measures with the best possible pollution prevention and control technology to reduce negative impacts to human health and environment.

The Company monitors how climate change affects business activities and, based on current operations and greenhouse gas survey, develops energy/carbon reduction and greenhouse gas reduction strategies, incorporates carbon credit as part of the Company's carbon reduction strategies and enforces them accordingly to reduce impacts of the Company's business activities on the natural environment.

#### Promotion of social welfare

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

methods and procedures.

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

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

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
	Yes	no	Description													
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors?	V		<p>II. The Company wants to ensure that the work environment is safe and that the employee rights are protected and respected, so as to fulfill sustainable development responsibilities, has engaged various functional departments to be responsible for management as assigned according to its business nature, which the managers will conduct reviews of the implementation results on a regular basis. Each operation meets the commitments made by the company. Promotion of sustainable development is executed by the Company's Group Environmental Safety Construction Division as a concurrent role, and has compiled the implementation plans and results into an ESG report to be submitted to the Board of Directors. The Company will continue to drive sustainable development activities in the future.</p> <table border="1"> <thead> <tr> <th>Dimension</th> <th>Members</th> <th>Work duties</th> </tr> </thead> <tbody> <tr> <td>Corporate governance</td> <td>Finance organization</td> <td>Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.</td> </tr> <tr> <td>Social welfare</td> <td>Finance organization</td> <td>The finance organization as the coordinating unit in conjunction with Taiwan Mask Charity Foundation, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.</td> </tr> <tr> <td>Environmental sustainability</td> <td>Operations organization II Operations organization I</td> <td>Planning of new factory buildings. Production processes management of photomask. Maintenance and improvement of production equipment. Process improvement and refinement. Management and use of raw materials. Integrate and promote company environmental protection, pollution prevention, safety and health, energy and resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. Research and development of photomask, fixing abnormality of manufacturing processes, photomask finished product quality assurance, research and development of new products; related testing and certification of photomask, repair and related manufacturing</td> </tr> </tbody> </table>	Dimension	Members	Work duties	Corporate governance	Finance organization	Information disclosure, dividends policy, tax-related matters, and proper handling of issues of concerns to stakeholders, assists in strengthening the functional competence of the board, and attends to shareholders' rights and interests.	Social welfare	Finance organization	The finance organization as the coordinating unit in conjunction with Taiwan Mask Charity Foundation, its key functions include caring for society, community participation, welfare activities and corporate image, and the finance department's small team function will invite related units to join the activities.	Environmental sustainability	Operations organization II Operations organization I	Planning of new factory buildings. Production processes management of photomask. Maintenance and improvement of production equipment. Process improvement and refinement. Management and use of raw materials. Integrate and promote company environmental protection, pollution prevention, safety and health, energy and resource savings, communications on related laws and regulations, and greenhouse gases management related work. Purchasing business includes suppliers management, green procurement management. Research and development of photomask, fixing abnormality of manufacturing processes, photomask finished product quality assurance, research and development of new products; related testing and certification of photomask, repair and related manufacturing	No significant differences
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II. Does the Company conduct risk assessment on environmental, social and corporate governance issues that are relevant to its operations and stipulate risk management policies or strategies based on principles of materiality?	V		<p>(I) The Company has a vision of corporate development and sustainable development and understands that various risks will affect the achievement of business and operational goals. Therefore, the Company reviewed and established a risk management mechanism this year to manage various risks of the Company to ensure sustainable and stable growth and the pursuit of sustainable business goals.</p> <p>The Company has set up a “Risk Management Steering Committee”. The members of the Committee are composed of the President and function heads who review and confirm the risk items and progress. The members of the Risk Management Implementation Committee (executive secretary is the head of the Group Environmental Safety Construction Division) are the head of various departments, and they adopt the risk map to evaluate the probability and severity of impact on the Company’s operations in terms of the potential risk items in the areas of strategy, operation, finance and hazard, and define intermediate and high-level risks, and then carry out improvement countermeasures or solutions. Report annually to the Audit Committee and the Board of Directors on the Company’s risk environment, risk management priorities, risk assessment and countermeasures.</p> <p>(II) The Company evaluates and manages risks based on the materiality principle, including possible and potential risk items in four major dimensions strategy, operation, finance, and hazard. Please refer to “Analysis and Assessment of Risk Events” in this annual report.</p>	No significant differences									

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons								
	Yes	no	Description									
<p>III. Environmental issues</p> <p>(I) Has the Company set up an environmental management system designed to industry characteristics?</p> <p>(II) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?</p> <p>(III) Has the Company assessed the current and future potential risks and opportunities from climate changes and taken measures to address climate-related issues?</p>	V		<p>(I) Implementation of the Company’s environmental management system</p> <p>1. Water resources management: Committed to raising water resources utilization, and to set short, medium and long term goals, to pursue water resources sustainable reuse as the goal.</p> <p>2. Waste management: “Reducing manufacturing quantity, resource recycling” as core theme, recycling and reuse is the priority option in waste management.</p> <p>(II) The Company is committed to increasing various resource utility rate for the long term, such as obtaining ISO9001 manufacturing system certification and research and set energy savings target plan better than the requirements of the Bureau of Energy each year, and through regular meetings reviews and follow-up, it is expected to reach highest efficiency for various energy and resource usage, reducing wastage to achieve the carbon reduction target. Adopts the commitments the company has made for its ISO14001 policy, uses raw materials that will reduce burden to the environment, and recycle, reduce and reuse packaging materials and waste.</p> <p>(III) The Company has conducted assessment of current and future potential risks and opportunities arising from climate change to the enterprise, and adopts it into risk management, actively driving energy efficiency and carbon reduction.</p> <table border="1"> <thead> <tr> <th>Potential risks</th> <th>Potential opportunity</th> </tr> </thead> <tbody> <tr> <td>Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.</td> <td>In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.</td> </tr> <tr> <td>Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.</td> <td>Control related amounts of raw materials to avoid simultaneous concentration of goods.</td> </tr> <tr> <td>Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.</td> <td>Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the</td> </tr> </tbody> </table>	Potential risks	Potential opportunity	Renewable energy, fuel/energy tax and laws and regulations: Changes in laws and regulations may impact the green energy industry’s subsidies amount and other conditions, if subsidies reduce, willingness to invest will drop.	In search for manufacturers with a competitive niche, to avoid impacts to company operations due to cancellation of subsidies.	Increased raw materials cost: Cost for bulk commodity raw materials has increased due to climate change, resulting in impacts to the company eventually.	Control related amounts of raw materials to avoid simultaneous concentration of goods.	Total volume and emissions trading: Climate change has resulted in the general rise of temperature, indirectly impacts the company’s air-conditioning equipment for increased load.	Monitor and review if there are any replacement requirements while conducting maintenance and cleaning work for the whole company, and plan ahead for replacing the	No significant differences
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Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
(IV) Has the Company compiled the greenhouse gas emissions, water consumption and total weight of waste in the past two years and established management policies for energy saving and reduction of greenhouse gas	V		<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">old equipment, as a countermeasure to equipment with increased carbon emissions and reduced efficiency.</div> <p>The Company is committed to environmental protection, in response to green and clean production. Through executing Process Safety Management (PSM) and systemized PDCA management cycle, has effectively reduced pollution emissions and impacts to the environment; at the same time, will formulate implementing plans and programs each year, regularly trace and review progress for each item, to ensure achieving the targets.</p> <p>The Company has passed ISO 14001 management system certification, the General Affairs department regularly conducts inspection and tracing, to realize hazards prevention and pollution prevention, at the same time, abides by RoHS regulation of European Union, strict adherence to the restriction of hazardous substances requirements. Maintained environmental management quality and fulfilling pollution prevention and responsibilities to the society through ISO14001 environmental management system certification and SGS testing and verification system build up.</p> <p>In response to energy saving and carbon reduction global trends in recent years, the Company has actively conducted sorting and organization, industrial waste reduction, series of measures on treasuring resources, such as changing to energy saving LED lightings in offices, adding inverters to rotating equipment and improving clean room space and air-conditioning management, actively promotes e-processes to reduce the usage of paper, a switch to reusable personal-use chopsticks from single use, embed the concept of energy saving and carbon reduction to employees from the work environment, continue to implement waste reduction to achieve the target of zero environmental pollution. Also promotes environmental policy to suppliers, contractors and carriers, with the expectation of working together towards environmental protection.</p> <p>(IV) Since the establishment of Taiwan Mask Corporation (TMC), the Company is committed to protecting the earth's environment and the pursuit of sustainable development. Persistence in its management philosophy of equal importance between environmental protection and economy, ongoing enhancement of its pollution prevention work and continue working on energy savings improvements, formulated environmental policy covering four major directions in "Energy saving and carbon reduction, pollution prevention, legal compliance, and</p>	

Assessment items	Operational status		Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no		
emission, water consumption and other wastes?			<p>continuous improvement,” promoting related work in environmental protection and implementation details. The Company’s facilities had successfully passed the ISO14001 management system and ISO9001 quality management system certifications. Adopting the plan-do-check-act model in combination with the company’s internal audit, continue to promote environmental work. TMC has actively participated in environmental protection missions, implementing The Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive, RoHS, effectively implemented RoHS Directive and REACH_SVHC within the enterprise, with its products regularly sent to SGS for inspections and to obtain compliance status reports.</p> <p><b>Environmental policy</b></p> <p>1. Energy saving and waste reduction</p> <p>In 2022, the Company invested NT\$20 million to build a solar power station in the factory area, which is expected to be completed in 2023 to generate 356 kWh. We also implemented a total of 11 energy conservation projects, saving 2,289,804 kWh/year (accounting for 8% of TMC’s annual power consumption) and reducing 1.166 tonnes of CO2e/year. The examples are the replacement of traditional absorption dryers with newer absorption and thermal regeneration dryers, reducing the use of consumables and saving 320,000kw of power; replacing old air compressors with newer ones that have inverters installed, improving the efficiency and saving 290,000kw of power; and MAU being heated with waste heat from ice machine instead of the original electric heating, saving 1,300,000kw of power per year.</p> <p>Water resources: Establish water usage records for each system, analyze the wastewater quality of each system in the process, recover the reusable wastewater after treatment to be returned to the process or used to supply the cooling tower and washing tower to reduce the replenishment of tap water. The water recovery rate in the factory reaches 75% in 2022, which is better than the Hsinchu Science Park Bureau’s requirement of process water recovery rate greater than 50% for factories established before 1994.</p> <p>For the box washing machine set up to meet the production expansion needs, the Company added water recycling systems, which set the water conservation goals of 10 Ton/day for 2022 and 2023, 20 Ton/day in the intermediate-term and 30 Ton/day in the long-term, so that the pure water recovery rate can reach 100%, for an annual saving of 3,650 tons.</p> <p>In 2022, NT\$5 million was committed to the construction of central recycling process for waste sulfuric acid in Plant #3, which can recover 15 to 20 tons a month and reduce the monthly liquid</p>	

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
			<p>caustic soda added to the wastewater system by 15 tons.</p> <p>2. Pollution prevention</p> <p>To avoid polluting the environment, effectively adopt preventive measures to prevent raw materials or manufacturing processes from generating wastes and harmful substances, leaks of untreated wastes into the surrounding environment, resulting in environmental pollution. Set-up leakage detection equipment for early detection to avoid resulting in pollution to spread, affecting personnel, equipment, and safety of the environment.</p> <p>Preventive equipment's maintenance and improvement, wastewater, air emissions and wastes generated from manufacturing operations can be treated appropriately, important parameters of various equipment are connected to the central monitoring system for instant monitoring.</p> <p>(1) Water pollution preventive system and recycling and reuse</p> <p>Wastewater system control parameters are connected to the Siemens monitoring system for wastes, enabling instant monitoring of system operations situations. Adopts onsite second time prevention setup with overflow tank and detection equipment setup, to avoid incidents such as wastewater leakage or returning water from the release pond with abnormal water quality during system malfunction or tank damage resulting in environmental pollution. To avoid release of wastewater that does not qualify for the standards, carry out regular maintenance, raise treatment efficiency to achieve lowering added drug dosage and raise the capability for appropriate handling, early detection of abnormality and treatment to maintain normal operations of systems. Results from regular testing every half year shows that they are lower than discharge standards.</p> <p>(2) Air pollution prevention</p> <p>Ensure that the exhaust air generated by the process in the factory meets the requirements of environmental protection laws and regulations after treatment. Conduct pollutant testing in accordance with the requirements of the permit to ensure compliance with emission standards. In 2022, NT\$400,000 was invested to increase the frequency of carbon filter change for the organic pollutant control system, and NT\$3.5 million was used to improve the acid discharge system of each plant to improve the removal rate to a level better than the emissions standard specified by environmental laws and regulations.</p> <p>(3) Waste management</p> <p>Examine the manufacturing process to continuously reduce waste generation, and actively seek opportunities for resource recycling. Properly dispose of waste and examine the waste</p>	

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons												
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			<p>flow in the product life cycle. Help enterprises find recyclable resources, so that they can reduce environmental impact and operating costs, and conduct waste management operations in accordance with relevant laws and regulations, such as setting up sheltered storage areas based on the characteristics of waste and properly packing the waste to prevent scattering. Waste disposal is commissioned to qualified external waste disposal and treatment vendors, and track the transportation truck and waste treatment flows to ensure that they comply with laws and regulations.</p> <p>3. Complying with laws and regulations Truly understand the government’s request relating to environmental laws and regulations, prepare analysis of the registration form of the regulations and the company’s legality, actively participate in various regulatory briefings held by government units. Regular inspection and testing in accordance to laws and regulations to ensure meeting environmental legal standards, and promote the government’s environmental policies to employees, increasing their environmental protection and legal requirements knowledge, ensuring effective implementation of the company’s environmental protection policies.</p> <p>4. Continuous improvements Formulate annual environmental protection targets and key implementation items. Review and audit implementation outcomes each year to ensure effective implementation of continuous improvements of the policies raising environmental quality.</p> <p>The Company’s greenhouse gas emissions, water consumption volume and total weight of wastes generated over the past two years.</p> <table border="1"> <thead> <tr> <th>Items</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Water consumption (tonnes)</td> <td>152,627</td> <td>176,692</td> </tr> <tr> <td>Total waste weight (tonnes)</td> <td>30</td> <td>128.45</td> </tr> <tr> <td>Greenhouse gas emissions (metric tons CO2e)</td> <td>15,282</td> <td>15,509</td> </tr> </tbody> </table>	Items	2021	2022	Water consumption (tonnes)	152,627	176,692	Total waste weight (tonnes)	30	128.45	Greenhouse gas emissions (metric tons CO2e)	15,282	15,509	
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IV. Social Issues (I) Does the Company establish policies and procedures in compliance with regulations and internationally	V		(I) To fulfill sustainable development, protect all of the employees’, customers’ and stakeholders’ basic human rights, abides by the principles as laid out in the various international human rights conventions such as the “United Nations Universal Declaration of Human Rights,”	No significant differences												

Assessment items	Operational status		Description	The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no		
<p>recognized human rights principles?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?</p>	V		<p>“United Nations Guiding Principles,” “United Nations Guiding Principles on Business and Human Rights,” “The United Nations Global Compact,” and “International Labor Organization,” formulates and discloses human rights policy, disclosing related information on the company’s website simultaneously.</p> <p>(II) The Company has formulated and implemented reasonable employee benefit measures, values employees’ rights and fulfill its sustainable development responsibilities. Therefore, the remuneration policy of the Company is based on the correlations of the individual’s capability, his/her contribution to the company, performance, and operations performance, appropriately reflect business performance or outcome in employees’ remunerations to facilitate recruitment, retention and inspiration of human resources, and thereby accomplish the Company’s goals toward sustainability. The Company’s actual average employee salary for 2022 was adjusted to 0-12%.</p> <p>Status of the Company’s employee benefit measures, continuing education and trainings:</p> <p>[Salary and motivation system]</p> <p>Salary and multiple rewards system (Dragon Boat Festival, Mid-Autumn Festival and year-end bonus), additional performance bonus, quarterly bonus and allocation of earnings, production bonus, station allowance; flexible salary adjustment for individuals; employee bonus, employee stock option.</p> <p>[Life care and protection]</p> <p>Enjoy complete group insurance (free life insurance/accident insurance/hospitalization medical treatment/accident medical treatment/occupational hazard); cash gifts and subsidies for child birth, weddings, death in the family; birthdays/occasions gift vouchers; free annual employee health check-ups; appointed store; welfare committee to regularly organize travels and various sporting events and domestic and overseas travel subsidies; employee health care, regular visits by doctors and nurses providing on-site care, professional consultation sessions and suggestions for employees; Christmas party.</p> <p>[Convenient facilities]</p> <p>Provides complete indoor employee parking spaces; gym, indoor badminton court, tennis court, table tennis and so on leisure facilities; established lactation room, complete facility for use by female employees; established employee canteen to offer meals, provides free coffee, tea</p>	

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

Assessment items	Operational status			The differences with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	no	Description	
(VI) Has the Company established supplier management policies which require suppliers to comply with regulations on environmental protection, occupational safety and health or labor rights and reported the implementation?	V		(VI) The Company requests its suppliers to abide by sustainable development responsibilities and has built up an internal supplier management policy, requesting suppliers to provide hazardous substance free declaration, environmental management system certification and safety data sheet. The Company conducts regular audit inspections with major suppliers, its contents include various laws and regulations and standards. If there are occurrences of violations and obvious harm to the environment and society, the supplier cannot pass the audit and any dealings with the supplier has to be terminated anytime.	
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainable development reports and other reports which disclose the Company's non-financial information? Does the preceding report obtain verification or opinions from a third-party authentication unit?		V	The Company has begun to compile the ESG report for corporate sustainable development starting 2021, and has disclosed relevant and reliable corporate sustainable development-related information and the 2021 ESG report on the Company's website to strengthen communication with stakeholders. Has already disclosed each of the related information on the Market Observation Post System website as required by regulations.	We have already prepared the ESG report on corporate sustainable development, and has not obtained a third-party assurance.
VI. If the Company has established its corporate sustainable development best practice principles in accordance with the "Corporate Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the operations and differences: The Company has established its "Corporate Sustainable Development Best Practice Principles" and there are no significant differences from the actual operations and the Principles for Listed Companies.				
VII. Other important information that can help others to understand the operations of the corporate sustainable development: This is a dedicated page on the Company's website to disclose corporate sustainable development operations and stakeholders, sustainability-related operations are regularly updated helping others to understand the status of the sustainability operations.				

Note:

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

Climate-related information of publicly traded and OTC companies

(IX) Implementation of reporting of climate-related information

Items	Implementation
<ol style="list-style-type: none"> <li>1. Describe board and management supervision and governance of climate-related risks and opportunities.</li> <li>2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy and finances (short, intermediate and long term).</li> <li>3. Describe the financial impact caused by extreme climate events and transition actions.</li> <li>4. Describe how the identification, assessment, and management processes of climate risks are integrated into the overall risk management system.</li> <li>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions and analysis factors used and significant financial impacts should be explained.</li> <li>6. If there is a transition plan to manage climate-related risks, explain the content of the plan, and the indicators and goals used to identify and manage physical risks and transition risks.</li> <li>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be explained.</li> <li>8. If there are climate-related goals set, the activities, scope of greenhouse gas emissions, planning schedule, annual progress and other information covered should be explained. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant goals, the source and quantity of carbon reduction credits to be exchanged or the quantity of renewable energy certificates (RECs) should be explained.</li> <li>9. Status of greenhouse gas inventory and assurance (to be filled in 1-1 separately).</li> </ol>	<ol style="list-style-type: none"> <li>1. TMC has established a corporate sustainability management committee to implement the ESG process, which covers the supervision and governance of climate-related risks and opportunities, and regularly reports to the board.</li> <li>2. Climate risk is within the scope of corporate governance, and we regard it as an opportunity to align with our upstream customers and downstream suppliers, and believe that business revenue will increase in the future. Short-term: Improve the efficiency of the factory system (such as adding variable-frequency inverters to our rotating equipment); intermediate-term: Conduct greenhouse gas inventory and verification; long-term: Set carbon reduction targets and move towards the 2050 net-zero emissions goal.</li> <li>3. The supply of raw materials, water, electricity, etc. for production may be interrupted due to extreme climate, which will affect shipments and finances.</li> <li>4. Carry out climate risks identification in Q1; formulate climate risks countermeasures or implementation plans in Q2; implement and correct climate risks countermeasures or implementation plans in Q3; and report the implementation results to the board in Q4 every year, and have the Corporate Sustainability Management Committee conduct quarterly review the progress of abovementioned works.</li> <li>5. Reservoirs are set up in response to extreme climate that may limit or cut off water supply. If the water restrictions in the science park exceeds 20%, and the water is cut off for more than 1 day, water trucks will be dispatched, and the production will not be affected. If there is a time difference in scheduling of water trucks, work hours may be lost.</li> <li>6. Under the risk of power shortage in Plant #3, an additional generator supplying 1,500KW will be installed in 2023, and the oil tank reserves in Plant #1 and #2 are planned to meet the needs of coordination.</li> <li>7. Not planned yet.</li> <li>8. Greenhouse gas inventory activity initiated in 2023Q1, and completed the 2022 carbon inventory and verification activities of ISO14064-1 2018 version.</li> <li>9. Status of greenhouse gas inventory and assurance is shown as follows,</li> </ol>



1-1. Status of greenhouse gas inventory and assurance

<b>Company information</b> <input type="checkbox"/> Companies with a capital of more than NT\$10 billion, or in the steel or cement industry. <input type="checkbox"/> Companies with a capital of more than NT\$5 billion but less than NT\$10 billion. <input checked="" type="checkbox"/> Companies with a capital of less than NT\$5 billion.	Sustainable Development Roadmap for publicly traded or OTC firms should at least disclose	
	<input checked="" type="checkbox"/> Parent-only inventory <input type="checkbox"/> Parent-only assurance	<input type="checkbox"/> Inventory of subsidiaries included in the consolidated financial statements <input type="checkbox"/> Assurance of subsidiaries included in the consolidated financial statements

Scope 1	Total emissions (metric tons CO <sub>2</sub> e)	Intensity (metric tons CO <sub>2</sub> e/NT\$ million)(Note 2)	Assurance organization
Parent company	68.57	0.02	Expected in Q3 2023 PricewaterhouseCoopers Taiwan
Subsidiary			
... (Note 1)			
Total			
Scope 2	Total emissions (metric tons CO <sub>2</sub> e)	Intensity (metric tons CO <sub>2</sub> e/NT\$ million)(Note 2)	Assurance organization
Parent company	20,741.44	5.38	Expected in Q3 2023 PricewaterhouseCoopers Taiwan
Subsidiary			
... (Note 1)			
Total			
Scope 3			

Instructions for filling the form:

- The Scope 1 and Scope 2 information in this table shall be compiled in accordance with the schedule stipulated in Paragraph 2, Article 10 of the standard, and companies may voluntarily disclose the information of Scope 3.
- Companies may conduct GHG inventory according to the following standards:

- (1) Greenhouse Gas Protocol (GHG Protocol).
- (2) ISO 14064-1 issued by the International Organization for Standardization (ISO).
3. The assurance organization shall comply with the relevant requirements for sustainability report assurance stipulated by the Taiwan Stock Exchange and Taipei Exchange.
4. Subsidiaries can file reports separately, collectively (by country or region), or in a consolidated format (Note 1).
5. The intensity of GHG emissions can be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ million) should be disclosed (Note 2).
6. The proportion of operating locations or subsidiaries not included in the inventory calculation shall not exceed 5% of the total emissions. The total emissions disclosed above refer to the emissions calculated in accordance with Description 1 on the scope of mandatory inventory.
7. The description of assurance should summarize the content of the assurance report of issued by the assurance organization and attach the complete assurance statement to the annual report (Note 3).

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

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

Assessment items	Operational status			Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	No	Description	
process in the program preventing unethical conduct and put them in practice and regularly reviewed and amended the program?			reporting is also established. If there are discovery of any major events of violations or major damages to the company, the unit will prepare a report immediately and report to the independent directors so as to fulfill the implementation of unethical behavior handling. The company emphasizes its determination to combat dishonest practices through internal control system, work rules, new employee orientation education training, regular campaigns, and monitoring via accounting system, requesting its employees to adhere to the principle of conflict of interest avoidance, and promotes the company's policy to its suppliers.	
<p>II. Fulfillment of ethical management</p> <p>(I) Does the Company evaluate the ethical record of the counterparties and clearly stipulate the ethical behavior clause in the contract signed with the counterparties?</p> <p>(II) Has the Company established a full- (or part-) time specialized unit under the board responsible for the promotion of corporate ethics management, which regularly (at least once a year) reports policies on ethical operations, programs on prevention of unethical conduct and the status of supervision to the board?</p> <p>(III) Does the company stipulate a policy to prevent conflicts of interest and provide a proper channel for communication, and practically implement the policy?</p>	V		<p>(I) Before the Company enters into any business activity, will first conduct assessment of the counterparty for its legality, ethics and prudence, so as to ensure both parties engage in a fair and transparent trading conduct, create a fair environment for competition, maintaining the company's competitiveness.</p> <p>(II) Honesty and faithfulness have always been an important management philosophy of the Company, ethics has been promoted from various aspects in full efforts from the Board of Directors to each of the department management, to which all of the employees should adhere to the Ethical Corporate Management Best Practice Principles. The Company has also established an Audit Committee and internal control system to monitor the company in abiding by the laws and regulations. The Company assigned the Human Resources Department as the accountable unit, ensuring the fulfillment of Ethical Corporate Management Best Practice Principles based on each unit's work duties and scope, and the accountable unit will report to the Board of Directors on a regular basis on the implementation status. Implementation status of the Company's 2022 Ethical Corporate Management has been reported to the Board on March 3, 2023.</p> <p>(III) The Company has established Ethical Operations Management Best Practice Principles to prevent conflicts of interest and provide a proper channel for communication. The Company conducts its business activities in a fair and transparent way based on the principles of ethical operations management. In addition, the company has already formulated the whistleblowing system procedures to report on illegal (including corruption)</p>	No significant differences

Assessment items	Operational status			Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	No	Description	
(IV) Does the company establish an effective accounting system and internal control system for practical implementation of ethical corporate management, and is the system regularly audited by the internal auditing unit, and does the unit propose relevant audit plans based on the assessment results of the risk of misconduct for auditing the implementation status of the prevention plan for misconduct, or entrusted to an accountant for auditing?	V		and unethical behaviors. (IV) The Company's accounting system and internal control system are formulated based on related laws and regulations. The internal audit unit prepares the draft work report and audit report based on the audit results, submit them to the Board of Directors, and hold regular and random audits with the CPA.	
(V) Does the Company regularly conduct internal and external education and training for ethical management?	V		(V) The Ethical Corporate Management Best Practice Principles have been announced on the Company's website and communicated with employees at monthly management meetings. In 2022, it was promoted through the corporate website and on various occasions to educate employees about adhering to work philosophy and attitude of integrity, fairness, transparency, and self-discipline. In addition, the Company dispatched 3 people to receive a total of 36 hours of external training in 2022.	
III. Operational status of the whistleblowing system of the Company				
(I) Does the company have a specific whistleblowing and reward system, a convenient whistleblowing channel and assign appropriate and dedicated personnel to deal with the respondent?	V		(I) For whistleblowing/complaints matters of any possible violations of laws and regulations or the code of conduct, the Company may report to the Company's audit office. The Company establishes standard operating procedures for investigating the complaints received and protects the informant's identity by establishing confidentiality mechanisms.	No significant differences
(II) Does the company stipulate the standard operating procedures, the follow-up measures should be taken after the	V		(II) The Company formulates complaint procedures, set-up responsible units to handle the cases and set-up the handling procedures, abides by privacy data laws and strictly prohibits retaliation conducted against the informant. The Company's "Ethical Operations	

Assessment items	Operational status			Differences from the Ethical Corporate Management Best Practice Principles for the Listed Companies and reasons for discrepancies
	Yes	No	Description	
<p>investigation and relevant confidentiality mechanism for the reported matters?</p> <p>(III) Does the company take preventive measures to protect the whistleblower from improper treatment due to the report?</p>	V		<p>Management Best Practice Principles” has stipulated standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner.</p> <p>(III) The Company’s “Ethical Operations Management Best Practice Principles” has stipulated items in the investigation of the complaints received, protection of informant’s identity and details of reported misconduct, proper measures to shield a complainant from retaliation for filing complaints.</p>	
<p>IV. Reinforcement of information disclosure</p> <p>(I) Does the company reveal the content of Ethical Corporate Management Best Practice Principles and the implementation results on its website and on the website of the Market Observation Post System?</p>	V		The Company has disclosed its ethical operations management information on its website which has a designated page for corporate governance in addition to disclosing in its annual report.	No significant differences
<p>V. If the Company has stipulated its Ethical Corporate Management Best Practice Principles based on the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please state the difference between its operations and the stipulated principles:</p> <p>The Company’s “Ethical Corporate Management Best Practice Principles” had been approved by the Board of Directors on August 6, 2015. There are no differences between actual operations and the Principles.</p> <p>(I) Regular advocacy on ethical operations management concept and advocated to all of the employees on a regular basis during educational trainings: Ethical Operations Management Best Practice Principles have been announced on the Company’s website, and are promoted to the employees during monthly management meetings.</p> <p>(II) Ethical conduct is listed as one of the terms and conditions in contracts with counterparties.</p> <p>(III) Internal independent grievance reporting mailbox and dedicated line has been established and announced on the Company’s website and on the internal website: No whistleblowing cases on ethics have been received in 2022.</p>				
<p>VI. Other important information that helps to understand the implementation status of the company’s ethics management (such as situation of the company conducting review and revision of its Ethical Corporate Management Best Practice Principles): In order to fulfill corporate governance, the responsible unit for ethical management has been established. Revisions to partial articles of the “Ethical Corporation Management Best Practice Principles” have been approved by the Board of Directors on November 4, 2020.</p>				

(XI) The Company formulates governance principles and related regulations

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

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

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

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

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

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

(XIII) Implementation status of internal control system

1. Statement on Internal Control

Taiwan Mask Corporation  
Statement on Internal Control

Date: March 3, 2023

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year of 2022:

- I. The Company's board and management are responsible for establishing, implementing and maintaining a proper internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability of our financial reporting and compliance with applicable laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and we take immediate remedial actions in response to any identified deficiencies.
- III. We evaluate the design and operating effectiveness of the internal control system based on the criteria provided in the Regulations Governing Establishment of Internal Control Systems by Public Companies (herein blow, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: 1. Control environment. 2. Risk assessment. 3. Control activities. 4. Information and communication. 5. Monitoring. Each component has its own items. Please see the Regulations for details.
- IV. We have evaluated the design and operating effectiveness of our internal control system according to the aforementioned Regulations.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2022. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's operational results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This Statement will be an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment or other illegalities in the content made public will entail legal liability under Article 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been passed by the Board in the meeting held on March 3, 2023, all of the attending directors affirm to the content of this Statement.

Taiwan Mask Corporation

Chairman: Sean Chen

General Manager: Lidon Chen





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

(XIV) For the year 2022 or during the current fiscal year up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system, and the penalties which may have a significant impact on shareholders' equity or the price of securities, and list the content of penalties, principal deficiencies, and the state any efforts to make improvements: No such situation.

(XV) Material resolutions of a shareholders meeting or a Board of Directors meeting during the year of 2022 and during the current fiscal year up to the date of publication of the annual report

1. Material resolutions of a shareholders meeting

Key resolutions from the 2022 annual general meeting and their implementation:

(1) Ratification of the Company's 2021 business report and financial statements.

Implementation outcome: Resolution approved. Ratification of 2021 Business Report and Financial Statements, of which the consolidated revenue for the whole year is NT\$ 6,077,362 thousand, net profit after tax is approximately NT\$ 847,394 thousand, basic earnings per share is NT\$5.47.

(2) Ratification of 2021 earnings distribution proposal.

Implementation outcome: Resolution approved. The resolution approved the distribution of NT\$1 per share. The chairman approved on July 22, 2022 to set August 23, 2022 as the book closure date, and the cash dividends were paid on September 23, 2022.

(3) Approved distribution of cash dividends from capital surplus.

Implementation outcome: Resolution approved. The resolution approved the cash distribution of NT\$1 per share. The chairman approved on July 22, 2022 to set August 23, 2022 as the book closure date, and the cash was distributed on September 23, 2022.

(4) Amendment to provisions of the Company's "Articles of Incorporation".

Implementation outcome: Resolution approved. The registration was approved by authority with approval document number Zhu-Guan-Ji-Guan-Zhu-Shang-Zi No. 1110017427 issued on June 7, 2022.

(5) Amendments to certain provisions of the Company's "Procedures for Acquisition or Disposal of Assets"

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

(6) By-election of independent directors.

Implementation status: By-election completed. The registration was approved by authority with approval document number Zhu-Guan-Ji-Guan-Zhu-Shang-Zi No. 1110017427 issued on June 7, 2022.

(7) Consent to Independent Directors' Compete Activities.

Implementation outcome: Resolution approved.

Key resolutions from the first 2022 extraordinary general meeting and their implementation:

(1) Proposed to Issue common shares by private placement.

Implementation outcome: Resolution approved. Considering that the issuance period will

soon reach the deadline, it is planned not to continue the issue of common shares by private placement approved by the 1st extraordinary general meeting in 2022 after the board resolution on March 3, 2023.

## 2. Key resolutions from the board meeting

Key resolutions by the Company's Board of Directors since January 1, 2022 until the publication date of the annual report are as follows:

Date	Term	Key resolutions
2022.01.21	The 17 <sup>th</sup> meeting of the 12 <sup>th</sup> term	(1) Capital expenditure (2) Acquisition and disposal of marketable securities (3) Proposal to setting the base date for the Company's common stock capital increase from the third domestic unsecured convertible bonds (4) The Company proposal for the transfer of treasury stocks for employee share subscription (5) Assignment of personnel of subsidiaries (6) Proposal for the Company to establish and expand its credit facilities with banks
2022.03.04	The 18 <sup>th</sup> meeting of the 12 <sup>th</sup> term	(1) Change of capital expenditure budget for testing machines (2) Shelf registration for issuance of new shares (3) Shelf registration for the issuance of new shares of common stock for 2022 (4) Distribution of employees and directors' remuneration for 2021 (5) 2021 Business Report and Financial Statements (6) 2021 earnings distribution proposal (7) Distribution of cash from capital surplus (8) The Company's 2021 Internal Control System Validity Evaluation and Declaration of Internal Control System. (9) Amendments to certain provisions of the Company's "Articles of Incorporation." (10) Partial amendments to the Company's "Corporate Social Responsibility Best Practice Principles" (11) Amendments to certain provisions of the Company's "Procedures for Acquisition or Disposal of Assets" (12) By-election of independent directors (13) List and qualifications of candidates for independent directors nominated by the board (14) Consent for directors to compete for business (15) Holding of the Company's 2022 regular shareholders' meeting (16) Personnel arrangement of the Company and its subsidiaries (17) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD. (18) Proposal for the Company to establish and expand its credit facilities with banks
2022.05.06	The 19 <sup>th</sup> meeting of the 12 <sup>th</sup> term	(1) Budgeting for capital expenditures. (2) Rotation of CPAs. (3) Q1 2022 financial report. (4) The Company proposed to implement the 29 <sup>th</sup> repurchase of treasury stocks (5) Subsidiary Youe Chung Capital Corporation participated in the capital increase of Aptos Technology Inc. (6) Appointed financial officers of subsidiaries Aptos Technology Inc. and Innova Vision Inc. (7) Approved the formulation of the GHG inventory and verification scheduling according to the Sustainable Development Roadmap. (8) Approved the Company's establishment and expansion of line of credit (with Bank of Panhsin, Taiwan Shin Kong Commercial Bank and O-Bank).
2022.05.26	The 20 <sup>th</sup> meeting of the 12 <sup>th</sup> term	(1) Proposed to Issue common shares by private placement. (2) Convened the 1st extraordinary general meeting in 2022. (3) Amendment to provisions of the 29th stock repurchase transferred to employees. (4) Acquisition and disposal of marketable securities. (5) Budgeting for capital expenditures.
2022.08.05	The 21 <sup>st</sup> meeting of the 12 <sup>th</sup> term	(1) 2021 distribution of employee remuneration for managerial officers and director remuneration. (2) The Company's Q2 2022 financial report. (3) Procurement of production equipment in Q3 2022. (4) Added capital expenditure budgeting and equipment procurement of the "Laser welding project". (5) Subsidiary Youe Chung Capital acquiring marketable securities of Microtek.

		(6) Proposed to issue secured corporate bonds. (7) Proposal for the Company to establish and expand its credit facilities with banks. (8) Appointment of the Remuneration Committee.
2022.11.04	The 22 <sup>nd</sup> meeting of the 12 <sup>th</sup> term	(1) The Company's Q3 2022 financial report. (2) Procurement of production equipment. (3) Appointment of the CFO and COO. (4) 2023 business plan and budgeting. (5) Disposal of marketable securities. (6) Proposal for the Company to establish and expand its credit facilities with banks (7) 2023 annual audit plan for internal control system. (8) Assessment of the independence and competency of attesting certified public accountants. (9) Amended the Rules of Procedure for Board Meetings. (10) Amended the Procedures for Handling Material Inside Information.
2022.12.27	The 23 <sup>rd</sup> meeting of the 12 <sup>th</sup> term	(1) Procurement of production equipment, with an amount of NT\$776 million. (2) Subsidiary Youe Chung Capital acquiring marketable securities of Taiwan Calsonic. (3) Proposal for the Company to establish and expand its credit facilities with banks.
2023.03.03	The 24 <sup>th</sup> meeting of the 12 <sup>th</sup> term	(1) Distribution of employees and directors' remuneration for 2022. (2) 2022 Business Report and Financial Statements (3) 2022 earnings distribution. (4) Distribution of cash from capital surplus. (5) Proposed to not continue the issue of common shares by private placement approved by the 1st extraordinary general meeting in 2022. (6) Proposed to Issue common shares by private placement. (7) Amendment to provisions of the Articles of Incorporation. (8) Election of directors. (9) List of director (including independent director) candidates. (10) Lifted the restrictions on the non-compete clause of new directors and their representatives. (11) Holding of the Company's 2023 regular shareholders' meeting. (12) Procurement of production equipment in Q1 2023. (13) Proposal to setting the base date for the Company's common stock capital increase from the third domestic unsecured convertible bonds (14) The Company's 2022 Internal Control System Validity Evaluation and Declaration of Internal Control System. (15) Appointment and remuneration of CPAs in 2023. (16) Endorsements/guarantees for subsidiary Miracle Technology CO., LTD. (17) Appointment of directors and president of subsidiaries. (18) Proposal for the Company to establish and expand its credit facilities with banks

(XVI) Where, during 2022 or during the current fiscal year up to the date of publication of the annual report, a director or independent director has expressed a dissenting opinion with respect to a key resolution passed by the board, and the dissenting opinion has been recorded or prepared as a written declaration: None of such situations.

(XVII) A summary of resignations and dismissals, during 2022 or during the current fiscal year up to the date of publication of the annual report, of the Company's Chairperson, president, principal accounting officer, principal financial officer, chief internal auditor, principal corporate governance officer and principal research and development officer: No such situation.

## V. Information on professional fee of accountant

### (I) Audit fee of independent auditors

Name of Accounting Firm	Accountant		Date of the audit
PricewaterhouseCoopers, Taiwan Name of CPA Firm	Ya-Hui Cheng	Chien-Yu Liu	2022.01.01~2022.12.31

Unit: NT\$Thousand

Type of Fee		Professional audit fee	Non-professional audit fee	Total
1	Below NT\$ 2,000 thousand		1,169	1,169
2	NT\$ 2,000 thousand (inclusive) ~ NT\$ 4,000 thousand			
3	NT\$ 4,000 thousand (inclusive) ~ NT\$ 6,000 thousand			
4	NT\$ 6,000 thousand (inclusive) ~ NT\$ 8,000 thousand			
5	NT\$ 8,000 thousand (inclusive) ~ NT\$ 10,000 thousand	9,120		9,120
6	NT\$ 10,000 thousand and above			

Name of Accounting Firm	Accountant	Audit Period	Professional audit fee	Non-professional audit fee	Total	Note
PricewaterhouseCoopers Taiwan	Ya-Hui Cheng Chien-Yu Liu	2022/01/01- 2022/12/31	9,120	1,169	10,289	Note

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

- (1) The Company: The professional audit fee is NT\$6,100 thousand non-professional audit fee is NT\$751 thousand (ESG consultation, CB to issue of new shares and others).
- (2) Subsidiaries: The professional audit fee is NT\$3,020 thousand; non-professional audit fee is NT\$418 thousand (capital increase or reduction, assets transfer of subsidiaries, M&A consultation and others).

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

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

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

## VI. Information on change of accountants:

### (I) About former CPAs

Date of change	From Q1 2022		
Reason and explanation for the change	The original Certified Public Accountant (CPA) was Tien-I Li and Ya-Hui Cheng of PricewaterhouseCoopers Taiwan. Due to internal adjustment of PricewaterhouseCoopers, starting from Q1 2022, CPAs have changed to Ya-Hui Cheng and Chien-Yu Liu.		
State whether the Appointment is Terminated or Rejected by the Consignor or CPAs	The party Status	Accountant	Appointer
		Proactively terminate the appointment	—
	Appointment rejected (discontinued)	—	—
Opinions on audit reports other than unqualified opinions issued in the last two years and the reasons for the opinions			
Is there any disagreement in opinion with the issuer?	Yes	—	Accounting principles or practices
		—	Disclosure of financial reports
		—	Audit scope or procedures
		—	Others
		—	
	None	V	
Description:			
Supplementary Disclosure (Disclosures specified in Items 1-4 to 1-7 of Subparagraph 6, Article 10 of this Standard)	None		

### (II) About successor CPAs

Name of Accounting Firm	PricewaterhouseCoopers Taiwan
Accountant	Ya-Hui Cheng, Chien-Yu Liu
Date of appointment	From Q1 2022
The possible opinion of consultation matters and results on the financial report and the processing methods or accounting principles of certain transactions before the appointment	None of such cases.
The written opinion of the successive accountant on different opinions with the former accountant	None of such cases.

(III) Former accountant's reply on sub-paragraph 1 and 2(3) of paragraph 6 in Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies:  
None of these situations.

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

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

(I) Changes to share ownership

Unit: Shares

Job title	Name	2022		2023 up to March 31, 2023	
		Increasing (decreasing) number of shares held	Increasing (decreasing) number of pledged shares held	Increasing (decreasing) number of shares held	Increasing (decreasing) number of pledged shares held
Chairman	Sean Chen	0	250,000	0	0
Director and General Manager	Lidon Chen	(80,000)	300,000	0	0
Director	Chao-Yi Wu	0	0	0	0
Director	Fushuo Investment Co., Ltd.	0	0	0	0
	Representative: Martin Chu	0	0	0	0
Independent Director	Wei-Chen Wang (assumed position on 2021/7/5)	0	0	0	0
Independent Director	Huan-Kuei Cheng (assumed position on 2021/7/5)	0	0	0	0
Independent Director	Hui-Fen Chan (took office on 2022/5/26)	0	0	0	0
Chief Executive Officer	K.J. Wu	(2,311,523)	1,000,000 (3,311,000)	0	0
Vice General Manager of Operations	Nester Huang	(57,000)	210,000 (100,000)	(41,000)	(100,000)
Vice General Manager of Finance	Eve Yang	0	200,000	0	0
Vice President	Po-Wen Hsiao (resigned on 2023/3/3)	2,000	0	-	-
Vice General Manager of Operations	Che-Pin Tseng (took office on 2021/11/15)	2,000 (74,000)	0	(35,000)	0
Major Shareholder	Youe Chung Capital Corporation	(350,000)	12,580,000 (5,832,000)	0	1,400,000 (900,000)

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

(II) Information on share transfer:

Name	Reason for share transfer	Transaction date	Counterparty to the transaction	Relationship between the counterparty and the Company, its directors, supervisors, managerial officers and shareholders holding more than 10% of the shares	Number of shares	Transaction price
Youe Chung Capital Corporation	Donation	2022/01/13	Taiwan Mask Charitable Foundation	Related party.	350,000	41.35
K.J. Wu	Donation	2022/09/07	Hui-Chen Lai Wu	Spouse	2,000,000	67.60

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

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

Unit: shares; %

Name	Shares owned by the person		Shares held by spouse, underage dependents		Shares Held in the Name of Others		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree		Note
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Youe Chung Capital Corporation	36,731,440	14.32%	-	-	-	-	-	-	-
Taiwan Mask Corporation	14,485,000	5.65%							
Chao-Yi Wu	9,907,000	3.86%	418,000	0.16%	-	-	K.J. Wu	Father and daughter	-
Allianz Global Investors Taiwan Intelligence Trends Fund	8,500,000	3.32%							
Fubon Life Insurance Co., Ltd.	5,362,000	2.09%							
HSBC Bank (Taiwan) trust fund	5,113,000	1.99%							
Fushuo Investment Co., Ltd.	4,364,000	1.70%			-	-			-
Allianz Global Investors Taiwan Fund	4,350,000	1.70%							
K.J. Wu	3,000,000	1.17%	2,075,523	0.81%	-	-	Chao-Yi Wu	Father and daughter	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for JPMorgan	2,859,000	1.12%							



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

December 31, 2022

Unit: shares; %

Investee	Invested by the Company		Investments by directors, supervisors, managers and businesses in direct or indirect control		Total Ownership	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
SunnyLake Park International Holdings, Inc.	3,120,000	100%	-	-	3,120,000	100%
Youe Chung Capital Corporation	534,877,568	100%	-	-	534,877,568	100%
Miracle Technology Co., Ltd.	22,955,033	100%	-	-	22,955,033	100%
Weida Hi-Tech Company	12,176,880	28.20%	-	-	12,176,880	28.20%
Advagene Biopharma Co., Ltd.	12,549,652	25.43%	2,616,223	5.30%	15,165,875	30.73%
Aptos Technology	-	-	28,481,161	47.19%	28,481,161	47.19%
Xsense Technology	-	-	12,189,191	53.00%	12,189,191	53.00%
Innova Vision	36,793,136	91.53%	94,371	0.23%	36,887,507	91.76%
DIGITAL-CAN TECH. CO., LTD.	-	-	7,281,250	57.39%	7,281,250	57.39%

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

## Four. Financing Activities

### I. Capital and shares

#### (I) Source of capital

Unit: Shares: NTD

Year / Month	Issue Price	Authorized Share Capital		Paid-in Capital		Note		Others
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital Increase by Assets Other than Cash	
1988/10	\$10.00	35,000,000	\$350,000,000	8,750,000	\$87,500,000	Please refer to attached Note (1)		
1990/06	\$10.00	35,000,000	\$350,000,000	35,000,000	\$350,000,000	Please refer to attached Note (2)		
1991/05	\$10.00	50,000,000	\$500,000,000	40,250,000	\$402,500,000	Please refer to attached Note (3)		
1992/07	\$10.00	50,000,000	\$500,000,000	44,275,000	\$442,750,000	Please refer to attached Note (4)		
1995/06	\$10.00	70,000,000	\$700,000,000	55,883,750	\$558,837,500	Please refer to attached Note (5)		
1996/04	\$10.00	70,000,000	\$700,000,000	64,427,500	\$644,275,000	Please refer to attached Note (6)		
1996/06	\$10.00	100,000,000	\$1,000,000,000	88,077,125	\$880,771,250	Please refer to attached Note (7)		
1997/04	\$10.00	100,000,000	\$1,000,000,000	100,000,000	\$1,000,000,000	Please refer to attached Note (8)		
1997/06	\$10.00	250,000,000	\$2,500,000,000	146,700,000	\$1,467,000,000	Please refer to attached Note (9)		
1998/07	\$10.00	270,000,000	\$2,700,000,000	237,420,000	\$2,374,200,000	Please refer to attached Note (10)		
1999/08	\$10.00	389,000,000	\$3,891,000,000	267,287,969	\$2,672,879,690	Please refer to attached Note (11)		
1999/10	\$10.00	389,000,000	\$3,891,000,000	267,290,313	\$2,672,903,130	Please refer to attached Note (12)		
2000/08	\$10.00	389,000,000	\$3,891,000,000	294,037,400	\$2,940,374,000	Please refer to attached Note (13)		
2000/12	\$10.00	389,000,000	\$3,891,000,000	331,189,900	\$3,311,899,000	Please refer to attached Note (14)		
2001/07	\$10.00	450,000,000	\$4,500,000,000	374,784,587	\$3,747,845,870	Please refer to attached Note (15)		
2002/08	\$10.00	500,000,000	\$5,000,000,000	424,917,953	\$4,249,179,530	Please refer to attached Note (16)		
2003/06	\$10.00	500,000,000	\$5,000,000,000	398,093,953	\$3,980,939,530	Please refer to attached Note (17)		
2003/09	\$10.00	500,000,000	\$5,000,000,000	399,593,953	\$3,995,939,530	Please refer to attached Note (18)		
2003/11	\$10.00	500,000,000	\$5,000,000,000	398,181,953	\$3,981,819,530	Please refer to attached Note (19)		
2004/06	\$10.00	500,000,000	\$5,000,000,000	379,443,953	\$3,794,439,530	Please refer to attached Note (20)		
2004/08	\$10.00	500,000,000	\$5,000,000,000	369,443,953	\$3,694,439,530	Please refer to attached Note (21)		
2004/10	\$10.00	500,000,000	\$5,000,000,000	370,943,953	\$3,709,439,530	Please refer to attached Note (22)		
2004/12	\$10.00	500,000,000	\$5,000,000,000	361,963,953	\$3,619,639,530	Please refer to attached Note (23)		
2005/09	\$10.00	500,000,000	\$5,000,000,000	359,498,953	\$3,594,989,530	Please refer to attached Note (24)		
2006/02	\$10.00	500,000,000	\$5,000,000,000	353,902,953	\$3,539,029,530	Please refer to attached Note (25)		
2008/05	\$10.00	500,000,000	\$5,000,000,000	351,072,953	\$3,510,729,530	Please refer to attached Note (26)		
2008/10	\$10.00	500,000,000	\$5,000,000,000	345,072,953	\$3,450,729,530	Please refer to attached Note (27)		
2009/01	\$10.00	500,000,000	\$5,000,000,000	335,072,953	\$3,350,729,530	Please refer to attached Note (28)		
2009/11	\$10.00	500,000,000	\$5,000,000,000	338,908,953	\$3,389,089,530	Please refer to attached Note (29)		
2010/09	\$10.00	500,000,000	\$5,000,000,000	288,072,611	\$2,880,726,110	Please refer to attached Note (30)		
2011/09	\$10.00	500,000,000	\$5,000,000,000	282,072,611	\$2,820,726,110	Please refer to attached Note (31)		
2011/11	\$10.00	500,000,000	\$5,000,000,000	277,871,611	\$2,778,716,110	Please refer to attached		

						Note (32)		
2011/12	\$10.00	500,000,000	\$5,000,000,000	271,871,611	\$2,718,716,110	Please refer to attached Note (33)		
2012/08	\$10.00	500,000,000	\$5,000,000,000	270,090,611	\$2,700,906,110	Please refer to attached Note (34)		
2012/11	\$10.00	500,000,000	\$5,000,000,000	262,713,611	\$2,627,136,110	Please refer to attached Note (35)		
2015/10	\$10.00	500,000,000	\$5,000,000,000	252,713,611	\$2,527,136,110	Please refer to attached Note (36)		
2022/03	\$10.00	500,000,000	\$5,000,000,000	255,673,535	\$2,556,735,350	Please refer to attached Note (37)		
2023/03	\$10.00	500,000,000	\$5,000,000,000	256,446,475	\$2,564,464,750	Please refer to attached Note (38)		

Notes:

01. On October 21, 1988, capital at time of establishment was NT\$87,500,000.
02. On March 16, 1990, the Company was approved for Initial Public Offering (IPO) and cash capital increase of NT\$262,500,000 by the Securities and Futures Commission, Ministry of Finance (1990), Approval Document Number: Tai-Tsai-Zheng (I) No. 000474.
03. On May 14, 1991, the Company was approved for re-capitalization of earnings at NT\$52,500,000 by the Securities and Futures Commission, Ministry of Finance (1991), Approval Document Number: Tai-Tsai-Zheng (I) No. 000999.
04. On July 20, 1992, the Company was approved for re-capitalization of earnings at NT\$40,250,000 by the Securities and Futures Commission, Ministry of Finance (1992), Approval Document Number: Tai-Cai-Zheng (I) No. 001738.
05. On June 30, 1995, the Company was approved for re-capitalization of earnings at NT\$116,087,500 by the Securities and Futures Commission, Ministry of Finance (1995), Approval Document Number: Tai-Cai-Zheng (I) No. 378708.
06. On January 5, 1996, the Company was approved for re-capitalization of earnings at NT\$85,437,500 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 64745.
07. On June 10, 1996, the Company was approved for re-capitalization of earnings at NT\$236,496,250 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 368278.
08. On December 21, 1996, the Company was approved for re-capitalization of earnings at NT\$119,228,750 by the Securities and Futures Commission, Ministry of Finance (1996), Approval Document Number: Tai-Cai-Zheng (I) No. 71905.
09. On June 5, 1997, the Company was approved for re-capitalization of earnings at NT\$367,000,000 and re-capitalization of additional paid-in capital at NT\$100,000,000 by the Securities and Futures Commission, Ministry of Finance (1997), Approval Document Number: Tai-Cai-Zheng (I) No. 451508.
10. On July 8, 1998, the Company was approved for re-capitalization of earnings at NT\$628,470,000 and re-capitalization of additional paid-in capital at NT\$278,730,000 by the Securities and Futures Commission, Ministry of Finance (1998), Approval Document Number: Tai-Cai-Zheng (I) No. 57619.
11. On May 20, 1999, the Company was approved for re-capitalization of earnings at NT\$292,665,680 and corporate bonds for capital at NT\$6,014,010 by the Securities and Futures Commission, Ministry of Finance (1999), Approval Document Number: Tai-Cai-Zheng (I) No. 47567.
12. On October 1999, Corporate bonds for capital at NT\$23,440.
13. On June 29, 2000, the Company was approved for recapitalization of additional paid-in capital at NT\$267,290,310 and corporate bonds for capital at NT\$180,560 by the Securities and Futures Commission, Ministry of Finance (2000), Approval Document Number: Tai-Cai-Zheng (I) No. 56329.
14. On November 9, 2000, the Company was approved for capital increase by means of merger or acquisition of stock, at NT\$371,525,000 by the Securities and Futures Commission, Ministry of Finance (2000), Approval Document Number: Tai-Cai-Zheng (I) No. 90247.
15. On May 22, 2001, the Company was approved for re-capitalization of earnings at NT\$435,946,870 by the Securities and Futures Commission, Ministry of Finance (2001), Approval Document Number: Tai-Cai-Zheng (I) No. 131546.
16. June 18, 2002, The Company was approved for capital increase by means of merger or acquisition of stock, at NT\$501,333,660 by the Securities and Futures Commission, Ministry of Finance (91), Approval Document Number: Tai-Cai-Zheng (Yi) No. 0910132958.
17. December 19, 2002, The Company was approved for buyback of the Company's shares to reduce capital at NT\$268,240,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (91), Approval Document Number: Tai-Cai-Zheng (San) No. 0910167268, February 26, 2003, Approval Document Number: Tai-Cai-Zheng (San) No. 0920106285 and June 12, 2003, Approval Document Number: Tai-Cai-Zheng (San) No. 0920126614.
18. July 17, 2003, The Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures Commission, Ministry of Finance (92), Approval Document Number: Tai-Cai-Zheng (Yi) No. 0920131289.
19. December 6, 2000, The Company was approved for buyback of the Company's shares for transfer to employees which are not yet transferred for more than 3 years as capital reduction at NT\$14,120,000 by the Securities and Futures Commission, Ministry of Finance (89), Approval Document Number: Tai-Cai-Zheng (San) No. 98643.
20. On June 3, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$187,380,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance (2004), Approval Document Number: Tai-Cai-Zheng (III) No. 0930124885.
21. On July 7, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930130255.
22. On July 27, 2004, the Company was approved for re-capitalization of earnings at NT\$15,000,000 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Yi-Zi No. 0930133470.
23. On September 1, 2004, the Company was approved for buyback of the Company's shares to reduce capital at NT\$89,800,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0930139490.
24. On June 14, 2005, the Company was approved for buyback of the Company's shares to reduce capital at NT\$24,650,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940124037.
25. On December 28, 2005, the Company was approved for buyback of the Company's shares to reduce capital at NT\$55,960,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0940159771.
26. On April 9, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$28,300,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number:

- Jin-Guan-Zheng-San-Zi No. 0970015115.
27. On September 18, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970026404.
  28. On December 16, 2008, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0970035293.
  29. Employee warrants at capital increase of NT\$38,360,000.
  30. On July 29, 2010, the Company was approved capital reduction at NT\$508,363,420 by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 0990035554.
  31. On September 22, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000046532.
  32. On November 22, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$42,010,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000057786.
  33. On December 26, 2011, the Company was approved for buyback of the Company's shares to reduce capital at NT\$60,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1000063425.
  34. On August 14, 2012, the Company was approved for buyback of the Company's shares to reduce capital at NT\$41,820,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010035989.
  35. On November 2, 2012, the Company was approved for buyback of the Company's shares to reduce capital at NT\$31,950,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-San-Zi No. 1010049862.
  36. On October 26, 2015, the Company was approved for buyback of the Company's shares to reduce capital at NT\$100,000,000 for maintaining the Company's shareholders' equity by the Securities and Futures Commission, Ministry of Finance, Approval Document Number: Jin-Guan-Zheng-Jiao-Zi No. 1040043244.
  37. On March 1, 2022, approved by the Hsinchu Science Park Administration, Ministry of Science and Technology, by letter Zhu-Zhang-Zi No. 1110006222 for the conversion of the Company's corporate bonds with issuance of new shares for additional capital of NT\$29,599,240.
  38. On March 22, 2023, approved by the Hsinchu Science Park Administration, Ministry of Science and Technology, by letter Zhu-Zhang-Zi No. 1120008738 for the conversion of the Company's corporate bonds with issuance of new shares for additional capital of NT\$7,729,400.

## (II) Type of Shares

March 31, 2023

Unit: Shares

Types of shares	Authorized Share Capital			Note
	Issued shares	Un-issued shares	Total	
Common Stock	256,446,475	243,553,525	500,000,000	Shares of listed company

Note: The aforementioned shares outstanding includes buying back treasury stock of 14,485,000 shares not yet transferred.

## (III) Information on shelf registration:

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

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

## (IV) Composition of shareholders:

March 31, 2023

Unit: shares; %

Composition of shareholders Quantity	Governmental agencies	Financial institutions	Other juridical person	Foreign institutions and foreign nationals	Domestic natural persons	Treasury shares	Total
Number of Shareholders	0	28	223	139	50,255	1	50,646
No. of shares held	0	33,785,642	48,966,337	33,347,065	125,862,431	14,485,000	256,446,475
Ownership	0.00%	13.18%	19.09%	13.00%	49.08%	5.65%	100.00%

## (V) Composition of Shareholders

## 1. Common Stock

March 31, 2023

Shareholder ownership	Number of Shareholders	No. of shares held	Ownership
1 to 999	25,713	2,638,403	1.03%
1,000 to 5,000	21,715	39,379,554	15.36%
5,001 to 10,000	1,840	14,435,937	5.63%
10,001 to 15,000	461	5,849,304	2.28%
15,001 to 20,000	263	4,825,856	1.88%
20,001 to 30,000	229	5,903,861	2.30%
30,001 to 40,000	99	3,553,463	1.39%
40,001 to 50,000	59	2,749,524	1.07%
50,001 to 100,000	114	8,224,696	3.21%
100,001 to 200,000	67	9,017,052	3.52%
200,001 to 400,000	27	7,826,086	3.05%
400,001 to 600,000	13	6,107,929	2.38%
600,001 to 800,000	8	5,396,800	2.10%
800,001 to 1,000,000	3	2,748,892	1.07%
1,000,001 or above	35	137,789,118	53.73%
Total	50,646	256,446,475	100.00%

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

## (VI) List of main shareholders

March 31, 2023

Name of Main Shareholders	Shares	Number of Shares Held	Ownership (%)
Youe Chung Capital Corporation		36,731,440	14.32%
Taiwan Mask Corporation		14,485,000	5.65%
Chao-Yi Wu		9,907,000	3.86%
Allianz Global Investors Taiwan Intelligence Trends Fund		8,500,000	3.32%
Fubon Life Insurance Co., Ltd.		5,362,000	2.09%
HSBC Bank (Taiwan) trust fund		5,113,000	1.99%
Fushuo Investment Co., Ltd.		4,364,000	1.70%
Allianz Global Investors Taiwan Fund		4,350,000	1.70%
K.J. Wu		3,000,000	1.17%
JPMorgan Chase Bank N.A., Taipei Branch in custody for JPMorgan		2,859,000	1.12%

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

Unit: NTD/in thousands of shares

Annual items		2021	2022	
Market Price Per Share (Note 1)	Highest	117.00	110.50	
	Lowest	36.5	49.95	
	Average	82.08	81.20	
Net worth per share (Note 2)	Before distribution	23.82	22.16	
	After distribution	21.57	19.21 (Note 9)	
Earnings per share	Weighted average shares	209,770	208,572	
	Earnings per share (Note 3)	5.65	3.37	
Dividends per share	Cash dividends	2.0	2.5 (Note 9)	
	Bonus Share	Shares from Profit	-	-
		Additional paid-in capital	-	-
	Accumulated Un-allocated Dividends (Note 4)	-	-	
Return on Investment	Price / Earnings Ratio (Note 5)	14.53	24.09	
	Price / Dividends Ratio (Note 6)	39.20	32.48 (Note 9)	
	Cash Dividends Yield (Note 7)	0.03	0.03 (Note 9)	

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

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

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

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

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

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

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

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

year until the annual report publication date.

Note 9: The board resolution on March 3, 2023 approved the schedule of profit distribution.

Note 10: Not applicable.

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

1. Dividends Policy

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

Steps for distribution as below:

- (1) Decide on the best capital budget.
- (2) Decide on the financing required for one of the capital budget items.
- (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
- (4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.

2. Status of dividend allocation approved by the board resolution

The Company proposed 2022 earnings distribution to the Board of Directors meeting on March 3, 2023, distributing cash dividends for common stock at NT\$ 556,511,393, cash dividends per share at approximately NT\$ 2.3. The Company intends to distribute the capital surplus from the issuance of shares in excess of par value to shareholders in cash at NT\$0.2 per share, for a total of NT\$48,392,295 in cash dividends. Distribution of cash dividends adopts the calculation method of "round down to the nearest dollar," fractions that do not amount to a full NT\$1 shall be added and recognized by the Company as other income. While the distribution of earnings is kept at NT\$2.3 per share, if there are regulatory changes by the competent authority or changes to the Company's capital, such as implementation of stock repurchase, which affect the number of shares outstanding before the dividends record date, the chairman is authorized to make changes to the profit distribution schedule, dividends record date and payment date and other relevant matters.

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

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

Not applicable, none is proposed this time.

(X) Employee, director remuneration

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

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

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

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

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

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

3. Earnings of 2021 for distribution of employees' and directors' remuneration:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution	Difference
I. Distribution			
Compensation for Directors and Supervisors	18,000,000	18,000,000	None
Employee Compensation in Cash	158,000,000	158,000,000	None
Employee Compensation in Stocks	-	-	None
II. Related information for earnings per share			
Original earnings per share	5.65	5.65	None
Calculated earnings per share	5.65	5.65	None
Note: There are no differences between actual distribution and recognized employee and director remuneration.			

4. Earnings of 2022 for distribution of employees' and directors' remuneration approved by the Board of Directors:

Unit: NTD

	Distribution plan proposed to Board of Directors	Actual distribution	Difference
I. Distribution			
Compensation for Directors and Supervisors	18,000,000	Note	Note
Employee Compensation in Cash	102,000,000	Note	Note
Employee Compensation in Stocks	-	-	Note
II. Related information for earnings per share			
Original earnings per share	3.37	Note	Note
Calculated earnings per share	3.37	Note	Note
Note: The abovementioned remuneration for directors, supervisors and employees have been expensed in 2022, and the recognized amount is no different from the amount proposed by the board of directors on March 3, 2023.			



(XI) Stock buybacks of the Company:

Session of share repurchase	29th
Purpose of share repurchase	Transfer shares to employees
Period of share repurchase	2022.05.13-2022.07.08
Price range of re-purchase	NT\$63 to NT\$95.8
Type and number of shares repurchased	Common stock of 10,000,000 shares
Total amount of share repurchase	NT\$842,535,928
Average price per share of share repurchase	NT\$84.25
Percentage of volume repurchased over the estimated volume of share repurchase	100%
Volume of shares with completed offset and transfer	10,000,000 shares
Accumulated number of shares held by the Company	14,485,000 shares
Percentage of accumulated number of shares held by the Company over the total number of issued shares	5.65%

## II. Handling situation of corporate bonds:

### (I) Handling situation of corporate bonds

Type of Corporate Bond		The 3rd domestic unsecured convertible bonds
Issuing (Processing) Date		2021/08/03
Denomination		NT\$100,000
Listing		Taipei Exchange
Issue Price		Issued at 115.23% of par value
Total Amount		NT\$2,304,532,020
Coupon rate		The coupon rate is 0% per annum
Term		5 years                      Maturity date: 2026/08/03
Guarantor		None
Trustee		Trust Department of Mega International Commercial Bank
Underwriter		KGI Securities Co., Ltd.
Legal Counsel		Attorney Ya-Wen Chiu of HANDSOME ATTORNEYS-AT-LAW
Attesting CPA		Not applicable.
Redemption Method		Convert to common shares of the Company pursuant to Article 10 of the Issue and Conversion Measures or exercise the right of sale in accordance with Article 19 of the Measures or redeem early in accordance with Article 18 of the Measures or the Company shall repay in cash the face value of the convertible bonds at maturity, unless the bonds are repurchased and retired by the Company from the securities dealer's office.
Outstanding Principal		NT\$1,675,600,000 (as of 2023/03/31)
Redemption or Early Repayment Terms		The Issue and Conversion Measures
Restrictive clauses		The Issue and Conversion Measures
Credit Rating Agency, Date of Rating, Corporate Bond Credit Rating		None
Other Rights	The amount of converted common stock (exchange or warrants), global depository receipts or other securities as of March 31, 2023	Already converted 3,732,864 common shares NT\$37,328,640
	Issuance and conversion (exchange or subscription) method	See the issue and conversion measures for the Company's 3rd domestic unsecured convertible bonds
Issuance and conversion, exchange or subscription methods, issuance conditions, possible dilution of equity, and impact on existing shareholders' equity		Based on the current outstanding balance and conversion price, it is estimated that 19,712,941 common shares, representing approximately 7.69% of the total issued shares, may be converted.
Custodian		None

Type of Corporate Bond	2022 first series domestic secured convertible corporate bonds		2022 second series domestic secured convertible corporate bonds	
	Bond A	Bond B	Bond A	Bond B
Issuing (Processing) Date	2022/09/28	2022/09/28	2022/12/27	2022/12/27
Total Amount	NT\$300 million	NT\$200 million	NT\$200 million	NT\$300 million
Denomination	NT\$1,000,000			
Listing	Taipei Exchange			
Issue Price	Issued at face value			
Annual interest rate (fixed)	1.80%	1.80%	2.20%	2.38%
Term	5 years		5 years	
Guarantor	Mega International Commercial Bank	First Commercial Bank of Taiwan	Shanghai Commercial and Savings Bank	Taichung Commercial Bank
Trustee	Bank SinoPac			
Underwriter	Mega Securities Co., Ltd.			
Legal Counsel	None			
Attesting CPA	None			
Redemption Method	A single repayment of principal at maturity			
Outstanding Principal	NT\$300 million	NT\$200 million	NT\$200 million	NT\$300 million
Terms of redemption or early repayment	None			
Restrictive clauses	None			
Credit Rating Agency, Date of Rating, Corporate Bond Credit Rating	Rating date: 2021/10/26 Taiwan Ratings: twAAA	Rating date: 2021/10/12 Taiwan Ratings: twAA+	Rating date: 2022/01/17 Taiwan Ratings: twAA	Rating date: 2022/5/10 Fitch Ratings: FitchA(twn)
Other Rights	The amount of converted common stock (exchange or warrants), global depository receipts or other securities as of March 31, 2023	None		
	Measures for Issuance and Conversion (Exchange or Subscription)	None		
Issuance and conversion, exchange or subscription methods, issuance conditions, possible dilution of equity, and impact on existing shareholders' equity		None		
Custodian		None		

(II) Information on convertible bonds

Type of Corporate Bond		The 3rd domestic unsecured convertible bonds	
Year		2022	The current year up to March 31
Market price of convertible bonds	Highest	126.00	116.40
	Lowest	92.70	103.50
	Average	110.45	108.74
Conversion price		\$85 (Note 1)	
Issuance (transaction) date and conversion price at issuance		Date: August 3, 2021 Conversion price: \$88.8	
Method of fulfilling the conversion obligation		Issuance of new shares	

Note 1: The conversion price was adjusted from NT\$87.4 to NT\$85 effective August 2, 2022.

**III. Preferred shares:** None of such situations.

**IV. Overseas depositary receipts:** None of such situations.

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

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

**VII. Financing plans and implementation**

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

(1) Raise working capital:

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

(2) Purchase of machinery and equipment:

The capital raising plan is expected to be used for purchasing machinery and equipment by NT\$2,040,000 thousand. As of Q4 2022, the cumulative amount spent was NT\$2,067,509 thousand, and the cumulative progress of implementation was 101.35%, which was fully completed.

2. The Company's 2022 1st series domestic secured convertible bonds, which raised total capital of NT\$500 million, have been approved on record by Zheng-Gui-Zhai-Zi No. 11100106782 on September 26, 2022, and the implementation of the capital utilization plan is as follows:

The total amount planned was NT\$500 million, and the actual amount of funds raised was NT\$500 million, all of which was used to repay loans from financial institutions. As of Q4 2022, the achievement rate was 100%, indicating that the implementation has been fully completed.

3. The Company's 2022 2nd series domestic secured convertible bonds, which raised total capital of NT\$500 million, have been approved on record by Zheng-Gui-Zhai-Zi No. 11100134102 on December 23, 2022, and the implementation of the capital utilization plan is as follows:

The total amount planned was NT\$500 million, and the actual amount of funds raised was NT\$500 million, all of which was used to repay loans from financial institutions. As of Q4 2022, the achievement rate was 100%, indicating that the implementation has been fully completed.

## Five. Overview of operations

### I. Business Activities

#### (I) Scope of business

##### 1. Main businesses operated and business proportions

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

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

##### 2. Current commodities and services of the company

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

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

##### 3. Plans for new products and services development

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

#### (II) Overview of the industry

##### 1. Industry status and development

Photomasks play a key role in the IC industry chain, accounting for 13% of semiconductor manufacturing materials, and their product specifications are mainly developed in accordance with the IC technology blueprint. Due to the increasing demand for precision in the IC industry, the most advanced photomask technology has been developed and produced below 5nm, and the Company has invested in new equipment and developed the related process. Currently, the technology has been certified by the customers related to 65/55 nm process and is in mass production.

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

As wafer manufacturing technology advances, many high level lithography requires co-solution to be identified by manufacturing processes, IC design and photomask craft. Therefore, world-class IDM and Foundry companies have set up their own photomask departments. Optical Proximity Correction Mask (OPC) and Phase Shift Mask (PSM) are widely used in 8” and 12” foundries. The self-built photomask departments accounts for about 65% of the global photomask market, while professional photomask manufacturing companies account for about 35%. In 2021, for example, the global annual production value of photomasks is about US\$5 billion, and will continue to grow in the future in response to the demand for new products.

## 2. Future industry development trend

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

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

## 3. Overall economy, industry development trends and product competitiveness

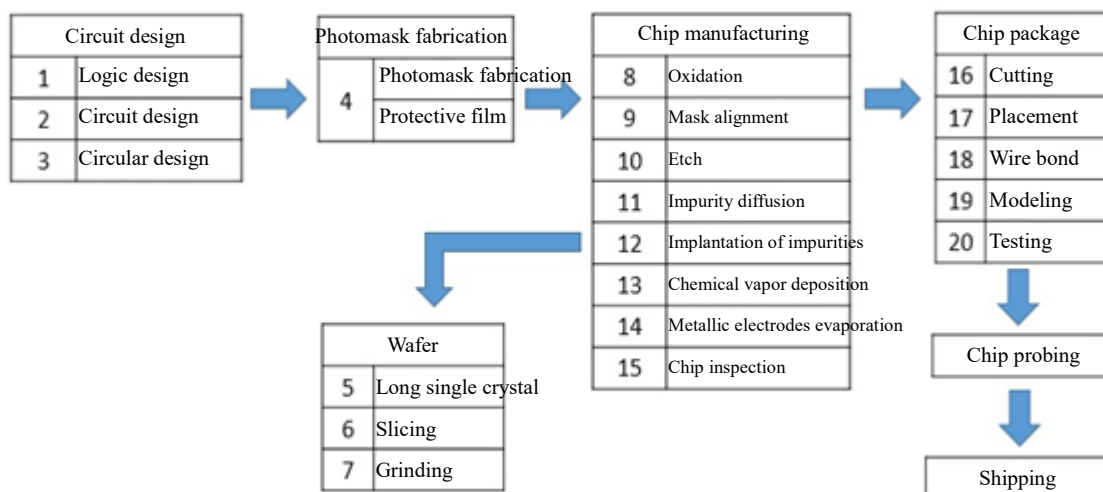
The impact of the US-China trade war in the past few years has changed the face of the world economy, especially the US ban on China’s semiconductor-related supply chain, which has deeply affected the development of the electronics industry on both sides of the Taiwan Strait. In the short term, China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

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

team's dedicated efforts.

TMC was founded in 1988 and has 34 years of experience in manufacturing services and has accumulated more than 400 customers. It has certain advantages in production capacity, manufacturing quality and production cost of mature photomask. As the photomask market continues to develop, competing companies are entering the photomask manufacturing service market through investment or merger and acquisition. In the future, only by continuously improving operational performance and expanding 12-inch photomask manufacturing service capacity can we stand firm in the photomask manufacturing service field and gradually increase our market share.

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



#### (III) Overview of technologies, research and development

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

Year	Research and development expenditure	Successful development of technology
2022	NT\$254,090 thousand	Developed 40/55/65 nm photomask mass production technology.

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

1. Short-term plan: increase 55/65 nm market share; expand the share of mature photomask manufacturing.
2. Intermediate-term plan: Introduced mass production of 28/40 nm photomasks.
3. Intermediate to long-term plan: Continue to invest in advance photomask development, and research and develop new fabrication processes and expand new customer sources.

## II. Status of the market and production/sales:

### (I) Market analysis

#### 1. Sales region of major products

The semiconductor industry in Taiwan is in a leading position globally, foundry market share accounts for more than half of the global market, IC design industry ranks second globally. TMC possesses geographical advantages, placing much effort in managing the



domestic market, thus, domestic sales accounts for more than half of total sales as the previous years. In the past three years, we have been working hard to develop markets in China, Korea, and Southeast Asia, and have achieved good results. Asia market still stands for a larger proportion than other international markets. Since photomask customers demand for high quality photomask, rapid shipments, convenient communications, Europe and USA regions with greater time zone differences seem to present inconveniences for sales expansion into these regions, also long distance means a longer shipping time. Both years were dominated by domestic and Asian markets.

Unit: NT\$Thousand; %

Region \ Year		2021		2022	
		Amount	%	Amount	%
Domestic	Domestic	2,986,379	49.14	2,929,266	37.84
Overseas	Asia	3,084,232	50.75	4,753,060	61.40
	Others	6,751	0.11	58,792	0.76
Net sales		6,077,362	100.00	7,741,118	100.00

## 2. Expansion of high-end products

Since the new management team took over in 2017, some shutdown machines have been restored to expand production capacity. In order to develop more advanced photomask products, new equipment was purchased and new manufacturing processes were developed starting the end of 2018. Newly purchased equipment was brought into the factory starting 2019, and the installation and process development were also completed. These efforts resulted in the substantial growth in revenue.

In the table below, we can clearly see that the sales of  $\leq 0.13\mu\text{m}$  have grown significantly from NT\$881 million in 2021 to NT\$1.202 billion in 2022, a growth rate of more than 36%. For TMC, the complete set of photomask technology certified by fabs has progressed from 90nm to 65nm, and the monolithic technology has also progressed from 65nm to 22nm.

Unit: In thousands of NTD

2021 Technology	Sales income	YoY	2022 Technology	Sales income	YoY
$\leq 0.13$	881,093	230%	$\leq 0.13$	1,202,394	36%

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

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

However, as we all know, the advancement of semiconductor wafer fabrication process will not stop, if we only stick to our original technology and production, our business will gradually shrink and we will lose our competitiveness. Therefore, starting from 2019,

the Company incrementally invested in new production equipment, developed new technology, allowing the business to extend to the 12-inch market beyond concentrating in the 6-inch and 8-inch market. Gradually cultivating towards new technology discipline with steady steps.

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

#### 4. Competitive niche

- (1) We have sufficient mature process capabilities and advanced development technologies, including 0.18 micron (and above), 0.15 micron, 0.13 micron, 0.11 micron and 90 nanometer, and even 65 nanometer, which has been developed for mass production, to provide satisfactory delivery services to our customers.
- (2) Mergers and acquisitions with Miracle Technology and Aptos Technology create a more complete service for IC design companies, from photomask manufacturing, foundry service to packaging and testing, providing customers total solutions service.
- (3) With advantages in professional photomask technology in addition to integration with Miracle Technology's professional manufacturing technology, assist customers to develop unique photomask or manufacturing technology heightening customer's competitiveness.

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

##### (1) Favorable factors

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

##### (2) Unfavorable factors

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

(3) Company countermeasures

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

(II) Key uses and production process of main products

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

(III) Supply status of main raw materials

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

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

## 1. Major Suppliers in the two most recent fiscal years

Unit: NT\$Thousand

Items	2021				2022			
	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net purchase of the year (%)	Relationship with the issuer
1	KEY FOUNDRY Co., Ltd.	1,373,922	43	None	KEY FOUNDRY Co., Ltd.	1,478,670	46	None
2	-	-	-		Vanguard International Semiconductor Corporation	333,877	10	
3	Others	1,818,840	57		Others	1,438,436	44	
	Net Purchase	3,192,762	100		Net Purchase	3,250,983	100	

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

## 2. Major customers in the two most recent fiscal years

Unit: NT\$Thousand

Items	2021				2022			
	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer	Name	Amount	Ratio of the net sales of the year (%)	Relationship with the issuer
1	A	942,399	16	None	A	936,993	12	None
	Others	5,134,963	84		Others	6,804,125	88	
	Net Sales	6,077,362	100		Net Sales	7,741,118	100	

Note: The Company's clientele is more divided. There was only one customer with net sales for over 10% the last two year.

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

Unit: 1000 pieces / NT\$Thousand

Production volume and value	Year	2021			2022		
		Production capacity	Volume	Value	Production capacity	Volume	Value
<b>Main Products</b>							
Photomask		65	65	1,454,152	68	67	1,796,579
Wafer Foundry Agency Services		-(Note 1)	-(Note 1)	1,898,802	-(Note 1)	-(Note 1)	2,311,785
Others		-(Note 2)	-(Note 2)	1,315,028	-(Note 2)	-(Note 2)	1,534,129
Total		-	-	4,667,982	-	-	5,642,493

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

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

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

Unit: 1000 pieces / NT\$Thousand

Sales volume	Sales value	2021				2022			
		Domestic		Overseas		Domestic		Overseas	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
<b>Main Products (or department)</b>									
	Photomask	44	1,870,393	21	902,946	38	2,009,758	29	1,877,890
	Wafer Foundry Agency Services	-(Note 1)	695,418	-(Note 1)	1,352,358	-(Note 1)	729,345	-(Note 1)	1,717,339
	Others	-(Note 2)	420,568	-(Note 2)	835,680	-(Note 2)	190,163	-(Note 2)	1,216,623
	Total	-	2,986,379	-	3,090,984	-	2,929,266	-	4,811,852

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

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

### III. Employee information

Year		2021	2022
Number of Employees	Technical personnel	255	293
	Management and sales personnel	299	364
	Operation personnel	355	434
	Total	909	1091
Average Age		40.81	40.42
Average Service Tenure		5.66	3.87
Distribution of Educational Background	Doctoral degree	2.09	1.47
	Master's degree	15.95	16.13
	University (College)	60.4	61.04
	Senior High School	19.8	19.71
	Below Senior High School	1.76	1.65

### IV. Expenditures on environmental protection

(I) Amount of loss incurred due to pollution as of 2022 and up to the date of publication of the annual report:

1. On 2022/03/02, the amount of raw materials used and the operating conditions of the air pollution control equipment in Plant #3 violated the provisions of Paragraph 2, Article 24 of the Air Pollution Control Act, and a fine of NT\$100,000 was levied. The subsequent improvement was not made on time, and another fine of NT\$100,000 was levied on 2022/04/15.
2. On 2022/05/20, the Operating Permits for Stationary Sources for Plant #1 and #2 expired, resulting in a violation of the provisions of Paragraph 2, Article 24 of the Air Pollution Control Act, and a fine of NT\$1.2 million was levied.
3. On 2022/09/08, the application to the competent authority for an extension of the use of toxic chemical substance chlorine was not submitted on time, resulting in a violation of Article 19 of the Toxic and Concerned Chemical Substances Control Act, and a fine of NT\$1 million was levied.

(II) Future countermeasures and possible expenditures

● Countermeasures

The Company's products go through the processes of exposure, development, chemical etching, stripping, followed by rinsing them in strong acid for cleaning before packaging them. These processes use chemicals for treatment and the Company wants to avoid pollution from occurring, thus, set up a neutralizing treatment tank for treating wastewater containing acids and alkalis from these processes. Wastewater is treated and released controlled

within the standards as regulated by laws and regulations on national level and of the science park management bureau. In the area of preventing pollution and environmental protection measures, the Company has comprehensive wastewater and air pollutant emissions treatment equipment. Specifically, for preventing long-term damage effects from the wastewater pond polluting underground water sources, the wastewater pond was designed “overhead”, managing personnel can check for leakages anytime. This is the most advanced wastewater treatment equipment globally. Air emissions go through the active carbon adsorption tower and washing column processes before being released. After the wastewater goes through this first stage treatment to meet the standard of the Hsinchu Science Park Bureau for sewer connection, it will be released to the wastewater treatment center of the Science Park for second time treatment.

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

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

- **Expenditure for environmental protection**

1. 2022 environmental protection-related expenditures were NT\$12,336 thousand, related routine maintenance, cleaning and transportation, treatment, testing and permit application fees were NT\$5,082 thousand. NT\$7,254 thousand was spent on maintenance and renovation of treatment facilities, of which about NT\$5,545 thousand was for wastewater area refurbishment; renewal of scrubber control system for air pollution prevention equipment and scrubber circulating water system to improve removal rate cost about NT\$2,300 thousand; the waste water treatment system was updated to improve the treatment efficiency of waste water discharge, and automatic control functions were added for control of abnormal water quality backflow for compliance with environmental protection regulations. The waste acid recovery project of the production line of Plant#3 has been officially operational, which has greatly reduced pollution discharge and waste water dosing, and an average of 13 tons of waste sulfuric acid per month can be recovered.

2. In 2022, a total of 11 power conservation projects were implemented, saving 2,289,804 kWh/year of electricity (accounting for 8% of the annual power consumption of TMC), and reducing carbon emissions by 1,166 metric tons of CO<sub>2</sub>e/year. Examples are as follows:

- (1) Replacement of traditional absorption dryers with newer absorption and thermal regeneration dryers, reducing the use of consumables and saving 320,000kw a year.

- (2) Replacing old air compressors with newer ones that have inverters installed, improving the efficiency and saving 290,000kw of power per year. MAU being heated with waste heat from ice machine instead of the original electric heating, saving 1,300,000kw of power per year.

2. Future plans

For 2023, an environmental protection budget of NT\$15,000 thousand will be

for the set up of a waste sulfuric acid recovery system construction project in Plant #1 and #2, which is expected to recover 15 to 20 tons a month and reduce the monthly liquid caustic soda added to the wastewater system by 15 tons. In response to the increase to the production capacity, wet bench machine is expected to meet the water conservation goals of 10 ton/day for short-term, 20 ton/day for intermediate-term, and 30 ton/day for long-term, and box washing machine is set up to make the pure water recovery rate reach 100% and return the water to the RO2 system storage tank.

The Company will continue to adhere to the philosophy of social responsibility and sustainability. In response to the increase in production capacity, environmental protection related expenditures, such as routine maintenance, cleaning and transportation, treatment and testing and general maintenance of treatment facilities, will also increase. It is hoped that the promotion of energy conservation and carbon reduction projects will mitigate the environmental impact caused by operations, further creating economic and social values.

## V. Labor relations information

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

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

[Salary and motivation system]

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

[Life care and protection]

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

[Convenient facilities]

- Provides complete indoor employee parking spaces

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

[Training]

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

2. Retirement scheme

The Company has established a retirement plan with defined payment for formal employees based on the Labor Standards Act, making monthly payments to the retirement fund account with Bank of Taiwan. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with domestic citizenship. Under the New Plan, the Company contributes monthly an amount not less than 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

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

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

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

## **VI. Important contracts**

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

In addition, the Company's annual report for the current year is attached as Nine. Attachment 2. The latest annual (2022) audited and attested consolidated financial statements also disclosed "significant contingent liabilities and unrecognized contractual commitments". (Page 66)



## Six. Overview of Financial Status

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

(I) Condensed balance sheets - IFRS (consolidated)

Unit: NT\$Thousand

Year Items	Financial information for the past five fiscal years (Note 1)					
	2018	2019	2020	2021	2022	
Current assets	1,734,383	2,258,934	2,429,726	8,435,838	5,903,882	
Property, plant and equipment	966,563	1,546,919	3,108,099	4,142,224	5,883,661	
Intangible assets	112,544	126,776	173,724	387,866	497,180	
Other assets	1,050,828	1,793,741	3,390,159	3,148,299	5,608,183	
Total assets	3,864,318	5,726,370	9,101,708	16,114,227	17,892,906	
Current liabilities	Before distribution	1,238,297	1,718,406	3,677,416	6,369,661	6,979,765
	After distribution	1,432,380	1,971,120	4,056,487	6,852,039	7,584,668
Non-current liabilities		52,210	1,975,859	4,874,387	6,478,934	
Total Liabilities	Before distribution	1,290,507	2,604,912	5,653,275	11,244,048	13,458,699
	After distribution	1,484,590	2,857,626	6,032,346	11,726,426	14,063,602
Equity attributable to shareholders of the parent company		2,558,494	2,990,222	3,538,598	5,100,527	4,546,920
Capital		2,527,136	2,527,136	2,527,136	2,556,735	2,564,465
Total capital reserve	Before distribution	169,431	322,777	439,898	1,315,828	1,251,681
	After distribution	-	-	-	1,074,639	1,203,289
Retained earnings	Before distribution	738,815	977,513	1,405,273	2,165,355	2,499,245
	After distribution	544,732	724,799	1,026,202	1,924,166	1,942,734
Other equity interests		7,853	(1,872)	889	4,032	10,508
Treasury stock		(884,741)	(835,332)	(834,598)	(941,423)	(1,778,979)
Non-controlling Interests		15,317	131,236	(90,165)	(230,348)	(112,713)
Total Equity	Before distribution	2,573,811	3,121,458	3,448,433	4,870,179	4,434,207
	After distribution	2,379,728	2,868,744	3,069,362	4,387,801	3,829,304

Note 1: Finance information from 2018 to 2022 were audited and attested by certified public accountants.

Note 2. The Company's Board meeting resolved on March 3, 2023 to distribute a cash dividend of NT\$2.3 per common share from the 2022 earnings, with a total dividend of \$556,511 thousand. In addition, a cash distribution of NT\$0.2 per share was made from capital surplus for a total of NT\$48,392 thousand.

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

Unit: NT\$Thousand

(Loss per share expressed in NT\$1)

Year Items	Financial information for the past five fiscal years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,885,982	3,468,682	4,666,756	6,077,362	7,741,118
Gross profit	629,008	612,402	943,086	1,409,380	2,098,625
Operating income	259,536	7,329	344,153	434,012	1,248,276
Non-operating income and expenses	(55,890)	367,188	286,388	744,086	(574,563)
Earnings Before Tax	203,646	374,517	630,541	1,178,098	673,713
Net income of current period from continuing operations	145,820	311,940	486,307	886,561	445,632
Loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the period	145,820	311,940	486,307	886,561	445,632
Other comprehensive income for the period (net after tax)	1,299	(8,340)	3,185	4,332	3,820
Total comprehensive income for the year	147,119	303,600	489,492	890,893	449,452
Net profit attributable to shareholders of the parent company	199,203	431,254	683,897	1,185,777	703,519
Net profit attributable to non-controlling interests	(53,383)	(119,314)	(197,590)	(299,216)	(257,887)
Total comprehensive income attributable to shareholders of the parent entity	200,011	423,056	687,082	1,190,109	707,339
Total comprehensive income attributable to non-controlling interests	(52,892)	(119,456)	(197,590)	(299,216)	(257,887)
Earnings per share	1.02	2.19	3.34	5.65	3.37

Note: Finance information from 2018 to 2022 were audited and attested by certified public accountants.

## (III) Condensed balance sheets - IFRS (standalone)

Unit: NT\$Thousand

Items		Year				
		2018	2019	2020	2021	2022
Current assets		1,162,525	1,561,615	1,809,099	3,506,849	2,668,405
Property, plant and equipment		855,134	1,369,968	2,746,203	3,178,465	4,762,328
Intangible assets		939	2,177	2,366	8,518	41,720
Other assets		1,514,835	1,980,152	3,035,145	4,849,712	5,604,176
Total assets		3,533,433	4,913,912	7,592,813	11,543,544	13,076,629
Current liabilities	Before distribution	935,415	1,157,150	2,013,853	1,635,143	2,442,523
	After distribution	1,129,498	1,409,864	2,392,924	2,117,521	2,999,034
Non-current liabilities		39,524	766,540	2,040,362	4,807,874	6,087,186
Total Liabilities	Before distribution	974,939	1,923,690	4,054,215	6,443,017	8,529,709
	After distribution	1,169,022	2,176,404	4,433,286	6,925,395	9,086,220
Capital		2,527,136	2,527,136	2,527,136	2,556,735	2,564,465
Capital surplus	Before distribution	169,431	322,777	439,898	1,315,828	1,251,681
	After distribution	-	-	198,709	1,074,639	1,203,289
Retained earnings	Before distribution	738,815	977,513	1,405,273	2,165,355	2,499,245
	After distribution	544,732	724,799	1,164,084	1,924,166	1,942,734
Other equity interests		7,853	(1,872)	889	4,032	10,508
Treasury stock		(884,741)	(835,332)	(834,598)	(941,423)	(1,778,979)
Total Equity	Before distribution	2,558,494	2,990,222	3,538,598	5,100,527	4,546,920
	After distribution	2,364,411	2,737,508	3,056,220	4,618,149	3,990,409

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

Note 2: The Company's Board meeting resolved on March 3, 2023 to distribute a cash dividend of NT\$2.3 per common share from the 2022 earnings, with a total dividend of \$556,511 thousand. In addition, a cash distribution of NT\$0.2 per share was made from capital surplus for a total of NT\$48,392 thousand.

(IV) Condensed statements of comprehensive income - IFRS (parent-only financial report)

Unit: NT\$Thousand

(Loss per share expressed in NT\$1)

Items	Year				
	2018	2019	2020	2021	2022
Operating revenue	1,448,393	1,658,131	2,175,018	2,773,339	3,887,648
Gross profit	471,228	513,182	851,193	1,319,187	2,091,069
Operating income	287,563	234,693	539,949	738,136	1,661,579
Non-operating income and expenses	(61,955)	230,133	206,941	624,859	(766,410)
Net profit (loss) before tax	225,608	464,826	746,890	1,362,995	895,169
Net profit from continuing operations	199,203	431,254	683,897	1,185,777	703,519
Profit or loss from discontinued operations	-	-	-	-	-
Net profit (loss) for the period	199,203	431,254	683,897	1,185,777	703,519
Other Comprehensive Profit or Loss	808	(8,198)	3,185	4,332	3,820
Total comprehensive income for the year	200,011	423,056	687,082	1,190,109	707,339

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

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

Attestation Year	Certified Accountant	Opinions
2018	Ya-Hui Cheng, Tien-I Li	An unqualified opinion
2019	Tien-I Li, Ya-Hui Cheng	An unqualified opinion
2020	Tien-I Li, Ya-Hui Cheng	An unqualified opinion
2021	Tien-I Li, Ya-Hui Cheng	An unqualified opinion
2022	Ya-Hui Cheng, Chien-Yu Liu	An unqualified opinion

## II. Financial analysis for the past five fiscal years

### (I) Financial analysis - IFRS (Consolidated)

Items to be analyzed (Note 2)		Year (Note 1)				
		2018	2019	2020	2021	2022
Financial position (%)	Debt to asset ratio	33.40	45.49	62.33	69.78	75.22
	Long-term fund to property, plant and equipment ratio	271.69	259.09	173.06	235.25	185.48
Solvency (%)	Current ratio	140.06	131.46	66.33	132.44	84.59
	Quick ratio	100.08	114.02	57.67	123.27	74.45
	Times interest earned	37.54	24.63	20.09	12.72	4.79
Operating performance	Average collection turnover (times)	5.37	5.20	5.71	5.57	5.56
	Days sales outstanding	68	70	64	66	66
	Average inventory turnover (times)	6.00	8.74	16.53	14.86	13.85
	Average payment turnover (times)	11.45	9.42	9.71	10.68	12.61
	Average inventory turnover days	61	42	22	25	26
	Property, plant and equipment turnover (times)	2.95	2.76	2.00	1.68	1.54
	Total assets turnover (times)	0.83	0.72	0.63	0.48	0.46
Profitability	Return on assets (%)	4.31	6.77	6.93	7.67	3.46
	Return on equity (%)	5.77	10.95	14.88	21.32	9.58
	Pre-tax income to paid-in capital (%)	8.06	14.82	24.95	46.08	26.27
	Net profit margin (%)	5.05	8.99	10.42	14.59	5.76
	Earnings per share (NTD)	1.02	2.19	3.34	5.65	3.37
Cash flow	Cash flow ratio (%)	(12.88)	39.09	(1.95)	(19.88)	20.24
	Cash flow adequacy ratio (%)	115.66	95.24	30.20	(3.74)	6.30
	Cash flow reinvestment ratio (%)	(3.34)	11.71	(7.59)	(16.95)	9.09
Leverage	Operating leverage	3.05	112.19	3.37	4.44	2.54
	Financial leverage	1.02	(0.86)	1.11	1.30	1.17

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

1. Financial structure (long-term capital to property, plant and equipment) and debt service (current ratio, quick ratio, interest coverage ratio): mainly due to the increase in customer demand, added long-term borrowings and issue corporate bonds to purchase fixed assets.
2. Profitability (Return on assets, return on equity, net profit margin, earnings per share): Mainly due to losses in non-operating financial asset valuation.
3. Cash flow (cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio): Mainly due to increase in net cash outflows from operating activities in the current period compared with the previous period
4. Leverage (operating leverage): Due to the increase in operating profit in the current period compared with the increase in the same period last year. .

Note 1: Finance information from 2018 to 2022 were audited and attested by certified public accountants.

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

1. Capital structure

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

2. Solvency

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

3. Operating performance

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

4. Profitability

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

5. Cash flow

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

6. Leverage

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

## (II) Financial analysis - Adopt IFRS (parent-only)

Items to be analyzed (Note 2)		Year (Note 1)				
		2018	2019	2020	2021	2022
Financial position (%)	Debt to asset ratio	27.59	39.15	53.40	55.81	65.23
	Long-term capital to property, plant, and equipment ratio	303.81	274.22	203.15	311.74	223.3
Solvency (%)	Current ratio	124.28	134.95	89.83	214.47	109.25
	Quick ratio	103.63	120.59	81.13	205.43	100.08
	Times interest earned	73.21	33.34	27.92	25.37	10.76
Operating performance	Average collection turnover (times)	4.80	4.59	5.36	5.37	5.52
	Days sales outstanding	76	80	68	68	66
	Average inventory turnover (times)	8.09	8.61	10.65	13.17	15.72
	Average payment turnover (times)	16.79	14.07	12.92	15.27	18.87
	Average inventory turnover days	45	42	34	28	23
	Property, plant and equipment turnover (times)	1.71	1.49	1.06	0.94	0.98
	Total assets turnover (times)	0.46	0.39	0.35	0.29	0.32
Profitability	Return on assets (%)	6.48	10.48	11.29	12.86	6.31
	Return on equity (%)	8.03	15.54	20.95	27.45	14.58
	Pre-tax income to paid-in capital (%)	10.11	18.39	29.55	53.31	34.91
	Net profit margin (%)	13.75	26.01	31.44	42.76	18.1
	Earnings per share (NTD)	1.02	2.19	3.34	5.65	3.37
Cash flow	Cash flow ratio (%)	24.69	48.57	32.46	20.28	69.5
	Cash flow adequacy ratio (%)	198.45	118.42	60.39	44.49	41.19
	Cash flow reinvestment ratio (%)	4.61	8.20	6.57	(0.46)	9.00
Leverage	Operating leverage	2.54	3.74	2.36	2.48	1.75
	Financial leverage	1.01	1.07	1.05	1.08	1.06

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

1. Financial structure (long-term capital to fixed assets) and debt service (current ratio, quick ratio): mainly due to the increase in customer demand and added long-term borrowings to purchase fixed assets.
2. Operational capability (inventory turnover): Due to the increase in cost of goods sold.
3. Profitability (return on equity, pre-tax income to paid-in capital ratio, net profit margin, earnings per share): Mainly due to losses in valuation of non-operating financial assets.
4. Cash flow (cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio): Mainly due to increase in net cash outflows from operating activities in the current period compared with the previous period.

Note 1: The aforementioned financial information from 2018 to 2022 were audited and verified by a certified accountant.



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

1. Capital structure

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

2. Solvency

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

3. Operating performance

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

4. Profitability

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

5. Cash flow

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

6. Leverage

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

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

#### **Taiwan Mask Corporation**

#### **Audit Committee's Audit Report**

We have reviewed the Company's 2022 business report, financial statements and earnings distribution proposal prepared by the board of directors. The financial statements have been audited by CPA Ya-Hui Cheng and CPA Chien-Yu Liu of PricewaterhouseCoopers Taiwan, to which the firm has issued an independent auditor's report. The Audit Committee found no misstatement in the above, and hereby presents this report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For

The 2023 Annual General Meeting

Taiwan Mask Corporation

Audit Committee convener: Wei-Chen Wang

March 3, 2023

Taiwan Mask Corporation  
Consolidated Financial Statements Declaration

The companies that are required to be included in the affiliated companies consolidated financial statements as of and for the year ended on December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the affiliated companies consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Consequently, do not prepare a separate set of consolidated financial statements of the affiliated companies.

Very truly yours

Company Name: Taiwan Mask Corporation

Person in Charge: Sean Chen



March 3, 2023

- IV. Parent-only financial statements for the most recent fiscal year (2022) audited and attested by certified public accountants: Please refer to Attachment 1.
- V. Consolidated financial statements for the most recent fiscal year (2022) audited and attested by certified public accountants: Please refer to Attachment 2.
- VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation: None.

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

### I. Financial position

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

Unit: NT\$Thousand

Items \ Year	2021	2022	Difference	
			Amount	%
Current assets	8,435,838	5,903,882	(2,531,956)	(30.01)
Fixed assets	4,142,224	5,883,661	1,741,437	42.04
Other assets	3,536,165	6,105,363	2,569,198	72.65
Total assets	16,114,227	17,892,906	1,778,679	11.04
Current liabilities	6,369,661	6,979,765	610,104	9.58
Non-current liabilities	4,874,387	6,478,934	1,604,547	32.92
Total Liabilities	11,244,048	13,458,699	2,214,651	19.70
Capital	2,556,735	2,564,465	7,730	0.30
Capital surplus	1,315,828	1,251,681	(64,147)	(4.88)
Retained earnings	2,165,355	2,499,245	333,890	15.42
Other equity interests	4,032	10,508	6,476	160.62
Treasury stock	(941,423)	(1,778,979)	(837,556)	88.97
Non-controlling Interests	(230,348)	(112,713)	117,635	(51.07)
Total Equity	4,870,179	4,434,207	(435,972)	(8.95)

(II) Analysis of changes in proportion

1. Current assets decreased by 30.01%, which was caused by the decrease of financial assets in the current period.
2. Fixed assets increased by 42.04% due to the purchase of machinery and equipment and the construction of a clean room.
3. Other assets increased by 72.65%, which was due to the increase in advance payment for equipment in the current period.
4. Non-current liabilities increased by 32.92%, which was due to the increase in long-term borrowings and the issue of ordinary corporate bonds in the current period.
5. Other equities increased by 160.62%, which was due to the increase in the exchange difference arising on translation of foreign operations.
6. Treasury stocks increased by 88.97%, which was due to the increase in the repurchase of treasury stocks in the current period.
7. Non-controlling interest decreased by 51.07%, which was due to the net value of the consolidated amount for the period was positive.

## II. Financial performance

### (I) Financial performance comparison analysis table

Unit: NT\$Thousand

Items	Year		Amount increase (decrease)	Change in proportion (%)
	2021	2022		
Operating revenue	6,077,362	7,741,118	1,663,756	27.38
Operating costs	4,667,982	5,642,493	974,511	20.88
Gross profit	1,409,380	2,098,625	689,245	48.90
Operating expenses	975,368	850,349	(125,019)	(12.82)
Operating profit (loss)	434,012	1,248,276	814,264	187.61
Non-operating income and expenses	744,086	(574,563)	(1,318,649)	(177.22)
Net income (loss) of this period from continuing operations	886,561	445,632	(440,929)	(49.73)
Other comprehensive income (loss) for the year:	4,332	3,820	(512)	(11.82)
Net income (loss)				
Total comprehensive income for the year	890,893	449,452	(441,441)	(49.55)

### (II) Analysis of changes in proportion

1. Operating revenue increased by 27.38%, operating costs increased by 20.88% and operating gross profit increased by 48.90% due to the increase in revenue of Taiwan Photomask and Miracle Technology.
2. Non-operating income and expenses decreased by 177.22%, mainly due to the decrease in valuation of financial assets.
3. Decrease in net income for this period from continuing operations at 49.73%, mainly due to the decrease in valuation of financial assets.
4. The total comprehensive income in the current period decreased by 49.55%, mainly due to the negative number of non-operating expenses in the current period.

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

In response to future trends of IC manufacturing technology advancement, current matured technology facilities owned by the Company are not sufficient to meet the demands of IC design companies. Thus, there are plans to purchase photomask equipment with high-level technology to satisfy customer demands for high-level manufacturing, and to elevate the Company's overall competitiveness. Estimated photomask sales volume in 2023 is expected to increase by 17% from 2022. The Company is actively reducing cost and various expenses, continues to research and develop and upgrade its technology to improve operations and increase profits.

### III. Cash flow

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

Items \ Year	2021	2022	Ratio increase (decrease)
Cash flow ratio	(19.88)	20.24	40.12pps
Cash flow adequacy ratio	(3.74)	6.30	10.04pps
Cash flow reinvestment ratio	(16.95)	9.09	26.04pps

(II) Explanation of changes in the ratio

Cash flow ratio, cash flow adequacy ratio, cash flow reinvestment ratio: Mainly due to the net cash used in 2021 operating activities, and the net cash generated from 2022 operating activities.

(III) Improvement plan for liquidity shortfall

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

(IV) Cash flow analysis for the coming year

Unit: NT\$Thousand

Opening Balance (1)	Estimated cash flow from operating activities (2)	Estimated cash flow from investment and financing activities (3)	Estimated cash balance (shortfall) amount (1) + (2) + (3)	Remedy for insufficient cash	
				investment plan	Financing plan
1,749,957	824,083	(3,533,220)	(959,180)	-	6,000,000

1. Operating activities: Mainly estimated cash generated from sales and added depreciation with no cash flow.
2. Investment activities: It is expected that there will be purchases of machinery and equipment, therefore, investment activities will have situations of net cash used.

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

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

Unit: NT\$Thousand

Project item	Actual or planned source of capital	Actual usage of funds	
		2021	2022
1. Buildings and structures	Operating profit, issuance of convertible corporate bonds and medium and long-term borrowings.	1,883,332	2,911,204
2. Exposure equipment			
3. Test system			
4. Measurement equipment			
5. Process equipment			
6. Repair system			
7. Environmental equipment			

(II) Expected possible benefits generated

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

Unit: Pieces; NTD in thousands

Year	Items	Unit	Production volume	Sales volume	Sales value	Gross profit
2023	Photomask	Pieces	10,000	10,000	1,230,000	615,000
2024	Photomask	Pieces	11,000	11,000	1,639,000	819,500

2. Description of other benefits

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



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

The Company's re-investment are strategic investments, recognized investment losses based on the equity method of the 2022 consolidated financial statement is at NT\$61,296 thousand. Reasons for the loss and improvement plan are as shown below:

Investee	Net profit (loss) of the investee for the current period	Investment income(loss) recognized by the Company for the current period	Reasons	Improvement plan
Advagene Biopharma Co., Ltd.	(118,377)	(36,387)	Currently at the research and development stage, and continue to invest in research and development expenditures, resulting in net losses.	Emphasize on business expansion, actively seeking to win technology transfer of major international manufacturers and collaborations development and so on models, in the hope that the current new dosage form of drug can enter the market for sales in the shortest time, maximizing the value.
Weida Hi-Tech Co., Ltd.	(88,323)	(24,909)	Incurred losses due to continuous investment in R&D	Explore more orders

## VI. Analysis and assessment of risks

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

Items	Impact to the Company's profit and loss	Future countermeasures
Changes in interest rate	Interest rate increases or decreased by 0.25% / Net income after tax increases or decreases NT\$16,808 thousand in 2022	As photomask manufacturing is considered an industry with high capital intensity, besides capital generated from the Company's operations, may use methods such as increased investments, issue of secured corporate bonds or intermediate or long-term debts as sources of capital for the company's operations and purchase of machinery and equipment. Current capital held is sufficient to respond to the company's future operations requirements. In the future, will adjust capital usage situations dependent upon the changes to financial interests and hedging policy as countermeasures, to reduce impacts to gains (losses).
Exchange rate fluctuation	Exchange rate fluctuation 1% / Increase in gains (losses) NT\$17,748 thousand in 2022	Continue to monitor foreign exchange market information, conduct hedging strategies, to effectively control the company's gains (losses) situation.
Inflation	No impacts	Inflation situations in the most recent fiscal year have limited impacts to the Company's gains or losses, continue to take note of changes in domestic and overseas economies.

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

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

Unit: NT\$Thousand

Company that lent funds	Borrowing party	Type	2022/12/31	2023/03/31
Youe Chung Capital Corporation	Aptos Technology INC.	Working capital	150,000	270,000
	Xsense Technology	Working capital	270,000	270,000
	Innova Vision INC.	Working capital	90,000	90,000
Adl Engineering INC.	Aptos Technology INC.	Working capital	7,200	0
Miracle Technology CO., LTD.	Aptos Technology INC.	Working capital	170,000	170,000
Pilot Battery Co.,Ltd.	Xsense Technology	Working capital	-	50,000

### 3. Endorsement and guarantee

Unit: NT\$Thousand

Endorser/guarantor	Guaranteed Party	2022/12/31	2023/03/31
Taiwan Mask Corporation	Miracle Technology CO., LTD.	214,970	213,150
Adl Engineering INC.	Aptos Technology INC.	19,500	12,000
Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	224,808	225,981
Miracle Technology CO., LTD.	Xsense Technology Corporation	150,000	150,000
Miracle Technology CO., LTD.	Aptos Technology INC.	-	20,000
Pilot Battery Co.,Ltd.	Adl Engineering INC.	-	30,000

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

To elevate competitiveness and to satisfy demands from customers and markets, it is expected to continue to invest in human resources and expenditures to research and develop high level photomask products, advanced manufacturing processes and so on technology development in the future, to maintain leading position in technology and product yield rate. In 2023, the expected research and development expenses will be approximately NT\$410 million.

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

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

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

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

#### 2. Information security risk assessment

##### (1) Cybersecurity risk management framework

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

- Hold information security management review meeting every year (for information security management system, information security policy) → Held in August 2022
- The head of the information unit reports the implementation status of the information security management system in the Company's monthly meetings.

##### (2) Cybersecurity policy and specific management program

- The Company's information security management policy, "Provide a reliable information security operating environment and maintain the legal use of information systems and data to ensure the continuous and normal operation of company services and achieve the Company's information security management goals. "

- In order to effectively implement the information security management system, our specific practices are as follows:
  - A. Establish procedures for information processing system management to protect computer and internet security, implementing information security management through strengthening the concept, preventive measures, conduct records, active precaution, regular audits and so on procedures.
  - B. Formulate information security events notification management procedures assigning related personnel with necessary responsibility to facilitate rapid handling of information security incidents.
  - C. Establish information security facilities and systems change management notification mechanisms to prevent leaks in system security.
  - D. Handle prudently and protect personal data in accordance with the provisions as stipulated in “Computer-Processed Personal Data Protection Law.”
  - E. Establish backup facility, rigorous backup necessary data for 321 principle, software and backup procedures, to prepare for disaster or malfunction in storage media, enabling rapid recovery back to normal operation. However, it is not possible to guarantee a complete avoidance of illegal intrusion by third parties who use internet virus attack, serious internet attacks may result in system problems interrupting the company’s operations or prying of confidential information. These attacks may result in compensations to customers of the losses incurred from delays or interruptions from the company, or the need to bear expenses for rebuilding system security protection.
  - F. Improve employees’ information security awareness and regularly conduct social engineering drills and information security education and training sessions.
  - G. Develop risk assessment operations and take appropriate corrective and preventive measures for high-risk services to educe the probability or impact of risks.
  - H. Hold management review meetings every year to review the operation of the information security management system and the related improvements, maintenance and operation of documents at all levels.
  - I. Establish access control and management procedures, and standardize access control requirements for company systems, networks, and data, including configuration and management of employee accounts, passwords, and access authority to prevent information security incidents of unauthorized access to information assets.
  - J. Formulate remote work methods, and standardize the requirements of remote work environment, connection and computer, so that employees can comply with the authorization and requirements of the Company’s information security management system in the remote work scenario.

We have joined the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC) in 2022 to process information.

(3) Resources committed to cybersecurity management.

- Number of information security personnel (14 representatives from each department and 20 from the Information Management Department): 34 people
- Information security management review meeting every year → Held in August 2022
- Information security monthly meeting

(4) Adopt the information security management system standards, and obtain third-party verification.

We obtained the ISO/IEC 27001:2013 Information security management systems verification in October 2020, and completed the 2nd annual audit verification for the ISO 27001.

(5) Information security risk events

The Company has not discovered any information security risk events in 2022.

(VI) Effect on the Company’s crisis management from changes in the Company’s corporate image and

measures to be taken in response: None of such situations.

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

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

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

1. In response to frequent changes to market demands, supply aspects need to have flexibility. Various major materials required by the Company's operations are steadily supplied by multiple suppliers. There have been plans each year in assessing new suppliers. The company plans to collaborate actively with suppliers for the supply of raw materials and equipment required by operations in the coming one year.
2. Major sales customers of the Company are well-known companies, proportion of revenues from customers are diverted across major industries, there are no risks of concentration of sales.

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

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

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

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

The case where the Securities and Futures Investors Protection Center serving as the plaintiff suing the Company and former chairman to request the dismissal of the director position has been rejected by the Intellectual Property and Commercial Court in the 2022 Shang-Su-Zi #16 judgment. In the case of the former chairman's involvement with the Securities and Exchange Act, the Supreme Court made the (109) Tai-Shang-Zhi #964 ruling, and reversed and remanded the guilty part of the judgment made by the Taiwan High Court in the (108) Jin-Shang-Su-Zhi #31, and sent the ruling back to the Taiwan High Court for review.

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

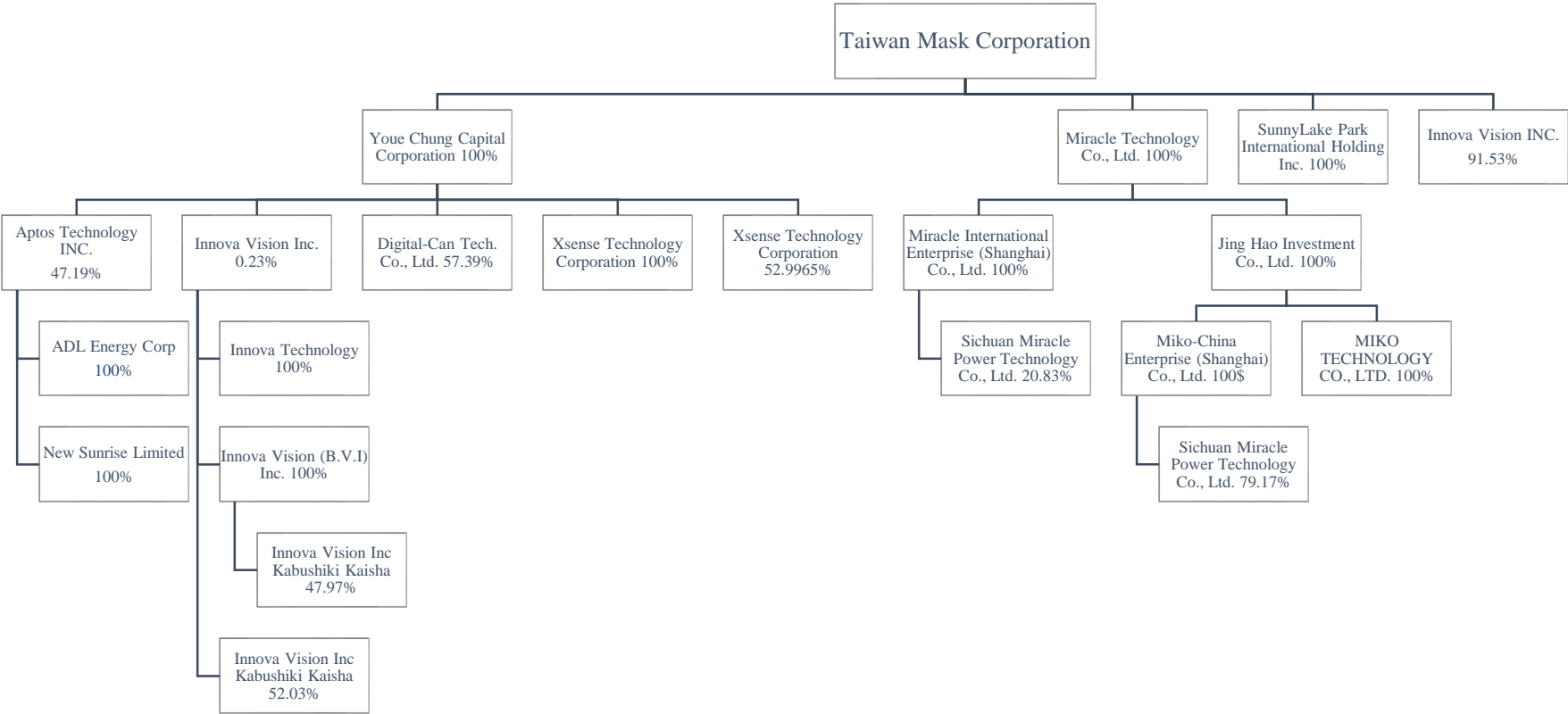
**VII. Other important matters:** None.

# Eight. Special Items to be Included

## I. Information of affiliated companies

(I) Organizational chart of affiliated companies

December 31, 2022



## (II) Performance of affiliated companies

December 31, 2022 Unit: NTD in thousand

Name of entity	Amount of Capital	Total assets	Total Liabilities	Total Equity	Operating revenue	Operating profit	Profit and Loss of the Period (after taxes)
Youe Chung Capital Corporation	5,348,776	7,005,616	2,758,444	4,247,172	-	(44,259)	(1,379,376)
SunnyLake Park International Holdings, Inc	95,815	5,746	-	5,746	-	-	43
Miracle Technology CO., LTD.	229,550	1,358,902	912,643	446,259	1,687,147	(10,172)	63,131
Jingjing Investment Co., Ltd.	212,808	355,072	69,221	285,851	-	(101)	50,890
Miko Technology Co., Ltd	39	6,833	93	6,740	-	(56)	(50)
Miko-China Enterprise (Shanghai) Co., Ltd.	3,132	358,811	14,024	344,787	111,767	69,657	60,374
Miracle International Enterprise(Shanghai) Co., Ltd.	9,213	271,447	177,812	93,635	997,251	12,231	3,278
Sichuan Miracle Power Technology Co., Ltd.	52,896	112,562	53,807	58,755	199,103	(10,107)	(3,440)
Aptos Technology INC.	603,560	914,685	1,105,141	(190,456)	698,246	(272,772)	(295,477)
Adl Engineering INC.	119,845	60,640	12,726	47,914	10,545	(27,001)	(19,975)
New Sunrise Limited	-	-	-	-	-	-	-
Apoto Global Holding Corp.	30,710	-	-	-	-	-	-
Innova Vision INC.	402,000	402,745	366,267	36,478	41,437	(127,262)	(129,197)
Innova Vision Kabushiki Kaisha	JPY80,000,000	JPY110,641,734	JPY112,038,046	(JPY1,396,312)	JPY173,934,579	(JPY7,732,316)	(JPY5,192,783)
Innova Vision (B.V.I.) Inc	US\$1,000,000.00	US\$5,541.37	US\$5,068.84	US\$472.53	-	-	(US\$19,226.21)
Innova Technology	30,000	2,821	6,159	(3,338)	7	(105)	(104)
Xsense Technology Corporation	-	6,322	2,877	3,445	-	(695)	(127,962)
Digital-Can Tech. Co., Ltd.	126,880	198,057	136,272	61,785	59,776	(24,742)	(20,631)
Xsense Technology Corporation (B.V.I.) Taiwan Branch	230,000	413,252	641,795	(228,543)	183,709	(148,816)	(160,094)



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

December 31, 2022. Unit: shares; NT\$; %

Name of entity	Job title	Name or Representative	Shareholding	
			Number of shares (capital contributions)	Proportion
Youe Chung Capital Corporation	Chairman	Taiwan Mask Corporation, Representative: Eve Yang	534,877,568	100%
	Director	Taiwan Mask Corporation, Representative: Shih-Hsien Chao		
	Director	Taiwan Mask Corporation, Representative: Chang-Ji Hsu		
Sunnylake Park International Holdings, Inc.	Director	Taiwan Mask Corporation, Representative: Parkson Chen	USD 3,120,000	100%
Miracle Technology CO., LTD.	Chairman	Taiwan Mask Corporation, Representative: Chang-Ji Hsu	22,955,033	100%
	Director	Taiwan Mask Corporation, Representative: Ming-Cheng Liang		
	Director	Taiwan Mask Corporation, Representative: Yung-Ming Chao		
	Supervisor	Taiwan Mask Corporation, Representative: Ya-Hui Huang		
Jingjing Investment Co., Ltd.	Chairman	Miracle Technology CO., LTD., Representative: Yung-Ming Chao	21,280,774	100%
Miko Technology Co., Ltd	Chairman	Jingjing Investment Co., Ltd., Representative: Yung-Ming Chao	HKD10,000	100%
Miko-China Enterprise (Shanghai) Co., Ltd.	Legal representative	Jingjing Investment Co., Ltd., Representative: Yung-Ming Chao	CNY 696,466.20	100%
	Supervisor	Jingjing Investment Co., Ltd., Representative: Pei-Chen Chen		
Miracle International Enterprise(Shanghai) Co., Ltd.	Legal representative	Miracle Technology CO., LTD., Representative: Yung-Ming Chao	CNY 2,483,070.00	100%
	Supervisor	Miracle Technology CO., LTD., Representative: Pei-Chen Chen		
Sichuan Miracle Power Technology Co., Ltd.	Legal representative	Miko-China Enterprise (Shanghai) Co., Ltd. Representative: Yung-Ming Chao	CNY 12,000,000	79.17%
	Supervisor	Miko-China Enterprise (Shanghai) Co., Ltd. Representative: Pei-Chen Chen		

Name of entity	Job title	Name or Representative	Shareholding	
			Number of shares (capital contributions)	Proportion
Aptos Technology Inc.	Chairman	Youe Chung Capital Corporation, Representative: Ming-Cheng Liang	28,481,161	47.19%
	Director	Youe Chung Capital Corporation, Representative: Lidon Chen		
	Director	Youe Chung Capital Corporation, Representative: Chang-Ji Hsu		
	Director	Youe Chung Capital Corporation, Representative: Nester Huang		
	Director	Youe Chung Capital Corporation, Representative: Chih-Ming Chen		
	Supervisor	Yu-Chen Lai	215,000	0.36%
	Supervisor	Pi-Chia Hsiao	30,000	0.05%
Adl Engineering INC.	Chairman	Aptos Technology Inc., Representative: Chang-Chi Hsu	11,984,526	100%
	Director	Aptos Technology INC., Representative: Ming-Cheng Liang		
	Director	Aptos Technology INC., Representative: Chi-Chang Lo		
	Supervisor	Aptos Technology INC., Representative: Jing-Ying Huang		
Aptos Global Holding Corp.	Director	Adl Engineering INC.	NTD 29,795,000	100.00%
Aptos Technology Co., Limited	Director	Aptos Global Holding Corp.	NTD 29,647,500	100.00%
New Sunrise Limited	Director	Aptos Technology INC.	Note	100.00%
Innova Vision INC.	Chairman	Youe Chung Capital Corporation, Representative: Mei-Hui Li	94,370	0.23%
	Director	Youe Chung Capital Corporation, Representative: Yu-Shian Tsai		
	Director	Youe Chung Capital Corporation, Representative: Jui-Jung Huang		
	Director	Youe Chung Capital Corporation, Representative: Yao-Lun Chen		
	Director	Youe Chung Capital Corporation, Representative: Lung-Sheng Yu		
	Supervisor	Jing-Ying Huang	0	0.00%
Innova Technology	Director	Innova Vision representative: Mei-Hui Li	3,000,000	100%
Innova Vision (B. V. I.)Inc.	Director	Innova Vision representative: Parkson Chen	USD 1,000,000	100%
	Director	Innova Vision representative: Sheng-Chung Kuo		
Innova Vision Kabushiki Kaisha	Director	Mei-Hui Li	JPY295,000,000	47.97%
	Director	Wan-Chun Yen		
	Director	Rui-Long Huang		
	Supervisor	Yao-Lun Chen	0	0.00%
Xsense Technology Corporation	Director	Sean Chen	0	0.00%
Digital-Can Tech. Co., Ltd.	Chairman	Youe Chung Capital Corporation, Representative: Nester Huang	7,281,250	57.39%
	Director	Youe Chung Capital Corporation, Representative: Lidon Chen		
	Director	Youe Chung Capital Corporation, Representative: Eve Yang		
	Director	Bing-Ming Du	2,000,000	15.76%
	Director	Ming-Chih Chou	1,500,000	11.82%
	Supervisor	Shih-Hsien Chao	0	0.00%

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

## (IV) Basic information of each affiliate

December 31, 2022. Unit: NT\$ in thousand

Name of entity	Date of incorporation	Address	Paid-up capital	Main business activities
Youe Chung Capital Corporation	2004/03/10	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD5,348,776	Investment
SunnyLake Park International Holdings, Inc	2010/10/17	Citco Building, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD3,120	Investment
Miracle Technology CO., LTD.	1993/11/22	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD229,550	Electronics components manufacturing, electronics materials and precision equipment distribution and product design business
Jingjing Investment Co., Ltd.	2006/10/13	4F., No. 38, Shengli 2nd Road, Neighborhood 27, Shixing Vil., Zhubei City, Hsinchu County	NTD212,808	Investment
Miko Technology Co., Ltd	1997/12/08	Room 1203, 12/F., Tung Wah Mansion, 199-203 Hennessy Road, Wanchai, Hong Kong.	HK10	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Miko-China Enterprise (Shanghai) Co., Ltd.	2010/05/17	VII. Room 301, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY696	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design
Miracle International Enterprise(Shanghai) Co., Ltd.	2004/02/09	Room 204, Building #3, No. 1077, ZuChongZhi Road, ZhangJiang Hi-Tech Science Park, PuDong, Shanghai Zip: 201203	CNY2,483	IC product design, production and sales
Sichuan Miracle Power Technology Co., Ltd.	2017/06/06	No. 598, Yulong Rd, Chuanshan District, Suining City, Sichuan Province, PR China Innovative Innovation Incubation Center, 5F, No. 5001-5002	CNY12,000	IC product design, production and sales
Aptos Technology INC.	2006/03/10	No. 398-1, Youyi Road, Zhunan Township, Miaoli County	NTD603,561	Electronics components
ADL Energy Corp	2007/05/29	5F, No. 65, Guangfu North Road, Hukou Township, Hsinchu County	NTD119,845	Electronics components
New Sunrise Limited	2015/12/10	Offshore Chambers, P.O. Box 217, Apia, Samoa	(Note 1)	Investment
Aptos Global Holding Corp.	2010/08/02	Second Floor, Capital City, Independence Avenue, P.O. Box 1008, Victoria, Seychelles	NTD29,795	Investment
Aptos Technology Co., Limited	2010/08/20	Room 6, 16/F., Workingbond Commercial Centre 162-164 Prince Edward RD West, Mong Kok, Kowloon, Hong Kong	NTD29,648	Investment
Innova Vision INC.	2010/01/21	2nd Floor, No. 20, Zhanye 1st Road, Hsinchu City, Hsinchu Science Park	NTD402,000	Medical equipment manufacturing, retail and wholesale Wholesale
Innova Technology	2003/05/29	No. 231-1, Wende Road, Qionglin, Hsinchu County	NTD30,000	Medical equipment retail and wholesale
Innova Vision Kabushiki Kaisha	2001/05/16	2-9-2 HigashiNihonbashi Chuo-ku, Tokyo, Japan	JPY615,000	Medical equipment retail and wholesale
Innova Vision(B.V.I.)Inc	2009/08/10	OMC Chambers, Wickhams Cay1, Road Town, Tortola, British Virgin Islands.	USD1,000	Investment
Xsense Technology Corporation	2014/10/13	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.	(Note 2)	Investment

Xsense Technology Corporation (B.V.I.) Taiwan Branch	2020/08/20	Hsinchu Science Park, 3rd Floor, No. 21, Kebei 1st Road, Zhunan Township, Miaoli County	NTD230,000	Precious metal coating
Digital-Can Tech. Co., Ltd.	2003/09/17	2nd Floor-1, No. 88, Zhouzi Street, Neihu District, Taipei City	NTD126,880	3D Printing and Plastic Mold Design 199

Note 1: New Sunrise Limited was established in 2015, Aptos Technology has not invested at that time.

(V) Consolidated Financial Statements

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

(VI) Relationship report: Not applicable.

(VII) Information on the controlling and controlled entities presumably sharing the same shareholders: None.

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

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

Unit: NTD in thousands; Thousand shares; %

Name of Subsidiary	Paid-up capital	Source of funds	The Company’s shareholding ratio	Date of acquisition or disposal	Number of shares and amount acquired (Note 1)	Number of shares and amount disposed (Note 1)	Investment income (loss)	Number of shares and amount held up to publication date of annual report	Status of creation of pledge	Endorsements/guarantees of amount by parent company to subsidiary	Amount the Company lends to subsidiary
Youe Chung Capital Corporation	\$5,348,776 thousand	Proprietary funds	100%	2022 and up to March 31, 2023	-	-	-	Number of shares: 36,731.44 thousand shares Amount: NT\$3,559,277 thousand	35,950 thousand shares	\$213,150 thousand	None

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

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

**IV. Other supplementary information:** None.

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

Taiwan Mask Corporation



Chairman: Sean Chen



Taiwan Mask Corporation  
Parent Only financial statements and independent  
auditor's report  
2022 and 2021  
(Stock Code: 2338)

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

Taiwan Mask Corporation

2022 and 2021 Parent-Only Financial Statements and Independent Auditor's Report

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## Independent Auditors' Report

(112) Tsai-Sheng-Bao-Zi No. 22003018

To Taiwan Mask Corporation,

### **Opinions**

We have audited the accompanying parent-only balance sheets of Taiwan Mask Corporation as of December 31, 2022 and 2021, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, and notes to the parent-only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the parent-only financial statements present fairly, in all material respects, the standalone financial position of Taiwan Mask Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022 and 2021, in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of Taiwan Mask Corporation of fiscal year 2022. These matters were addressed in the context of our audit of the parent only financial statements as a whole and, in forming our opinion thereon, we do not provide a parent

only opinion on these matters.

Key audit matters for the parent-only financial statements in fiscal year 2022 are stated as follows:

## **Evaluation of Inventories**

### Description

Refer to Note 4(12) for the accounting policies on the valuation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for valuation of inventories, inventory accounts description please refer to Note 6(5), for the details of allowance for inventory valuation. The inventory amount and allowance for inventory valuation loss as of December 31, 2022 is NT\$123,824 thousand and NT\$5,115 thousand, respectively.

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

### How our audit addressed the matter

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

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

## **Income recognition**

### Description

For the accounting policy on income recognition, please refer to Note 4(27) of the financial report. For sales revenue please refer to Note 6(21); the operating income in fiscal year 2022 is NT\$3,887,648 thousand.

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

### How our audit addressed the matter

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

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

### **Responsibilities of management and those charged with governance for the parent only financial statements**

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

In preparing the parent only financial statements, management is responsible for assessing Taiwan Mask Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Taiwan Mask Corporation or to cease operations, or has

no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing Taiwan Mask Corporation's financial reporting process.

### **Independent auditor's responsibilities for the audit of the parent only financial statements**

Our objectives are to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC AS 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 parent only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Taiwan Mask Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Taiwan Mask Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures

in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause Taiwan Mask Corporation to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent-only financial statements for the year ended December 31, 2022, and are therefore the key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonable are expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Ya-Hui Cheng

Accountant

Chien-Yu Liu

Securities and Futures Bureau of Financial Supervisory Commission of the Executive  
Yuan

Approval Certificate No. 0960072936

Financial Supervisory Commission of the Executive Yuan

Approval Document for Attestation: Jin-Guan-Zheng-Shen-Zi No. 1090350620

March 3, 2023



Taiwan Mask Corporation  
Parent Only Balance Sheets  
December 31, 2022 and 2021

Unit: NT\$Thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and Cash Equivalents	6(1)	\$ 1,211,411	9	\$ 1,798,841	16
1110	Financial Assets at Fair Value	6(2)				
	Through Profit or Loss - Current		307,448	2	824,558	7
1136	Financial Assets at Amortized Cost -	6(3) and 8				
	Current		3,000	-	3,000	-
1140	Contract Asset - Current		90,642	1	115,854	1
1170	Accounts Receivables (Net)	6(4)	800,431	6	592,967	5
1180	Accounts Receivables - Related	6(4) and 7				
	Parties (Net)		9,525	-	5,112	-
1200	Other Receivables		4,566	-	3,826	-
1210	Other Receivables - Related Parties	7	17,443	-	14,870	-
130X	Inventories	6(5)	118,709	1	109,889	1
1410	Prepayments		104,427	1	36,959	-
1470	Other Current Assets		803	-	973	-
11XX	<b>Total Current Assets</b>		<u>2,668,405</u>	<u>20</u>	<u>3,506,849</u>	<u>30</u>
<b>Non-Current Assets</b>						
1510	Financial Asset at Fair Value	6(2)				
	Through Profit or Loss - Non Current		925,006	7	296,800	3
1535	Financial Assets at Amortized Cost -	6(3) and 8				
	Non Current		222,774	2	35,425	-
1550	Investment under Equity Method	6(6)	1,897,832	15	2,560,741	22
1600	Property, plant and equipment	6(7) and 8	4,762,328	37	3,178,465	28
1755	Right-of-use Asset	6(8)	541,438	4	563,415	5
1760	Investment property (Net)	6(10) and 8	683,746	5	703,953	6
1780	Intangible assets		41,720	-	8,518	-
1840	Deferred Income Tax Assets	6(28)	1,780	-	-	-
1900	Other Non-Current Assets	6(11)	1,331,600	10	650,211	6
15XX	<b>Total Non-Current Assets</b>		<u>10,408,224</u>	<u>80</u>	<u>7,997,528</u>	<u>70</u>
1XXX	<b>Total Assets</b>		<u>\$ 13,076,629</u>	<u>100</u>	<u>\$ 11,504,377</u>	<u>100</u>

(Continued)

Taiwan Mask Corporation  
Parent Only Balance Sheets  
December 31, 2022 and 2021

Unit: NT\$Thousand

Liabilities and Equities	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short Term Loans	6(12)	\$ 1,054,934	8	\$ 860,000	7
2120	Financial liabilities at fair value through profit or loss - Current	6(2)	5,697	-	-	-
2130	Contract Liabilities - Current	6(21)	57,323	1	7,660	-
2170	Accounts Payable		109,004	1	81,451	1
2200	Other Payables	6(13)	520,173	4	446,349	4
2230	Current Income Tax Liabilities		150,791	1	119,062	1
2280	Lease Liability - Current		30,682	-	28,054	-
2320	Long-term liabilities due within one year or one business cycle	6(15)	484,737	4	60,000	1
2399	Other Current Liabilities - Other		29,182	-	32,567	-
21XX	<b>Total Current Liabilities</b>		<u>2,442,523</u>	<u>19</u>	<u>1,635,143</u>	<u>14</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(14)	2,609,044	20	1,657,049	14
2540	Long-term Loans	6(15)	2,905,263	22	2,590,000	23
2570	Deferred Income Tax	6(28)	3,850	-	59	-
2580	Lease liability - Non Current		518,641	4	540,421	5
2640	Defined Benefit Liabilities - Non Current	6(16)	16,514	-	15,540	-
2645	Guarantee Deposits Received		33,874	-	4,805	-
25XX	<b>Total Non-Current Liabilities</b>		<u>6,087,186</u>	<u>46</u>	<u>4,807,874</u>	<u>42</u>
2XXX	<b>Total Liabilities</b>		<u>8,529,709</u>	<u>65</u>	<u>6,443,017</u>	<u>56</u>
<b>Capital</b>						
3110	Capital stock	6(17)	2,564,465	20	2,556,735	22
<b>Capital surplus</b>						
3200	Capital surplus	6(18)	1,251,681	10	1,315,828	11
<b>Retained earnings</b>						
3310	Legal reserve	6(19)	769,952	6	656,037	6
3320	Special reserve		-	-	-	-
3350	Unappropriated earnings		1,729,293	13	1,470,151	13
<b>Other equity interests</b>						
3400	Other equity interests	6(20)	10,508	-	4,032	-
3500	Treasury stock	6(17)	(1,778,979)	(14)	(941,423)	(8)
3XXX	<b>Total Equities</b>		<u>4,546,920</u>	<u>35</u>	<u>5,061,360</u>	<u>44</u>
Major Commitments and Contingencies 9						
Major Events after Financial Statement Date 11						
3X2X	<b>Total Liabilities and Equities</b>		<u>\$ 13,076,629</u>	<u>100</u>	<u>\$ 11,504,377</u>	<u>100</u>

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation  
Parent Only Statement of Comprehensive Income  
January 1 to December 31 of 2022 and 2021

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

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6 (21) and 7	\$ 3,887,648	100	\$ 2,773,339	100
5000 Operating costs	6(5)	( 1,796,579)	( 46)	( 1,454,152)	( 52)
5900 Gross profit		<u>2,091,069</u>	<u>54</u>	<u>1,319,187</u>	<u>48</u>
Operating expenses	6(26) (27)				
6100 Selling Expenses		( 63,495)	( 2)	( 56,719)	( 2)
6200 Administrative Expenses		( 272,202)	( 7)	( 459,279)	( 17)
6300 R&D Expenses		( 92,972)	( 2)	( 64,936)	( 2)
6450 Expected loss on credit impairment	12(2)	( 821)	-	( 117)	-
6000 Total Operating Expenses		<u>( 429,490)</u>	<u>( 11)</u>	<u>( 581,051)</u>	<u>( 21)</u>
6900 Operating profit		<u>1,661,579</u>	<u>43</u>	<u>738,136</u>	<u>27</u>
Non-operating income and expenses					
7100 Interest income	6(22)	11,798	-	3,264	-
7010 Other Incomes	6(23)	195,387	5	153,506	6
7020 Other Gains and Losses	6(24)	( 205,013)	( 5)	81,799	3
7050 Financial Costs	6(25)	( 91,694)	( 2)	( 55,918)	( 2)
7070 The share of subsidiaries, affiliates and joint venture profits and losses recognized by the equity method		( 676,888)	( 18)	403,041	14
7000 Total Non-Operating Incomes and Losses		<u>( 766,410)</u>	<u>( 20)</u>	<u>585,692</u>	<u>21</u>
7900 <b>Earnings Before Tax</b>		<u>895,169</u>	<u>23</u>	<u>1,323,828</u>	<u>48</u>
7950 Income Tax Expense	6(28)	( 191,650)	( 5)	( 177,218)	( 6)
8200 <b>Net Income</b>		<u>\$ 703,519</u>	<u>18</u>	<u>\$ 1,146,610</u>	<u>42</u>
<b>Other Comprehensive Incomes (Net) Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Re-measurements of defined benefit plan	6(16)	(\$ 2,721)	-	\$ 1,011	-
8330 Profit and loss of subsidiaries, associates and joint ventures recognized by using equity method - Items that will not be reclassified to profit or loss		<u>65</u>	<u>-</u>	<u>178</u>	<u>-</u>
8310 Total items that will not be reclassified subsequently to profit or loss		<u>( 2,656)</u>	<u>-</u>	<u>1,189</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations	6(20)	<u>6,476</u>	<u>-</u>	<u>3,143</u>	<u>-</u>
8360 Total Components of other comprehensive income that will be reclassified to profit or loss		<u>6,476</u>	<u>-</u>	<u>3,143</u>	<u>-</u>
8300 <b>Other Comprehensive Incomes (Net)</b>	6(26)	<u>\$ 3,820</u>	<u>-</u>	<u>\$ 4,332</u>	<u>-</u>
8500 <b>Total comprehensive income for the year</b>		<u>\$ 707,339</u>	<u>18</u>	<u>\$ 1,150,942</u>	<u>42</u>
Earnings per share	6(29)				
9750 Net Income (Loss)		<u>\$ 703,519</u>	<u>3.37</u>	<u>\$ 1,146,610</u>	<u>5.47</u>
9850 Diluted Earnings per share Net Income (Loss)	6(29)	<u>\$ 703,519</u>	<u>3.12</u>	<u>\$ 1,146,610</u>	<u>5.37</u>

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation  
Parent Only Changes of Equity Statements  
January 1 to December 31 of 2022 and 2021

Unit: NT\$Thousand

	Notes	Retained earnings				Other equity interests		Treasury stock	Total Equity	
		Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations			Unrealized gain or loss on financial assets measured at fair value through other comprehensive income
<u>2021</u>										
Balance as of 2021/1/1		\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666 )	(\$ 834,598 )	\$ 3,538,598
Net Income		-	-	-	-	1,146,610	-	-	-	1,146,610
Other Comprehensive Profit or Loss	6(20)	-	-	-	-	1,189	3,143	-	-	4,332
Total comprehensive income for the year		-	-	-	-	1,147,799	3,143	-	-	1,150,942
Distribution and appropriation of earnings for 2020										
Legal capital reserve		-	-	68,047	-	( 68,047 )	-	-	-	-
Reversal of Special reserve		-	-	-	( 2,666 )	2,666	-	-	-	-
Cash dividends	6(19)	-	-	-	-	( 379,071 )	-	-	-	( 379,071 )
Conversion of convertible bonds	6(17)	29,599	216,415	-	-	-	-	-	-	246,014
Adjustment of capital reserve by dividends paid to subsidiaries	6(18)	-	55,622	-	-	-	-	-	-	55,622
Changes in shares of affiliates and joint ventures recognized under the equity method	6(18)	-	27,526	-	-	( 47,813 )	-	-	-	( 20,287 )
Share-based payment transaction	6(18)	-	169,174	-	-	-	-	-	-	169,174
Treasury Stock Buyback	6(17)	-	-	-	-	-	-	( 828,884 )	( 828,884 )	( 828,884 )
Treasury stocks transfer to employees	6(17)	-	-	-	-	-	-	722,059	-	722,059
Capital surplus - convertible bond stock options	6(18)	-	406,616	-	-	-	-	-	-	406,616
Acceptance of gifts from shareholders	6(18)	-	586	-	-	-	-	-	-	586
Payment of overdue unclaimed dividends to shareholders	6(18)	-	( 9 )	-	-	-	-	-	-	( 9 )
Balance as of 2021/12/31		\$ 2,556,735	\$ 1,315,828	\$ 656,037	\$ -	\$ 1,470,151	\$ 6,698	(\$ 2,666 )	(\$ 941,423 )	\$ 5,061,360
<u>2022</u>										
Balance January 1, 2022		\$ 2,556,735	\$ 1,315,828	\$ 656,037	\$ -	\$ 1,470,151	\$ 6,698	(\$ 2,666 )	(\$ 941,423 )	\$ 5,061,360
Net Income		-	-	-	-	703,519	-	-	-	703,519
Other Comprehensive Profit or Loss	6(20)	-	-	-	-	( 2,656 )	6,476	-	-	3,820
Total comprehensive income for the year		-	-	-	-	700,863	6,476	-	-	707,339
Distribution and appropriation of earnings for 2021										
Legal capital reserve		-	-	113,915	-	( 113,915 )	-	-	-	-
Cash dividends	6(19)	-	-	-	-	( 241,189 )	-	-	-	( 241,189 )
Conversion of convertible bonds	6(17)	7,730	55,472	-	-	-	-	-	-	63,202
Distribution of cash from capital surplus	6(18)	-	( 241,189 )	-	-	-	-	-	-	( 241,189 )
Adjustment of capital reserve by dividends paid to subsidiaries	6(18)	-	73,463	-	-	-	-	-	-	73,463
Changes in ownership interests in subsidiaries recognized	6(18)	-	10,169	-	-	( 86,617 )	-	-	-	( 76,448 )
Changes in shares of affiliates and joint ventures recognized under the equity method	6(18)	-	21,107	-	-	-	-	-	-	21,107
Share-based payment transaction	6(18)	-	16,831	-	-	-	-	-	-	16,831
Treasury Stock Buyback	6(17)	-	-	-	-	-	-	( 842,536 )	( 842,536 )	( 842,536 )
Treasury stock donation		-	-	-	-	-	-	4,980	-	4,980
Balance December 31, 2022		\$ 2,564,465	\$ 1,251,681	\$ 769,952	\$ -	\$ 1,729,293	\$ 13,174	(\$ 2,666 )	(\$ 1,778,979 )	\$ 4,546,920

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation  
Parent Only Statement of Cash Flows  
January 1 to December 31 of 2022 and 2021

Unit: NT\$Thousand

	Notes	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash Flow from Operating Activities</u>			
Net Income (Loss) Before Tax		\$ 895,169	\$ 1,323,828
Adjustments to Reconcile Net Income to Net Cash			
Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(26)	513,116	355,573
Amortization	6(26)	6,284	6,105
Expected loss on credit impairment	12(2)	821	117
Dividend income	6(23)	( 33,682 )	( 3,288 )
Interest income	6(22)	( 11,799 )	( 3,264 )
Interest Incomes	6(25)	91,694	55,918
Net Profit of Financial Asset at Fair Value	6(24)		
Through Loss (Profit)		114,183	( 85,115 )
Loss on disposal of investments	6(24)	119,316	38,774
Share-based payment transaction	6(17)	14,131	119,544
The Share of Subsidiaries and Affiliates			
Profits and Losses Recognized by the Equity			
Method		676,888	( 442,208 )
Property, plant and equipment reclassified as	6(7)		
expenses		116	-
The Changes of Assets/ Liabilities related to			
Operating Activities			
The Changes of Assets/ Liabilities related to			
Operating Activities			
Mandatory financial assets at fair value			
through profit or loss		( 357,348 )	( 888,218 )
Contract Assets		25,212	( 36,957 )
Notes Receivables		-	29
Accounts Receivables		( 208,285 )	( 168,078 )
Accounts Receivables – Related Parties		( 4,413 )	3,891
Other Receivables		( 1,580 )	( 3,756 )
Inventories		( 8,820 )	967
Prepayments		( 67,468 )	26,745
Other Current Assets		170	( 323 )
Net Changes of Liabilities related to			
Operating Activities			
Contract Liabilities		49,663	1,529
Accounts Payable		27,553	( 27,592 )
Other Payables		29,844	168,192
Other Current Liabilities		( 3,385 )	25,271
Defined Benefit Liabilities		( 1,749 )	( 2,013 )
Net Cash In-Flow from Operating		1,865,631	465,671
Dividends Received		70,496	26,243
Interest Received		10,066	3,245
Interest Paid		( 90,670 )	( 56,986 )
Income Tax Paid		( 157,909 )	( 106,485 )
Net Cash In-Flow from Operating Activities		1,697,614	331,688

(Continued)

Taiwan Mask Corporation  
Parent Only Statement of Cash Flows  
January 1 to December 31 of 2022 and 2021

Unit: NT\$Thousand

	Notes	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 187,349)	(\$ 3)
Acquisition of investment property by the Equity Method		-	( 367,671 )
Return of capital by investee company		-	180,000
Other Receivables – Related Parties		-	609,195
Acquisition of Property, Plants and Equipment	6(30)	( 2,662,286 )	( 1,562,684 )
Acquisition of Intangible Assets		( 39,486 )	( 12,257 )
Increase in refundable deposit		( 2,370 )	( 4,956 )
Net Cash Outflow from Investing Activities		( 2,891,491 )	( 1,158,376 )
<u>Cash Flows from Financing Activities</u>			
Increase of Short Term Loan	6(31)	5,662,100	2,960,484
Redemption of Short Term Loan	6(31)	( 5,467,166 )	( 3,549,084 )
Increase of Long Term Loan	6(31)	4,624,737	1,891,000
Redemption of Long Term Loan	6(31)	( 3,884,737 )	( 962,427 )
Issuance of ordinary/convertible corporate bonds	6(31)	997,095	2,297,099
Distribution of cash dividends (including capital surplus distribution cash)	6(19)	( 482,378 )	( 379,071 )
Treasury stocks transfer to employees		-	722,059
Cost of treasury stock buyback		( 842,536 )	( 828,884 )
Redemption of Lease Principal	6(31)	( 29,737 )	( 19,912 )
Increase in Guarantee Deposits Received	6(31)	29,069	436
Payment of overdue unclaimed dividends		-	( 9 )
Net Cash In-Flow (Out-Flow) from Funding Activities		606,447	2,131,691
Net increase (decrease) in cash and cash equivalents		( 587,430 )	1,305,003
Beginning Balance of Cash and Cash Equivalents		1,798,841	493,838
Ending Balance of Cash and Cash Equivalents		\$ 1,211,411	\$ 1,798,841

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation  
Notes to the Parent Only Financial Statements  
2022 and 2021

Unit: NT\$Thousand  
(Unless otherwise specified)

I. Company history

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

II. Date and procedures for passing the financial report

The accompanying parent-only financial statements were approved and authorized for issuance by the Board of Directors on March 3, 2023.

III. Application of New and Revised International Financial Reporting Standards

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

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

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

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

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2023:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 1 - "Disclosure of Accounting Policies"	January 1, 2023
Amendment to IAS 8 - "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12, "Deferred Income Taxes Related to Assets	January 1, 2023

and Liabilities Arising from a Single Transaction"

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

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

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

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
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 the IASB
Amendments to IFRS 16 - "Liabilities of Lease from the Leaseback"	January 1, 2024
IFRS 17 - "Insurance contracts"	January 1, 2023
Amendment to IFRS 17 - "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 - "First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 1 - "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendment to IAS 1 - "Non-Current Liabilities With Covenants"	January 1, 2024

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

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

(II) Basis of Preparation

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



### (III) Foreign currency translation

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

#### 1. Foreign currency transactions and balances

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

#### 2. Translation of foreign operations

- (1) The operating results and financial position of all corporate group entities and affiliates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
  - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
  - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is re-attributed to the foreign operation's non-controlling interests on a pro rata basis. However, even if the Company retains part of its equity in the former subsidiary, but has lost control of the subsidiary of the foreign operation, it will be treated with as a disposal of the entire equity of the foreign operation
- (3) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

### (IV) Classification of current and non-current items

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

- (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.

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

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

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

- (1) Liabilities that are expected to be paid off within the normal operating cycle.
- (2) Assets held mainly for trading purposes.
- (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
- (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(V) Financial assets at fair value through profit and loss

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

(VI) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets measured at amortized cost

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

(VIII) Accounts and notes receivable

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange

the value of the consideration due to the transfer of goods or services.

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

(IX) Impairment Loss of Financial Assets

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

(X) De-recognition of financial assets

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

(XI) Lessor's lease transaction - Operating lease

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

(XII) Inventories

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

(XIII) Investments accounted for using equity method - Subsidiaries and associates

1. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains or losses on transactions between Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
3. The Company recognized the profit and loss upon the acquisition of subsidiaries as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. If the Company's recognized profit and loss of the subsidiaries equal to or exceed the equity in the subsidiaries, the Company will continue to recognize the loss in proportion to its shareholding.
4. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity

transactions, and they are considered as transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.

5. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
6. Associates refer to entities over which the Company has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Company. The Company accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
7. The Company recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
8. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Company's shareholding in the associate, the Company will recognize all changes in equity attributable to the Company's share of the associate as "capital surplus" according to the shareholding percentage.
9. Unrealized gains on transactions between the Company and associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
10. In the event that an associate issues new shares and the Company does not subscribe to or acquire the new shares in proportion, which results in a change to the Company's shareholding percentage but the Company maintains a significant influence on the associate, the increase or decrease of the Company's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method". If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.
11. Pursuant to the "Guidelines Governing the Preparation of Financial Statements by Securities Issuers", the profit or loss during the period and other comprehensive income presented in consolidated financial statements shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to

owners of the parent presented in the financial statements prepared on a consolidated basis, and the owners' equity presented in the parent company only financial statements shall be the same as the equity attributable to owners of the parent presented in the financial statements prepared on a consolidated basis.

(XIV) Property, plant and equipment

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

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

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

1. Leases are recognized as right-of-use assets and lease liabilities at the date at which the leased assets are available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as expenses on a straight-line basis over the lease term.
2. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments include fixed payments, less any lease incentives receivables.  
The Company subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of re-measurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
3. At the commencement date, the right-of-use asset is recognized at cost which includes:
  - (1) The amount of initial measurement of lease liability.
  - (2) Any lease payments made at or before the commencement date.

- (3) Any original direct costs incurred.
- (4) The estimated cost of dismantling, removing the underlying asset and restoring its location, or restoring the underlying asset to the condition required in the lease terms and conditions.

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

(XVI) Real estate investment

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

(XVII) Intangible assets

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

(XVIII) Impairment of non-financial assets

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

(XIX) Borrowings

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

(XX) Accounts and notes receivable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXI) Convertible bonds payable

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

1. Embedded put options and call options: "Financial assets or liabilities at fair value

through profit or loss" are recorded at their net fair value on initial recognition; subsequently, "Gain or loss on financial assets (liabilities) at fair value through profit or loss" is recognized on the balance sheet date, with the difference valued at current fair value.

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

(XXII) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plans

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

(2) Defined-benefit plans

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

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

retained earnings. .

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

### 3. Termination benefits

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

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

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

## (XXIII) Share-based payment to employees

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

## (XXIV) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent only balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and



associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

(XXV) Capital

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

(XXVI) Dividend distribution

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

(XXVII) Recognized revenue

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

(XXVIII) Government subsidies

Government subsidies are recognized at fair value once it is reasonably convinced that the Company complies with the conditions for subsidies and will be receiving the subsidies. If the nature of the government subsidies is to compensate the expenses

incurred by the Company, the government subsidies are recognized as current gains and losses on a systematic basis during the period in which the related expenses are incurred.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

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

(I) Important judgments adopted by the accounting policies

None.

(II) Critical accounting estimates and assumptions

Evaluation of Inventories

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

As of December 31, 2022, the book value of the Company's inventory was NT\$118,709.

VI. Summary of Significant Accounting Items

(I) Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand Deposit	\$ 474,371	\$ 948,521
Time deposits	737,040	850,320
Total	<u>\$ 1,211,411</u>	<u>\$ 1,798,841</u>

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

2. The Company has not pledged cash to others.

(II) Financial assets and liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares of listed and OTC company	\$ 442,498	\$ 830,575
Convertible bond call/put options	-	5,000

	442,498	835,575
Valuation adjustment	( 135,050)	( 11,017)
	<u>\$ 307,448</u>	<u>\$ 824,558</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Convertible bond call/put options	<u>\$ 5,697</u>	<u>\$ -</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss

Shares of listed and OTC company	\$ 866,133	\$ 251,343
Not listed, OTC or emerging stock board stocks	-	11,756
	<u>866,133</u>	<u>263,099</u>
Valuation adjustment	58,873	33,701
	<u>\$ 925,006</u>	<u>\$ 296,800</u>

1. Details of financial assets/liabilities at fair value through profit or loss recognized in profit or loss are as follows:

	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Shares of listed and OTC company	(\$ 233,499)	\$ 85,508
Not listed, OTC or emerging stock board stocks	-	7,590
	<u>(\$ 233,499)</u>	<u>\$ 93,098</u>

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

(III) Financial assets measured at amortized cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Non-current items:		
Time deposits	\$ 222,729	\$ 35,425
Demand Deposit	45	-
Total	<u>\$ 222,774</u>	<u>\$ 35,425</u>

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

	2022	2021
Interest income	<u>\$ 246</u>	<u>\$ 118</u>

2. While not considering the collaterals or other credit enhancements, the financial assets at amortized cost held by the Company had the maximum exposure of credit risk at \$225,774 and \$38,425 as of December 31, 2022 and 2021, respectively.
3. Please see Note 8 how the Company provides financial assets at amortized cost as a pledged collateral.

(IV) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Accounts Receivables	\$ 802,337	\$ 594,052
Accounts Receivables – Related Parties	9,525	5,112
	<u>811,862</u>	<u>599,164</u>
Less: Loss allowance	( 1,906)	( 1,085)
	<u>\$ 809,956</u>	<u>\$ 598,079</u>

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

	December 31, 2022		December 31, 2021	
	Accounts Receivables	Notes Receivables	Accounts Receivables	Notes Receivables
Not past due	\$ 723,205	\$ -	\$ 504,835	\$ -
Up to 30 days	72,473	-	81,417	-
31-90 days	13,355	-	11,447	-
91-180 days	1,581	-	1,465	-
More than 181 days past due	1,248	-	-	-
	<u>\$ 811,862</u>	<u>\$ -</u>	<u>\$ 599,164</u>	<u>\$ -</u>

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

2. As of December 31, 2022 and 2021, accounts receivable and notes receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2021 was NT\$434,009.
3. While not considering the collaterals or other credit enhancements, the accounts receivable held by the Company had the maximum exposure of credit risk at \$809,956 and \$598,079, respectively, as of December 31, 2022 and 2021.
4. Please refer to Note 12 (2) for the information on credit risk of accounts receivable.

(V) Inventories

	December 31, 2022		
	Cost	(Gain from reversal of) loss allowance on decline in market value of inventories	Book value
Raw materials	\$ 99,179	(\$ 5,115)	\$ 94,064
Work in process	22,831	-	22,831
Finished goods	1,814	-	1,814
Total	<u>\$ 123,824</u>	<u>(\$ 5,115)</u>	<u>\$ 118,709</u>

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

The cost of inventories recognized as losses by the Company.

	2022	2021
Cost of goods sold	\$ 1,797,466	\$ 1,453,362
Loss on falling prices of inventory and inventory obsolescence (gain from recovery)	( 887)	790
	<u>\$ 1,796,579</u>	<u>\$ 1,454,152</u>

For 2022, part of the inventory for which the provision for impairment losses had been made in the previous period was sold, resulting in a gain from recovery.

(VI) Investment under Equity Method

	2022	2021
SunnyLake Park International Holdings, Inc.	\$ 5,746	\$ 5,139
Youe Chung Capital Corporation	1,140,806	1,737,757
Innova Vision INC.	151,324	235,591
Advagene Biopharma Co., Ltd.	33,508	63,578
Miracle Technology Co., LTD.	482,368	430,778
Weida Hi-Tech Co., Ltd.	84,080	87,898
Subtotal	<u>\$ 1,897,832</u>	<u>\$ 2,560,741</u>

For information on the Company's subsidiaries, please refer to Note 4 (3) of 2022 consolidated financial statements.

(VII) Property, plant and equipment

	Buildings and structures (Including land)	Machinery and equipment	Office equipment	Transportation equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2022							
Cost	\$ 1,692,966	\$ 3,215,027	\$ 31,105	\$ 5,635	\$ 10,942	\$ 149,749	\$ 5,105,424
Accumulated depreciation	( 602,039)	( 1,304,734)	( 16,357)	( 2,581)	( 1,248)	-	( 1,926,959)
	<u>\$ 1,090,927</u>	<u>\$ 1,910,293</u>	<u>\$ 14,748</u>	<u>\$ 3,054</u>	<u>\$ 9,694</u>	<u>\$ 149,749</u>	<u>\$ 3,178,465</u>
<u>2022</u>							
January 1	\$ 1,090,927	\$ 1,910,293	\$ 14,748	\$ 3,054	\$ 9,694	\$ 149,749	\$ 3,178,465
Additions	363,662	1,280,116	12,159	657	24,528	363,204	2,044,326
Depreciation	( 140,346)	( 309,183)	( 7,737)	( 844)	( 3,913)	-	( 462,023)
Reclassification - Cost	( 172,500)	31,170	327		279,588	( 148,171)	( 9,586)
Reclassification - Accumulated depreciation	87,564	( 1,616)			( 74,802)	-	11,146
December 31	<u>\$ 1,229,307</u>	<u>\$ 2,910,780</u>	<u>\$ 19,497</u>	<u>\$ 2,867</u>	<u>\$ 235,095</u>	<u>\$ 364,782</u>	<u>\$ 4,762,328</u>
December 31, 2022							
Cost	\$ 1,884,128	\$ 4,526,313	\$ 43,591	\$ 6,292	\$ 315,058	\$ 364,782	\$ 7,140,164
Accumulated depreciation	( 654,821)	( 1,615,533)	( 24,094)	( 3,425)	( 79,963)	-	( 2,377,836)
	<u>\$ 1,229,307</u>	<u>\$ 2,910,780</u>	<u>\$ 19,497</u>	<u>\$ 2,867</u>	<u>\$ 235,095</u>	<u>\$ 364,782</u>	<u>\$ 4,762,328</u>

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

1. The Company had no interest capitalization in 2022 and 2021.

2. The major components of the Company's houses and buildings include land, buildings and factory renovation projects. Except for land, they are depreciated for 5 to 56 years.
3. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.
4. The abovementioned property, plant and equipment of the Company are for self-use.



(VIII) Leasing arrangements - lessee

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 506,900	\$ 526,294
Buildings and structures	71	1,003
Transportation equipment (company vehicles)	9,063	9,385
Other equipment	25,404	26,733
	<u>\$ 541,438</u>	<u>\$ 563,415</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 24,679	\$ 17,498
Buildings and structures	936	984
Transportation equipment (company vehicles)	5,092	2,883
Other equipment	1,855	-
	<u>\$ 32,562</u>	<u>\$ 21,365</u>

4. For 2022 and 2021, the increases of right-of-use assets were \$10,585 and \$193,652, respectively. The decreases of right-of-use assets of the Company in 2022 and 2021 were \$0 and \$4,741, respectively.
5. The information on profit or loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 6,787	\$ 5,596
Lease of low-value assets	945	266

6. The Company's total cash outflow on leases for 2022 and 2021 was \$37,469 and \$25,774, respectively.
7. Options to extend or terminate leases

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

(IX) Leasing arrangements - lessor

1. The Company leases out assets such buildings. The lease contracts are typically made for periods of 1 to 5 years. The terms of lease contracts are negotiated separately and include various terms and conditions. In order to preserve the condition of leased assets, the Group usually requires lessees not to pledge the underlying leased assets.
2. The Company recognized rental income of \$141,022 and \$133,714 based on operating lease contracts in 2022 and 2021, respectively, and none of the lease contracts were variable lease payments.
3. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 81,389
2023	83,026	63,099
2024	37,049	34,580
2025	<u>26,577</u>	<u>27,683</u>
Total	<u>\$ 146,652</u>	<u>\$ 206,751</u>

(X) Real estate investment

	<u>Buildings and structures</u>
January 1, 2022	
Cost	\$ 761,409
Accumulated depreciation	<u>( 57,456)</u>
	<u>\$ 703,953</u>
<u>2022</u>	
January 1	\$ 703,953
Reclassification - Cost	9,470
Reclassification - Accumulated depreciation	( 11,146)
Depreciation	<u>( 18,531)</u>
December 31	<u>\$ 683,746</u>
December 31, 2022	
Cost	\$ 770,879
Accumulated depreciation	<u>( 87,133)</u>
	<u>\$ 683,746</u>
	<u>Buildings and structures</u>
January 1, 2021	
Cost	\$ 545,788
Accumulated depreciation	<u>( 910)</u>
	<u>\$ 544,878</u>
2021	
January 1	\$ 544,878

Reclassification - Cost		215,621
Reclassification - Accumulated depreciation	(	40,824)
Depreciation	(	15,722)
December 31		<u>\$ 703,953</u>
December 31, 2021		
Cost	\$	761,409
Accumulated depreciation	(	57,456)
	\$	<u>703,953</u>

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

	<u>2022</u>	<u>2021</u>
Rental income from investment property	<u>\$ 91,063</u>	<u>\$ 86,801</u>
Direct operating expenses incurred by investment properties that generate rent income in the period	<u>\$ 19,305</u>	<u>\$ 20,270</u>

2. The fair value of the investment property held by the Group as of December 31, 2022 and 2021 were \$1,177,524 and \$706,464, respectively. They were valued using the income method and were of Level 3 fair value, and the major assumptions are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	7.09%	10.53%
Annual rent (net income)	\$ 87,708	\$ 86,801
Number of years	45~50	45~50

3. No capitalization of interest for investment property in 2022 and 2021.

4. As of December 31, 2022 and 2021, the investment properties had been used as collaterals.  
Please refer to Note 8.

(XI) Other Non-Current Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayments for equipment	\$ 1,322,877	\$ 643,858
Refundable deposit	8,723	6,353
	<u>\$ 1,331,600</u>	<u>\$ 650,211</u>

(XII) Short Term Loans

Type of borrowings	December 31, 2022	Range of interest rate	Collateral
Bank credit loan	\$ 1,054,934	1.06%~4%	None

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

The interest expenses recognized in profit and loss in 2022 and 2021 were \$24,652 and \$7,591, respectively.

(XIII) Other Payables

	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 51,825	\$ 41,668
Director and supervisor remuneration and employee bonus payable	120,000	188,800
Payable on equipment	105,604	44,545
Machine maintenance payable	51,362	29,411
Others	191,382	141,925
	\$ 520,173	\$ 446,349

(XIV) Corporate bonds payable

	December 31, 2022	December 31, 2021
Corporate bonds payable	\$ 3,000,000	\$ 2,000,000
Less: Amount of exercised conversion options	( 324,400)	( 258,700)
Less: discount on corporate bonds payable	( 66,556)	( 84,251)
	2,609,044	1,657,049
Less: Corporate bonds matured in one year or a business cycle or have the put option exercised	-	-
	\$ 2,609,044	\$ 1,657,049

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

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

with the regulations or laws, and the rights and obligations of the converted common shares are the same as those of the original issued common shares.

- (3) The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in the Measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the Conversion Measures in the event that the Company is subject to anti-dilution provisions. The conversion price will be reset on the base date set by the Regulations in accordance with the pricing model stipulated in the Conversion Measures. As of December 31, 2022, the conversion price was NT\$85 per share.
  - (4) If the closing price of the Company's common stock exceeds 30% of the then conversion price for 30 consecutive business days from the day following the third month of the issuance of the convertible bonds to the 40th business day prior to the expiration of the issuance period, the Company may redeem the outstanding corporate bonds within the next 30 business days at the par value of the corporate bonds in cash.
  - (5) If the outstanding balance of the convertible bonds is less than 10% of the total par value of the corporate bonds issued, the Company may redeem the convertible bonds at any time thereafter for cash at the par value of the corporate bonds, from the day following the third month of the issuance of the corporate bonds to the 40th business day prior to the expiration of the issuance period.
  - (6) As of December 31, 2022, a total of \$324,400 in face value had been converted into 3,733 thousand shares of common stock.
2. Upon issuance of convertible bonds, the Company separated the conversion options from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation," and recorded "capital surplus - stock options" at \$406,616. The embedded repurchase and repurchase rights are separated from the principal contractual debt instruments in accordance with IFRS 9, "Financial Instruments", because they are not closely related to the economic characteristics and risks of the principal contractual debt instruments, and are recorded as "financial assets or liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the master contract debt after the separation was 0.0902%.
3. First series domestic secured corporate bonds

In order to raise the Company's working capital, the board of directors resolved to approve on August 5, 2022 the issue of the first series domestic secured corporate bond. The issue has been reported to and approved by the Taipei Exchange, and the terms are as follows:

- (1) Total amount of issue: According to the different issue conditions, there are two types of bonds, A and B, of which A is issued with an amount of \$300,000, and B is issued with an amount of \$200,000, totaling \$500,000.
- (2) Issue period: Five years, issued on September 28, 2022, and matured on September 28, 2027.
- (3) Coupon rate and repayment method of principal and interest: Both Bond A and Bond B have a fixed annual coupon rate of 1.80%. Simple interest is calculated and paid once a year, and the principal is repaid in cash at the face value of the bond at maturity.
- (4) Guarantee method: The Company's bonds are guaranteed by the joint delegation guarantee contract signed and the obligation and the contract of guarantee for

performance of corporate bonds signed by major banks.

4. Second series domestic secured convertible corporate bonds

In order to raise the Company's working capital, the board of directors resolved to approve on August 5, 2022 the issue of the second series domestic secured corporate bond. The issue has been reported to and approved by the Taipei Exchange, and the terms are as follows:

- (1) Total amount of issue: According to the different issue conditions, there are two types of bonds, A and B, of which A is issued with an amount of \$300,000, and B is issued with an amount of \$200,000, totaling \$500,000.
- (2) Issue period: Five years, issued on December 27, 2022, and matured on December 27, 2027.
- (3) Coupon rate and repayment method of principal and interest: Bond A has a fixed annual coupon rate of 2.20% and Bond B has a fixed annual coupon rate of 2.38%. Simple interest is calculated and paid once a year, and the principal is repaid in cash at the face value of the bond at maturity.
- (4) Guarantee method: The Company's bonds are guaranteed by the joint delegation guarantee contract signed and the obligation and the contract of guarantee for performance of corporate bonds signed by major banks.

(XV) Long-term Loans

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2022
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2021 and January 28, 2027.	2.425%	Houses and buildings and machine and equipment (Note)	\$ 1,250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 27, 2024.	2.410%	Buildings and structures	250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 15, 2026.	2.125%	Machinery and equipment	240,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2022 and December 27, 2032.	2.070%	Buildings and structures and investment properties (Note)	850,000

Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 21, 2022 and December 21, 2027.	2.675%	Machinery and equipment	400,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2022 and December 27, 2027.	2.000%	Machinery and equipment	400,000
				3,390,000
Less: Long-term borrowings (including current portion)				( 484,737
				\$ 2,905,263

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2021
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2021 and January 28, 2027.	1.800%	Buildings and structures, machinery equipment and investment properties (Note)	\$ 1,250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 27, 2024.	1.580%	Buildings and structures	250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 15, 2026.	1.300%	Machinery and equipment	300,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between November 9, 2020 and November 9, 2023.	1.440%	Buildings and structures and investment properties (Note)	850,000
				2,650,000

Less: Long-term borrowings (including current portion)	( 60,000)
	<u>\$ 2,590,000</u>

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

(XVI) Pensions

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	(\$ 21,153)	(\$ 22,595)
Fair value of plan assets	4,947	7,145
Defined Benefit Liabilities	<u>(\$ 16,206)</u>	<u>(\$ 15,450)</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Defined Benefit Liabilities</u>
2022			
Balance on January 1	(\$ 22,595)	\$ 7,145	(\$ 15,450)
Current service cost	( 61)	-	( 61)
Interest (expense) income	<u>( 169)</u>	<u>62</u>	<u>( 107)</u>
	<u>( 22,825)</u>	<u>7,207</u>	<u>( 15,618)</u>
Re-measurements: Return on plan assets (excluding amounts included in interest income or expenses)			



	-	407	407
Change in financial assumptions			
	1,620	-	1,620
Experience adjustments	(4,748)	-	(4,748)
	(3,128)	407	(2,721)
Pension fund contribution	-	2,133	2,133
Paid pension	4,800	(4,800)	-
Balance on December 31	(\$ 21,153)	\$ 4,947	(\$ 16,206)
	Present value of defined benefit obligations	Fair value of plan assets	Defined Benefit Liabilities
2021			
Balance on January 1	(\$ 22,557)	\$ 4,916	(\$ 17,641)
Current service cost	(61)	-	(61)
Interest (expense) income	(79)	21	(58)
	(22,697)	4,937	(17,760)
Re-measurements:			
Return on plan assets (excluding amounts included in interest income or expenses)	321	75	396
Change in financial assumptions	1,084	-	1,084
Change in demographic assumptions	(1,303)	-	(1,303)
	102	75	177
Pension fund contribution	-	2,133	2,133
Paid pension	-	-	-
Balance on December 31	(\$ 22,595)	\$ 7,145	(\$ 15,450)

- (4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter or private placement equity securities, investment in domestic

or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than the aforementioned rates, government shall make payments for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of fair value of plan asset in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.4%</u>	<u>0.75%</u>
Future salary increases	<u>2.125%</u>	<u>2.125%</u>

Assumptions for 2022 and 2021 regarding future mortality experience are set based on the Taiwan Standard Ordinary Experience Mortality Table.

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

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 631)</u>	<u>\$ 656</u>	<u>\$ 636</u>	<u>(\$ 616)</u>
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 685)</u>	<u>\$ 713</u>	<u>\$ 687</u>	<u>(\$ 664)</u>

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

- (6) The expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 are \$2,133.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan is 13 years.
2. (1) Starting July 1, 2005, the Company has established a retirement plan based on the Labor Pension Act applicable to the domestic employees. Under the new plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon

termination of employment.

(2) For 2022 and 2021, the pension costs recognized by the Company in accordance with the abovementioned pension measures were \$12,196 and \$9,982, respectively.

(XVII) Capital

1. As of December 31, 2022, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares (including 20,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was \$2,564,465 with a par value of NT\$10. All proceeds from shares issued have been collected.

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

	2022	Unit: Thousand shares 2021
January 1	214,107	205,632
Conversion of convertible bonds	773	2,960
Treasury stocks transfer to employees	-	20,000
Treasury Stock Buyback	( 10,000)	( 14,485)
Treasury stock donation	350	-
December 31	<u>205,230</u>	<u>214,107</u>

2. Treasury stock

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

		December 31, 2022	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	36,731	\$ 522,698
The Company	Transfer shares to employees	<u>14,485</u>	<u>1,256,281</u>
		<u>51,216</u>	<u>\$ 1,778,979</u>

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

(2) For 2022 and 2021, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract Period	Vesting conditions
---------------------	------------	---------------------	--------------------	-----------------------

Transfer of treasury shares to employees	2022.01.26	4,485	Immediate vesting	Note
Transfer of treasury shares to employees	2021.05.05	3,000	Immediate vesting	Note
Transfer of treasury shares to employees	2021.03.15	7,000	Immediate vesting	Note
Transfer of treasury shares to employees	2021.02.03	3,000	Immediate vesting	Note

Note: The Company grants treasury stocks to employees of the Company and its subsidiaries.

- (3) Remuneration costs related to the transfer of treasury stocks of the Company in 2022 and 2021 were \$14,131 and \$119,544, respectively.
- (4) The Securities and Exchange Act stipulates that the percentage of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total value of shares purchased shall not exceed the retained earnings plus the premium of issued shares and the amount of realized capital reserve.
- (5) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, shareholders are not entitled to the shareholders' rights.
- (6) According to the provisions of the Securities and Exchange Act, the share repurchased to be transferred to employees shall be transferred within three years from the date of the purchase. If the transfer is not made within the time limit, the shares are deemed as unissued shares, and change of registration shall be made to cancel the shares. In order to maintain the Company's credit and shareholders equity, the shares bought back should have the registration changed to cancel the shares within six months from the date of the purchase.
- (7) The Company's stock held by the subsidiary Youe Chung Capital is treated as treasury stock. As of December 31, 2022 and 2021, Youe Chung Capital held 36,731 thousand and 37,081 shares, respectively, of the Company. The average book value per share was NT\$14.23, and the fair value per share was NT\$84.7 and NT\$108.00, respectively. The cost of transferring treasury stocks is calculated based on the book value of the Company's stock held by Youe Chung Capital and the Company's indirect shareholding during each period.
- (8) The Company was approved by the Board of Directors on February 3, 2021, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between February 4, 2021 and April 3, 2021.
- (9) The Company was approved by the Board of Directors on November 3, 2021, to buy back 6,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 2.37% of the total issued shares. The buy-back of 4,485 thousand shares was completed and executed between November 4, 2021 and January 3, 2022.
- (10) The Company was approved by the Board of Directors on May 6, 2022, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer

them to employees, and the number of shares repurchased accounted for 3.91% of the total issued shares. The buy-back of 10,000 thousand shares was completed and executed between May 9, 2022 and July 8, 2022.

(XVIII) Capital surplus

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

	Issue premiums	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	stock option	Equity changes in affiliates	Others	Total
January 1, 2022	\$ 269,010	\$ 695,046	\$ 4,919	\$ 295,074	\$ 47,320	\$ 4,459	\$ 1,315,828
Conversion of convertible bonds	68,829	-	-	( 13,357)	-	-	55,472
Distribution of cash from capital surplus	( 241,189)	-	-	-	-	-	( 241,189)
Adjustment of capital reserve by dividends paid to subsidiaries	-	73,463	-	-	-	-	73,463
Changes in ownership interests in subsidiaries recognized	-	-	10,169	-	-	-	10,169
Changes in shares of affiliates recognized under the equity method	-	-	-	-	21,107	-	21,107
Share-based payment transaction	-	-	2,700	14,131	-	-	16,831
December 31, 2022	<u>\$ 96,650</u>	<u>\$ 768,509</u>	<u>\$ 17,788</u>	<u>\$ 295,848</u>	<u>\$ 68,427</u>	<u>\$ 4,459</u>	<u>\$ 1,251,681</u>
	Issue premiums	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	stock option	Equity changes in affiliates	Others	Total
January 1, 2021	\$ -	\$ 411,379	\$ 6,097	\$ -	\$ 18,540	\$ 3,882	\$ 439,898
Conversion of convertible bonds	269,010	-	-	( 52,595)	-	-	216,415
Adjustment of capital reserve by dividends paid to subsidiaries	-	55,622	-	-	-	-	55,622
Changes in shares of affiliates recognized under the equity method	-	( 76)	( 1,178)	-	28,780	-	27,526
Share-based payment transaction	-	228,121	-	( 58,947)	-	-	169,174
Convertible bond stock options	-	-	-	406,616	-	-	406,616
Acceptance of gifts from shareholders	-	-	-	-	-	586	586
Payment of overdue unclaimed dividends to shareholders	-	-	-	-	-	( 9)	( 9)
December 31, 2021	<u>\$ 269,010</u>	<u>\$ 695,046</u>	<u>\$ 4,919</u>	<u>\$ 295,074</u>	<u>\$ 47,320</u>	<u>\$ 4,459</u>	<u>\$ 1,315,828</u>

(XIX) Retained earnings

1. According to the Articles of Incorporation, any surplus from profit concluded at the end of year by the Company is first subject to reimbursement of previous losses and payment of taxes, followed by 10% provision for legal reserve and provision or reversal of special reserve as the laws may require. Any earnings remaining shall be distributed as shareholders' dividends in whole or partially.
2. The Company takes into account the overall business environment, industrial growth, and the Company's long-term financial planning for stable operation and development to adopt a residual dividend policy, which is mainly based on the Company's future capital budgeting plan to measure the annual capital needs. After using the retained earnings for funding, the remaining surplus will be distributed in the form of dividends, and the distribution steps are shown as follows:
  - (1) Decide on the best capital budgeting.
  - (2) Decide on the financing required for one of the capital budgeting items.
  - (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
  - (4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
5. The Company's Board meeting resolved on March 3, 2023 to distribute a cash dividend of NT\$2.3 per common share from the 2022 earnings, with a total dividend of \$556,511. In addition, a cash distribution of NT\$0.2 per share was made from capital surplus for a total of NT\$48,392.
6. The Company's board of directors resolved on May 26, 2022 to distribute a cash dividend of NT\$1.00 per ordinary share from the 2021 surplus with a total dividend of \$255,674. NT\$1.00 per share is to be distributed from the capital surplus, with a total of \$255,674. In addition, as the Company implemented the transfer of 14,485 thousand shares of treasury stock to employees, which changed the number of outstanding shares to 241,189 thousand shares, so the cash dividend was adjusted to \$241,189 to be distributed from the capital surplus of \$241,189.
7. The Company's shareholders' meeting resolved on July 5, 2021 to distribute a cash dividend of NT\$1.50 per common share from the 2020 earnings, with a total dividend of \$379,071.

(XX) Other equity interests

2022

	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 6,698	\$ 4,032
Difference in foreign currency translation	-	6,476	6,476
December 31	(\$ 2,666)	\$ 13,174	\$ 10,508

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

(XXI) Operating revenue

	2022	2021
Revenue from contracts with customers	\$ 3,887,648	\$ 2,773,339

#### 1. Segmentation of revenue from contracts with customers

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

2022	Photomask and semiconductor segment
Revenue from contracts with external customers	\$ 3,887,648
Cut-off point of income recognition	
Income recognized at a particular point in time	\$ 3,797,006
Income recognized gradually over time	90,642
	\$ 3,887,648
2021	Photomask and semiconductor segment
Revenue from contracts with external customers	\$ 2,773,339
Cut-off point of income recognition	
Income recognized at a particular point in time	\$ 2,657,485
Income recognized gradually over time	115,854
	\$ 2,773,339

## 2. Contract Liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract Liabilities	\$ 57,323	\$ 7,660	\$ 6,131

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

	2022	2021
Opening balance of contract liabilities		
Revenue recognized for this period (Including reclassification of other income)	\$ 2,986	\$ 3,436

### (XXII) Interest income

	2022	2021
Interest from bank deposits	\$ 11,491	\$ 1,332
Interest income from financial assets measured at amortized cost	246	118
Interest income from related parties	-	1,781
Other interest incomes	61	33
	<u>\$ 11,798</u>	<u>\$ 3,264</u>

### (XXIII) Other Incomes

	2022	2021
Rental income	\$ 141,022	\$ 133,714
Dividend income	33,682	3,288
Subsidy income	12,343	4,668
Other income - Others	8,340	11,836
	<u>\$ 195,387</u>	<u>\$ 153,506</u>

### (XXIV) Other Gains and Losses

	2022	2021
Loss on disposal of investments	(\$ 119,316)	\$ 393
Gains on foreign exchange	47,090	12,107
Gains (losses) of financial assets at fair value through profit or loss	( 114,183)	85,115
Other losses -- Depreciation of investment properties	( 18,531)	( 15,722)
Other miscellaneous expenses	( 73)	( 94)
	<u>(\$ 205,013)</u>	<u>\$ 81,799</u>

### (XXV) Financial Costs

2022	2021
------	------



Interest expenses:		
Bank borrowings	\$ 66,804	\$ 41,930
Convertible bonds	18,103	8,392
Lease liabilities	6,787	5,596
	<u>\$ 91,694</u>	<u>\$ 55,918</u>

(XXVI) Expenses by nature

	<u>2022</u>	<u>2021</u>
Employee benefits expenditure	\$ 467,529	\$ 592,890
Depreciation expense (Note)	513,116	355,573
Amortization expense	6,284	6,105
Less: Investment property and right-of-use assets		

(XXVII) Employee benefits expenditure

	<u>2022</u>	<u>2021</u>
Payroll expenses	\$ 395,385	\$ 429,563
Employee stock options	14,131	119,544
Labor and health insurance fees	29,229	23,886
Pension expense	12,364	10,101
Other personnel expenses	16,420	9,796
	<u>\$ 467,529</u>	<u>\$ 592,890</u>

1. According to the Articles of Incorporation, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any.
2. For 2022 and 2021, employee remuneration was accrued at \$102,000 and \$158,000, respectively, and director remunerations was accrued at \$18,000 and \$30,800, respectively. The amounts were listed as payroll expenses.

The remuneration to employees and directors were estimated at 10.05% and 1.77%, respectively, based on the profitability for the year ended December 31, 2022; the remuneration to employees and directors were estimated at 10.18% and 1.98%, respectively, based on the profitability for the year ended December 31, 2021.

The employee remuneration and director remuneration resolved by the Board of Directors for 2021 were \$158,000 and \$18,000, respectively, which were different from \$158,000 and \$30,800 recognized in the 2021 financial statements by \$0 and 12,800. This is mainly due to changes in estimates which have been adjusted to the profit or loss of 2022.

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

(XXVIII) Income tax

1. Income tax expense

Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ 189,639	\$ 175,371
Additional surtax on undistributed earnings	-	-
Under provision of prior year's income tax	-	-
Total current tax	<u>189,639</u>	<u>175,371</u>
Deferred income tax:		
Origination and reversal of temporary differences	<u>2,011</u>	<u>1,847</u>
Total deferred income tax	<u>2,011</u>	<u>1,847</u>
Income tax expense	<u>\$ 191,650</u>	<u>\$ 177,218</u>

2. Reconciliation between income tax expense and accounting profit

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 179,034	\$ 272,599
Fees excluded according to the tax law	23,042	-
Tax-exempt income under the tax law	( 10,426)	( 106,318)
Changes in assessment of realizability of deferred income tax assets	-	10,937
Income tax expense	<u>\$ 191,650</u>	<u>\$ 177,218</u>

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

	<u>2022</u>				
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Temporary differences:					
- Deferred income tax assets:					
Unrealized exchange loss	\$ -	\$ 1,780	\$ -	\$ -	\$ 1,780
Subtotal	<u>\$ -</u>	<u>\$ 1,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,780</u>
- Deferred income tax liabilities:					
Unrealized gain on exchange	(\$ 59)	(\$ 3,791)	\$ -	\$ -	(\$ 3,850)
Total	<u>(\$ 59)</u>	<u>(\$ 2,011)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 2,070)</u>

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

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

	December 31, 2022	December 31, 2021
Deductible temporary difference	\$ 105,407	\$ 106,261

5. The Company's income tax returns through 2020 have been assessed and approved by the tax authority.

(XXIX) Earnings per share

	2022		
	Amount after tax	Average weighted share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 703,519	208,572	\$ 3.37
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 703,519	208,572	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	14,422	19,713	
Employee remuneration	-	1,473	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 717,941	229,758	\$ 3.12

2021

	Amount after tax	Average weighted share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,146,610	209,770	\$ 5.47
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,146,610	209,770	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,713	3,220	
Employee remuneration	-	1,791	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,153,323	214,781	\$ 5.37

The weighted average number of shares outstanding in 2022 and 2021 has deducted the number of shares held by the Company and the subordinate company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

(XXX) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 2,044,326	\$ 925,545
Add: Opening balance of payable on equipment	44,545	41,895
Prepayments for equipment at the end of the period	1,322,877	643,858
Less: Ending balance of payable on equipment	( 105,604)	( 44,545)
Prepayments for equipment at the beginning of the period	( 643,858)	( 4,069)
Cash paid during the year	\$ 2,662,286	\$ 1,562,684

(XXXI) Changes in liabilities arising from financing activities

	Short Term Loans	Corporate bonds payable	Long-term borrowings (including current portion)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2022	\$ 860,000	\$ 1,657,049	\$ 2,650,000	\$ 568,475	\$ 4,805	\$ 5,740,329
Change in cash flow from financing	194,934	997,095	740,000	( 29,737)	29,069	1,931,361

activities						
Interest Incomes	-	18,103	-	6,787	-	24,890
Interest Paid	-	-	-	(6,787)	-	(6,787)
Other non-cash transactions	-	(63,203)	-	10,585	-	(52,618)
December 31, 2022	<u>\$ 1,054,934</u>	<u>\$ 2,609,044</u>	<u>\$ 3,390,000</u>	<u>\$ 549,323</u>	<u>\$ 33,874</u>	<u>\$ 7,637,175</u>

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

## VII. Related Party Transactions

### (I) Related parties' names and relationship

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Miracle Technology Co., Ltd.	Subsidiary
Youe Chung Capital Corporation	Subsidiary
Innova Vision Inc.	Subsidiary
Aptos Technology Inc.	2nd-tier subsidiary
Miracle International Enterprise (Shanghai) Co., Ltd.	2nd-tier subsidiary
Xsense Technology Corporation	2nd-tier subsidiary (Note 1)
Xsense Technology Corporation (B.V.I.) Taiwan Branch	2nd-tier subsidiary (Note 2)
Digital-Can Tech. Co., Ltd.	2nd-tier subsidiary
Adl Engineering INC.	2nd-tier subsidiary
Weida Hi-Tech Co., Ltd.	Affiliates
Powerchip Technology Corporation	Other related party
Image Match Design Inc.	Other related party
BKS Tec Corp.	Other related party
Taiwan Mask Charity Foundation	Other related party

Note 1: In April 2021, the Company participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included the firm in the consolidated financial statements as a consolidated entity as of that date.

Note 2: Xsense Technology Corporation underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corporation applied to have the shares of Xsense Technology Corporation (B.V.I.) Taiwan Branch it held transferred to the original shareholders of Xsense Technology Corporation according to the original shareholding percentage; as of December 31, 2022, Youe Chung Capital Corporation held 100% equity of Xsense Technology Corporation and 53.00% of Xsense Technology Corporation (B.V.I.) Taiwan Branch.

(II) Significant transactions with the related parties

1. Operating revenue

	<u>2022</u>		<u>2021</u>	
Product sales:				
Subsidiary	\$	14,828	\$	6,621
2nd-tier subsidiary		17,609		29,027
Affiliates		7,066		72
Other related party		1,169		1,171
	<u>\$</u>	<u>40,672</u>	<u>\$</u>	<u>36,891</u>

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

2. Account receivable from related parties

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Accounts Receivables:				
Subsidiary	\$	5,221	\$	2,204
2nd-tier subsidiary		3,978		2,908
Affiliates		326		
Subtotal		<u>9,525</u>		<u>5,112</u>
Other receivables:				
Subsidiary		7,421		2,168
2nd-tier subsidiary		10,022		12,702
Subtotal		<u>17,443</u>		<u>14,870</u>
Total	<u>\$</u>	<u>26,968</u>	<u>\$</u>	<u>19,982</u>

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

	<u>2022</u>		<u>2021</u>	
	<u>Balance at the end of period</u>	<u>Interest income</u>	<u>Balance at the end of period</u>	<u>Interest income</u>
Subsidiary	\$ -	\$ -	\$ -	\$ 1,143
2nd-tier subsidiary	-	-	-	638
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,781</u>

The loans to subsidiaries and 2nd-tier subsidiaries are to be repaid within one year. The interests in 2021 were charged at an annual interest rate of 2%.

#### 4. Acquisition of other assets

		<u>2022</u>	<u>2021</u>
	Account item	Acquisition price	Acquisition price
Other related party	Intangible assets	\$ -	\$ 8,926
Other related party	Fixed assets	-	1,750
2nd-tier subsidiary	Fixed assets	32,884	-
Total		<u>\$ 32,884</u>	<u>\$ 10,676</u>

#### 5. Acquisition of financial assets

2022: None.

	Account item	Number of shares acquired	<u>2021</u> Acquisition price
Subsidiary	Investment under Equity Method	36,767,141	<u>\$ 367,671</u>

#### 6. Others

(1) Guarantee deposit received:	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 416	\$ 416
2nd-tier subsidiary	-	792
Other related party	95	95
	<u>\$ 511</u>	<u>\$ 1,303</u>

(2) Rental income:	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 21,577	\$ 2,417
2nd-tier subsidiary	102,104	112,593
Affiliates	891	-
	<u>\$ 124,572</u>	<u>\$ 115,010</u>

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

(3) Prepayments for equipment:	<u>2022</u>	<u>2021</u>
2nd-tier subsidiary	\$ 71,804	\$ -

(4) The Company issued cash dividends of \$73,463 and \$55,622 to Youe Chung Capital in 2022 and 2021, respectively.

(5) In 2022 and 2021, the Company donated \$4,416 and \$31,801, respectively, in cash to the

Taiwan Mask Charity Foundation.

(III) Compensation of key management personnel

	2022	2021
Salary and short-term employee benefits	\$ 16,345	\$ 7,514
Other long-term employee benefits	14,852	18,082
Share-based payment to employees	-	13,990
	<u>\$ 31,197</u>	<u>\$ 39,586</u>

VIII. Pledged assets

Assets pledged by the Company as collateral are as follows:

Assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposit (Recognized as financial assets at amortized cost)	\$ 222,729	\$ 35,425	Guarantee of goods out of free trade zone and lease deposit
Demand deposit (Recognized as financial assets at amortized cost)	45		Short Term Loans
Stocks of publicly traded and OTC companies (recognized as "Financial assets at fair value through profit or loss")	640,740	149,500	Short Term Loans
Buildings and structures	608,646	623,354	Long-term Loans
Investment property	683,746	703,953	Long-term Loans
Machinery and equipment and equipment under acceptance	2,213,811	2,339,034	Long- and short-term borrowings
Office equipment	2,401		Long- and short-term borrowings
	<u>\$ 4,372,118</u>	<u>\$ 3,851,266</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

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

	December 31, 2022	December 31, 2021
Machine maintenance	<u>\$ 51,362</u>	<u>\$ 29,411</u>

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

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 15,539</u>	<u>\$ 119,059</u>



### 3. Lease agreement

Please see Note 6 (8) and (9)

#### X. Losses due to major disasters

None.

#### XI. Major Events after Financial Statement Date

The resolution of the Company's Board on March 3, 2023 passed the appropriation of earnings. Please refer to Note 6 (19) for details.

#### XII. Others

##### (I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the parent only balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the parent only balance sheet plus net debt. The Company maintained the same strategy in 2022 as in 2021. It is committed to keeping the debt-to-capital ratio under a reasonable risk level. For the years ended December 31, 2022 and 2021, the debt-to-capital ratios were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 7,053,978	\$ 5,167,049
Less: Cash and cash equivalents	( 1,211,411)	( 1,798,841)
Net debt	5,842,567	3,368,208
Total equity	4,546,920	5,100,527
Total capital	<u>\$ 10,389,487</u>	<u>\$ 8,468,735</u>
Debt-to-equity ratio	<u>41.56%</u>	<u>25.11%</u>

##### (II) Financial instruments

###### 1. Types of financial instrument

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,232,454	\$ 1,121,358

Financial assets measured at amortized cost		
Cash and Cash Equivalents	\$ 1,211,411	\$ 1,798,841
Financial assets measured at amortized cost	225,774	38,425
Accounts receivable (Including related parties)	809,956	598,079
Other accounts receivable (Including related parties)	22,009	18,696
Refundable deposit	8,723	6,353
	<u>\$ 2,277,873</u>	<u>\$ 2,460,394</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short Term Loans	\$ 1,054,934	\$ 860,000
Accounts Payable	109,004	81,451
Other Payables	520,173	446,349
Corporate bonds payable	2,609,044	1,657,049
Long-term borrowings (including current portion)	3,390,000	2,650,000
Guarantee Deposits Received	33,874	4,805
	<u>\$ 7,717,029</u>	<u>\$ 5,699,654</u>
Lease liabilities	<u>\$ 549,323</u>	<u>\$ 568,475</u>

## 2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. Company's finance department identifies, evaluates and hedges financial risks in close collaboration with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

## 3. Significant financial risks and degrees of financial risks

### (1) Market risk

#### A. Foreign exchange risk

The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities

denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

		December 31, 2022		
<b>(Foreign currency: Functional currency)</b>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD 44,731	30.71	\$	1,373,703
JPY : NTD	JPY 1,496	0.2324		348
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD 3,422	30.71	\$	105,090
JPY : NTD	JPY 616,283	0.2324		143,224
		December 31, 2021		
<b>(Foreign currency: Functional currency)</b>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD 14,010	27.68	\$	387,799
JPY : NTD	JPY 65,669	0.2405		15,793
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD 2,099	27.68	\$	58,113
JPY : NTD	JPY 188,577	0.2405		45,353

- B. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a gain of \$47,090 and a gain of \$12,107 for the years ended December 31, 2022 and 2021, respectively.
- C. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

		2022	
		Sensitivity Analysis	
<b>(Foreign currency: Functional currency)</b>	<u>Fluctuation</u>	<u>Effect on profit or loss</u>	<u>Other comprehensive profit and loss affected</u>
<u>Financial assets</u>			

<u>Monetary items</u>				
USD : NTD	1%	\$	13,737	\$ -
JPY : NTD	1%		3	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	1,051)	-
JPY : NTD	1%	(	1,432)	-

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

#### Price risk

- A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss.
- B. The Company invests primarily in beneficiary certificates and equity instruments. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit after tax affected by equity instruments at fair value through profit or loss after tax for 2022 and 2021 is an increase or decrease of \$12,325 and \$11,214, respectively.

#### Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Company to cash flow interest rate risk. For 2022 and 2021, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan Dollars.
- B. The Company's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Company to the risk of future market interest rate changes.

- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net profit after tax for 2022 and 2021 is a decrease or increase of \$8,890 and \$7,020, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

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

reasonably expected to be recovered after recourse. However, the Company will continue the recourse to protect the rights of the claims.

H. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2022 and 2021 are shown as follows:

	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.01%	0.20%	1.85%	5.23%	56.58%~100%	
Total book value	\$ 723,205	\$ 72,473	\$ 13,355	\$ 1,581	\$ 1,248	\$ 811,862
Loss allowance	\$ -	\$ -	(\$ 729)	(\$ 554)	(\$ 623)	(\$ 1,906)
	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.01%	0.21%	2.03%	5.11%	57.18%~100%	
Total book value	\$ 504,835	\$ 81,417	\$ 11,447	\$ 1,465	\$ -	\$ 599,164
Loss allowance	\$ -	\$ -	(\$ 572)	(\$ 513)	\$ -	(\$ 1,085)

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

	2022	
	Accounts Receivables	
January 1	\$	1,085
Recognize impairment loss		821
December 31	\$	<u>1,906</u>
	2021	
	Accounts Receivables	
January 1	\$	968
Recognize impairment loss		117
December 31	\$	<u>1,085</u>

### (3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs.
- B. The remaining cash held by each operating entity will be transferred back to the Company's finance department. The finance department of the Company invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2022 and 2021, the position of money market held by the

Company is at \$1,214,411 and \$1,801,841, respectively, and is expected to generate immediate cash flow to manage liquidity risk.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Mature within one year	\$ 255,100	\$ 900,000
Maturity of more than 1 year	120,000	-
	<u>\$ 375,100</u>	<u>\$ 900,000</u>

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

Non-derivative financial liabilities:

December 31, 2022	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 1,054,934	\$ -	\$ -	\$ -
Accounts Payable	109,004	-	-	-
Other Payables	520,173	-	-	-
Lease liabilities	36,293	33,544	89,277	469,121
Corporate bonds payable	-	-	2,696,140	-
Long-term borrowings (including current portion)	496,418	845,808	175,591	1,664,852
Guarantee Deposits Received	-	33,874	-	-
December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 860,000	\$ -	\$ -	\$ -
Accounts Payable	81,452	-	-	-
Other Payables	446,349	-	-	-
Lease liabilities	33,601	31,696	89,142	490,467
Corporate bonds payable	-	-	1,741,300	-
Long-term borrowings (including current portion)	61,250	782,605	1,840,595	-

Guarantee Deposits Received	-	4,805	-	-
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(III) Fair value information

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

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

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

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

2. Financial instruments not measured at fair value

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

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

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,153,154	\$ 79,300	\$ -	\$ 1,232,454
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Convertible bond call/put options	\$ -	\$ -	\$ 5,697	\$ 5,697

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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**Assets**  
Recurring fair value measurements



Financial assets at fair value through profit or loss - Equity securities	\$ 1,109,226	\$ -	\$ 7,132	\$ 1,116,358
Convertible bonds	-	-	5,000	5,000
Total	<u>\$ 1,109,226</u>	<u>\$ -</u>	<u>\$ 12,132</u>	<u>\$ 1,121,358</u>

4. The methods and assumptions adopted by the Company for assessing the fair value are as follows:

(1) The Company adopt market pricing as the input of fair value (i.e. Level 1), and the breakdown of the characteristics of the instrument is as follows:

	<u>Shares of listed and OTC company</u>	<u>Open-end funds</u>
Market price	Closing price	Net value

(2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the parent only balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).

(3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Company. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the parent only balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.

(4) The Company incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Company, respectively.

5. There were no transfers between Level 1 and 2 in 2022 and 2021.

6. The following table shows the changes in Level 3 in 2022 and 2021:

	<u>Equity instruments</u>
January 1, 2022	\$ 12,132
Disposal this period	( 7,132)
Recognized in profit or loss	<u>( 10,697)</u>

December 31, 2022	(\$ 5,697)
	<u>Equity instruments</u>
January 1, 2021	\$ 7,132
Recognized in profit or loss	5,000
December 31, 2021	\$ 12,132

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2022: None.

December 31, 2021

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 7,132	Net asset value method	Net asset value		The higher the net - asset value, the higher the fair value

8. The Company has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

December 31, 2022: None.

				<u>December 31, 2021</u>			
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets	Equity instruments	Net asset value	± 1%	\$ 71	(\$ 71)	\$ -	\$ -

#### (IV) Others

The Company has evaluated the Company's operations and financial information, and amid the novel coronavirus crisis, the Company's ability to continue as a going concern, asset impairment and financing risks have not been greatly affected.

### XIII. Supplementary Disclosure

#### (I) Significant transactions information

- Loans to others: Please refer to Table 1.
- Provision of endorsements and guarantees to others: Please refer to Table 2.

3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 4.
5. Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivative trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 6.

(III) Information on investments in China

Please see Table 7.

(IV) Information on Major Shareholders

Please see Table 8.

XIV. Segments information

Not applicable.

Taiwan Mask Corporation and Subsidiaries

Loans to Others

January 1 to December 31, 2022

Table 1

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Company that lent	Borrowing party	General ledger account	Relate	Maximum	Balance at the	Amount Actually	Range of	Nature of loan	Amount of	Reason for	Amount of	Collateral		Limit on loans	Ceiling on total	Note
													Name	Value			
1	ADL Energy Corp	Aptos Technology INC.	Other Receivables— Related	Y	\$ 28,000	\$ 7,200	\$ 7,200	2.7%	Short-term	-	Business	-	Promissory note	\$ 7,200	\$ 19,166	\$ 19,166	Note 3
2	Miracle Technology CO., LTD.	Aptos Technology INC.	Other Receivables— Related Parties	Y	170,000	170,000	170,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	170,000	178,503	178,503	Note 4
3	Youe Chung Capital Corporation	Aptos Technology INC.	Other Receivables— Related Parties	Y	650,000	150,000	150,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	150,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.L) Taiwan Branch	Other Receivables— Related Parties	Y	470,000	270,000	270,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	270,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corporation	Other Receivables— Related Parties	Y	8,000	-	-	2.0%	Short-term financing	-	Working capital	-	-	-	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Innova Vision INC.	Other Receivables— Related Parties	Y	90,000	90,000	90,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	90,000	1,698,869	1,698,869	Note 6

Note 1: The description of the number columns are as follows:

- (1). Fill in 0 for the issuer.
- (2). The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: Amendment to the Procedures for Lending Funds to Others:

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Cc

Note 3: Subsidiary - ADL Energy Corp Procedures for Lending Funds to Others:

- (1) The total loan amount shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed 40% of the Company net value.
  - (2) In addition to the provisions in (1), the loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of g
  - (3) In addition to the provisions in (1), in which companies or businesses have a short-term financing need, and the loan amount of each individual borrowers not exceeding 40% of the Company net value, the financing amount refers to the accumulated balance of the company's short-term financing.
  - (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, or loans to the Company from any overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares are not restricted by the ab
- The total amount of loans lent between the overseas companies or to the parent company and the limit for each limit are specified as follows:
- I. The total amount loans to enterprises shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrower shall not exceed 40% of the Company net value.
  - II. For overseas companies that have business dealings with each other, the individual loan amount shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
  - III. If there is a need for short-term financing, the loan amount of each individual borrowers shall not exceed 40% of the company's net value, and the financing amount refers to the accumulated balance of the short-term financing between overseas companies.

(5) The highest balance for the current period is the amount resolved by the board.

Note 4: Subsidiary - Miracle Technology Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Cc

Note 5: Subsidiary - Innova Vision Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) The loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties in the past year. The amount of business transactions refers to the higher of the amount of goods purchased or s
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Note 6: Subsidiary - Youe Chung Capital Corporation Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Taiwan Mask Corporation and Subsidiaries  
Endorsements and Guarantees to Others  
January 1 to December 31, 2022

Table 2

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Endorser/guarantor	Guaranteed Party		Relationship and guarantee for a single enterprise (Note 3, 4, 5, 6)	Maximum Balance	Ending Balance	Amount	Amount of	Maximum Endorsement/ Guarantee Amount Allowable Ratio of (Note 3, 4, 5, 6)	Guarantee	Guarantee	Guarantee	Note	
		Name of Company	(Note 2)											
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	2	\$ 229,550	\$ 225,505	\$ 214,970	\$ -	\$ -	4.73%	\$ 1,818,768	Y	N	N	Note 3
1	ADL Energy Corp	Aptos Technology INC.	3	14,374	19,500	19,500	19,500	19,500	40.70%	19,166	N	Y	N	Note 4
2	Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	3	344,788	224,808	224,808	224,808	224,808	65.20%	344,788	N	Y	N	Note 5
3	Miracle Technology CO., LTD.	Xsense Technology Corp, INC.	1	178,503	150,000	150,000	150,000	150,000	33.61%	178,503	N	N	N	Note 6
3	Miracle Technology CO., LTD.	Aptos Technology INC.	1	178,503	150,000	-	-	-	-	178,503	N	N	N	Note 6

Note 1: The description of the number columns are as follows:

- (1). Fill in 0 for the issuer.
- (2). The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: The relationship between the guarantor and the guarantee are one of the seven types indicated below:

- (1) A company with which it does business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other.
- (5) A company that is mutually insured by a contract between peers or co-founders based on the needs of the contracted work.
- (6). A company that is guaranteed by all contributing shareholders in proportion to their shareholdings due to a joint investment relationship.
- (7). Companies that are engaged in joint and several guarantees for the performance guarantee of pre-sale housing sales contracts in accordance with the regulations of the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee practices for others provide that:

- (1). The total amount of the Company's external endorsement guarantee shall not exceed 30% of the Company's paid-in capital.
- (2). The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3). Companies with which the Company has a parent-child relationship: The amount of endorsement and guarantee for a single enterprise shall not exceed 10% of the Company's paid-in capital and the paid-in capital of the company being endorsed and guaranteed.
- (4). The aggregate amount of the endorsement and guarantee of the Company and its subsidiaries as a whole shall not exceed 40% of the net worth of the Company, of which the endorsement and guarantee of a single subsidiary shall not exceed 20% of the net worth of the Company.

Note 4: Subsidiary - ADL Energy Corp Endorsement and Guarantee Procedures:

- (1). The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.
- (2). The amount of the endorsement guarantee for a single enterprise shall not exceed 30% of the net value of the company's most recent audited or reviewed financial statements.
- (3). The Company and its subsidiaries shall state in the shareholders' meeting the necessity and reasonableness of any endorsement or guarantee of more than 50% of the net value of the Company's most recent audited or reviewed financial statements.

Note 5: Miko-China Enterprise (Shanghai) Co., Ltd. Endorsement and Guarantee Procedures:

The total amount of endorsement guarantee liability is limited to RMB 30 million, and the amount of endorsement guarantee for a single enterprise shall not exceed RMB 30 million; however, for the parent company that directly or indirectly holds, through a subsidiary,

Note 6: Subsidiary - Miracle Technology Co., Ltd. Endorsement and Guarantee Procedures:

The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.

Taiwan Mask Corporation and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2022

Table 3

Unit: NT\$Thousand  
(Unless otherwise specified)

Company name of the shareholding	Marketable securities	Relationship	General ledger account	Period end				
				Number of shares	Book value	Ownership	Fair value	Note
Taiwan Mask Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	7,554,000	\$ 307,448	0.06%	\$ 307,448	
Taiwan Mask Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	14,334,000	845,706	7.17%	845,706	
Taiwan Mask Corporation	Common stocks of Avision Inc. through private placement.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,000,000	79,300	5.18%	79,300	
Youe Chung Capital Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	6,000,000	244,200	0.05%	244,200	
Youe Chung Capital Corporation	Common stocks of Microtek International Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	40,409,000	1,032,450	19.65%	1,032,450	
Youe Chung Capital Corporation	Common stocks of Taiwan Mask Corporation	Parent company	Financial Asset at Fair Value Through Profit or Loss - Non Current	36,731,440	3,111,153	14.37%	3,111,153	
Youe Chung Capital Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	24,999,000	1,474,941	12.50%	1,474,941	
Youe Chung Capital Corporation	Common stocks of EVERBRITE Technology	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,831,000	439,739	16.92%	439,739	■
Youe Chung Capital Corporation	Image Match Design Inc.	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,890,000	3,213	3.17%	3,213	■
Youe Chung Capital Corporation	B Current Impact Investment	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,000,000	10,000	10.00%	10,000	■
Youe Chung Capital Corporation	B Current Impact Investment Partnership	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	250,000	2,500	-	2,500	■
Youe Chung Capital Corporation	Intellectual Property Innovation Corporation Partnership Fund	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	-	20,000	-	20,000	■
Jing Hao Investment Co., Ltd.	G-TECH ELECTRONICS LTD.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,097,092	-	8.08%	-	■
Jing Hao Investment Co., Ltd.	Memchip Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	187,915	-	3.13%	-	■
Aptos Technology INC	Common stocks of TOPFUN TECHNOLOGY INC	None	Financial assets measured at fair value through other comprehensive income - Non Current	100,000	-	12.27%	-	■
ADL Energy Corp	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu. Beneficiary Certificate	None	Financial Assets at Fair Value Through Profit or Loss - Current	50,000	500	-	500	■
Miko-China Enterprise (Shanghai)	Common stocks of Shenzhen He Mei Jing Yi Semiconductor Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	400,000	21,158	0.31%	21,158	■

Taiwan Mask Corporation and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

January 1 to December 31, 2022

Table 4

Unit: NT\$Thousand  
(Unless otherwise specified)

Company that buys	Marketable securities	General ledger account	Counterparty relationship		Beginning of period		Buy (Note 3)		Sell/Reduce (Note 3)				End of period		
			(Note 2)	(Note 2)	Number of	Amount	Number of shares	Amount	Number of shares	Selling Price	Book Cost	Gains and	Number of shares	Amount	
Taiwan Mask Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	6,980,000	\$ 413,216	7,354,000	\$ 432,193	-	\$ -	\$ -	\$ -	-	14,334,000	\$ 845,706
Youe Chung Capital Corporation	Microtek International	Financial Assets at Fair Value Through Profit or	-	-	-	-	46,599,000	705,222	( 6,190,000)	( 80,395)	( 69,019)	11,376	40,409,000	1,032,450	
Youe Chung Capital Corporation	Acer	Financial Assets at Fair Value Through Profit or	-	-	33,460,000	1,018,857	-	-	( 33,460,000)	( 817,942)	( 832,785)	( 14,843)	-	-	
Youe Chung Capital Corporation	United Microelectronics	Financial Assets at Fair Value Through Profit or	-	-	28,200,000	1,833,000	2,500,000	157,227	( 24,700,000)	( 1,000,186)	( 721,815)	278,371	6,000,000	244,200	
Youe Chung Capital Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	15,923,000	942,642	9,076,000	540,483	-	-	-	-	24,999,000	1,474,941	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities of the abovementioned items.

Note 2: For marketable securities that adopt the equity method, the two fields should be filled out and the rest are not required.

Note 3: Acquisition or sale of the same securities should be calculated separately at market price to see if they reach NT\$300 million or 20% of the Company's paid-in capital.

Taiwan Mask Corporation and Subsidiaries  
Significant inter-company transactions during the reporting periods  
January 1 to December 31, 2022

Table 5

Unit: NT\$ Thousand  
(Unless otherwise specified)

No. (Note 1)	Name of the counterparty	Counterparty	Relationship	General ledger account	Amount	Status of transaction		operating revenues or total assets (Note 3)
						Transaction terms		
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Sales	14,828	Net 60	✔	0.19%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Endorsement and guarantee	214,970	Same with other customers	✔	1.20%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Accounts Receivables	5,221	Net 60	✔	0.03%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Rental income	2,811	Same with other customers	✔	0.04%
0	Taiwan Mask Corporation	Miracle International Enterprise(Shanghai) Co., Ltd.	1	Sales	17,172	Net 60	✔	0.22%
0	Taiwan Mask Corporation	Miracle International Enterprise(Shanghai) Co., Ltd.	1	Accounts Receivables	3,978	Net 60	✔	0.02%
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Rental income	53,332	Same with other customers	✔	0.69%
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Other Receivables	8,118	Same with other customers	✔	0.05%
0	Taiwan Mask Corporation	Innova Vision INC.	1	Rental income	18,766	Same with other customers	✔	0.24%
0	Taiwan Mask Corporation	Innova Vision INC.	1	Other Receivables	7,064	Same with other customers	✔	0.04%
0	Taiwan Mask Corporation	Xsense Technology Corp, INC.	1	Rental income	48,735	Same with other customers	✔	0.63%
0	Taiwan Mask Corporation	Xsense Technology Corp, INC.	1	Other Receivables	1,902	Same with other customers	✔	0.01%
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	Equipment acquisition	23,087	Same with other customers	✔	0.13%
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	Equipment acquisition	71,804	Same with other customers	✔	0.40%
0	Taiwan Mask Corporation	ADL Energy Corp	1	Equipment acquisition	9,797	Same with other customers	✔	0.05%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Other Receivables	170,000	Receipt and payment at an agreed time	✔	0.95%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Interest income	3,319	Receipt and payment at an agreed time	✔	0.04%
1	Miracle Technology CO., LTD.	Xsense Technology Corp, INC.	3	Endorsement and guarantee	150,000	Same with other customers	✔	0.84%
1	Miracle Technology CO., LTD.	Miracle International Enterprise(Shanghai) Co., Ltd.	3	Sales	51,234	Net 30	✔	0.66%
1	Miracle Technology CO., LTD.	Miracle International Enterprise(Shanghai) Co., Ltd.	3	Accounts Receivables	1,156	Net 30	✔	0.01%
1	美祿科技(股)公司	群豐科技(股)公司	3	背書保證	-	與一般客戶交易條件相當	✔	0.00%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Sales	3,739	Net 60	✔	0.05%
1	Miracle Technology CO., LTD.	ADL Energy Corp	3	Sales	6,894	Net 60	✔	0.09%
2	Мирacle Power Technology Co., Ltd.	Miracle Technology CO., LTD.	3	Endorsement and guarantee	224,808	Same with other customers	✔	1.26%
3	Yue Chung Capital Corporation	Miracle Technology CO., LTD.	3	Sales	17,081	Net 30	✔	0.22%
4	Yue Chung Capital Corporation	Aptos Technology INC.	3	Other Receivables	150,000	Receipt and payment at an agreed time	✔	0.84%
4	Yue Chung Capital Corporation	Aptos Technology INC.	3	Interest income	5,904	Receipt and payment at an agreed time	✔	0.08%
4	Yue Chung Capital Corporation	Xsense Technology Corp, INC.	3	Other Receivables	270,000	Receipt and payment at an agreed time	✔	1.51%
4	Yue Chung Capital Corporation	Xsense Technology Corp, INC.	3	Interest income	5,274	Receipt and payment at an agreed time	✔	0.07%
4	Yue Chung Capital Corporation	Innova Vision INC.	3	Other Receivables	90,000	Receipt and payment at an agreed time	✔	0.50%
5	Aptos Technology INC.	Miracle Technology CO., LTD.	3	Sales	6,038	Net 60	✔	0.08%
6	ADL Energy Corp	Aptos Technology INC.	3	Other Receivables	7,200	Receipt and payment at an agreed time	✔	0.04%
6	ADL Energy Corp	Aptos Technology INC.	3	Endorsement and guarantee	19,500	Same with other customers	✔	0.11%
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	24,812	Net 60	✔	0.32%
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other Receivables	17,002	Receipt and payment at an agreed time	✔	0.10%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiaries.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount to consolidated total operating revenues or total assets.

Note 4: Only transactions with an amount of more than NT\$1 million will be disclosed, and transactions with related parties will not be disclosed separately.



Taiwan Mask Corporation and Subsidiaries  
Names, locations and other information of investee companies (not including investees in China)  
January 1 to December 31, 2022

Table 6

Unit: NT\$Thousand  
(Unless otherwise specified)

Name of Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of the end of period			Net profit (loss) of the	Investment	Note
				at the end of the previous year	at the end of the reporting period	Number of shares	Ownership	Book value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Re-investment	\$ 103,045	\$ 103,045	3,120,000	100%	\$ 5,746	\$ 43	\$ 43	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Re-investment	1,260,000	1,260,000	534,877,568	100%	1,140,806 (	1,379,376) (	559,391)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	165,691	165,691	12,549,652	25.43%	33,508 (	118,377) (	30,116)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronics components manufacturing, electronics materials	211,332	229,696	22,955,033	100%	482,368	63,131	63,131	
Taiwan Mask Corporation	Weida Hi-Tech Company	Taiwan	Display panel control chip and other module's research, design,	293,371	293,371	12,176,880	28.20%	84,080 (	20,213) (	24,909)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	578,321	578,321	36,793,135	91.53%	151,324 (	129,197) (	125,646)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	60,021	60,021	2,613,223	5.30%	6,977	118,377) (	6,271)	
Youe Chung Capital Corporation	Xsense Technology Corp, INC.	British Virgin	Precious metal coating	325,965	317,965	1	100.00%	6,319 (	540) (	37,227)	Note 1
Youe Chung Capital Corporation	Xsense Technology Corp, INC.	Taiwan	Precious metal coating	-	-	12,189,191	53.00%	5,469) (	160,094) (	18,228)	Note 1
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory, solid state drives	434,692	134,928	28,481,161	47.19%	89,485) (	295,477) (	130,031)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	151,533	151,533	94,370	0.23%	425	129,197) (	303)	
Youe Chung Capital Corporation	Digital-Can Tech. Co., Ltd.	Taiwan	3D Printing and Plastic Mold Design	139,072	139,072	7,281,250	57.39%	113,858 (	20,631) (	19,641)	
Aptos Technology INC.	ADL Energy Corp	Taiwan	Electronic parts and components and	413,050	413,050	11,984,526	100%	47,914 (	19,975)	19,975)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Re-investment	-	-	-	100%	-	-	-	Note 2
ADL Energy Corp	Aptos Global Holding Corp.	Seychelles	Re-investment	29,795	29,795	10,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jing Hao Investment Co., Ltd.	Taiwan	Re-investment	10,012	10,012	21,280,774	100%	285,851	50,890	50,890	
Jing Hao Investment Co., Ltd.	Miko Technology Co., Ltd	Hong Kong	Electronics components manufacturing, electronics materials	37	37	10,000	100%	6,740 (	50)	50)	
Innova Vision INC.	Innova Technology	Taiwan	Sales of contact lens	64,650	64,650	3,000,000	100%	3,338) (	104)	104)	
Innova Vision INC.	Innova Vision (B.V.I) Inc.	British Virgin	Re-investment	60,157	60,157	1,000,000	100%	14 (	573)	573)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	84,204	84,204	6,400	52.03%	169) (	1,181) (	614)	
Innova Vision (B.V.I) Inc.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	56,420	56,420	5,900	47.97%	156)	1,181)	567)	

Note 1: Xsense Technology Corp, INC. underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corp, INC. applied to have the shares of Xsense Technology Corp, INC. it held transferred to the original

Note 2: As of December 31, 2022, the funds for shares have not been remitted.

Taiwan Mask Corporation and Subsidiaries  
Information on investments in China  
January 1 to December 31, 2022

Table 7

Unit: NT\$ thousand  
(Unless otherwise specified)

Investee in China	Main business activities	Paid-up capital	Investment method (Note 1)	Accumulated	Amount remitted from			Net profit (loss)	Ownership held by the	income (loss)		Note
					Remitted to	Remitted back	Accumulated amount of			(Note 2)	Carrying	
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and	\$ 3,283	1	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 60,510	100%	\$ 60,510	\$ 344,788	- Note 2 (2) B
Miracle International Enterprise(Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and	10,215	1	10,215	-	-	10,215	3,393	100%	3,393	93,635	- Note 2 (2) B Note 4
Sichuan Miracle Power Technology Co.,	IC product design,	53,676	3	-	-	-	( 3,454)		100%	( 3,454)	58,754	- Note 2 (2)
<u>Name of Company</u>	<u>remittance from Taiwan to China as of the end of the</u>	<u>amount approved by the</u>	<u>China imposed by the Investment Commission</u>									
Miracle Technology CO., LTD.	\$ 13,498	\$ 13,498	\$ 267,755									

Note 1: Investment methods are classified into the following three categories; fill in the number of categories each case belongs to:

- (1). Directly invest in a company in China.
- (2) Through investing in an existing company in the third area (please specify the company), which then invested in China.
- (3). Others

Note 2: Investment income recognized by the Company for the current period

- (1) If it is still under preparation with no actual gain or loss, it shall be indicated in the box.
- (2) The basis for recognition of the investment gains or losses is divided into the following three.
  - A. Financial statements audited and validated by an international accounting firm that has a collaborative relationship with CPA firms in Taiwan.
  - B. Financial statements audited and validated by a certified accountant or accounting firm who work with the parent company in Taiwan.
  - C. Unaudited financial statements.

Note 3: The relevant figures in this table should be presented in New Taiwan Dollars.

Note 4: It was originally invested through Misum Technology Co., Ltd. Since the aforementioned company has gone through dissolution and liquidation, it has been changed to Miracle Technology Co., Ltd. directly investing in Miracle International Enterprise (Shanghai) Co., Ltd.

Taiwan Mask Corporation and Subsidiaries

Information on Major Shareholders

December 31, 2022

Table 8

Name of Main Shareholders	Shares	
	No. of shares held	Ownership
Youe Chung Capital Corporation	36,731,440	14.32%
Taiwan Mask Corporation	14,485,000	5.64%

Taiwan Mask Corporation  
Cash and Cash Equivalents Schedule  
December 31, 2022

Schedule 1

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Bank deposits		
Demand deposits - NTD		\$ 321,485
- Foreign currency	USD 4,966, exchange rate 30.71	152,517
	JPY 1,496, exchange rate 0.2324	348
	EUR 1, exchange rate 32.72	21
Time deposits -- Foreign currency	USD 24,000, exchange rate 30.71	
	Duration: October 6, 2022 to January 20, 2023	
	Range of interest rate: 3.6% to 4.10%	737,040
		<u>\$ 1,211,411</u>

Taiwan Mask Corporation  
Accounts Receivable Schedule  
December 31, 2022

Schedule 2

Unit: NT\$ Thousand

<u>Customer Name</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
General customers			
Company B		\$ 102,569	
Company A		92,572	
Company E		58,466	
Company F		48,854	
Company C		44,104	
Others		<u>455,772</u>	The balance of each separate account did not exceed 5% of this account. Account balance that has been more than a year is \$0
		802,337	
Less: Allowance for bad debts		( 1,906)	
		<u>\$ 800,431</u>	
Related party			
Miracle Technology Co., Ltd.		\$ 5,221	
Miracle International Enterprise (Shanghai) Co., Ltd.		3,978	
Weida Hi-Tech Co., Ltd.		<u>326</u>	Account balance that has been more than a year is \$0
		9,525	
Less: Allowance for bad debts		-	
		<u>\$ 9,525</u>	

Taiwan Mask Corporation  
Inventories Schedule  
December 31, 2022

Schedule 3

Unit: NT\$Thousand

		Amount		
Items	Summary	Cost	Market value	Note
Raw materials		\$ 99,179	\$ 101,269	Net realizable value as the market value
Work in process		22,831	22,496	Net realizable value as the market value
Finished goods		1,814	4,096	Net realizable value as the market value
		123,824	<u>\$ 127,861</u>	
Add: Loss on falling prices of inventory and inventory obsolescence		<u>( 5,115)</u>		
		<u>\$ 118,709</u>		

Taiwan Mask Corporation  
Financial assets schedule at fair value through profit and loss  
January 1 to December 31, 2022

Schedule 4

Unit: NT\$Thousand

Name	Opening Balance		Increase this period		Decrease this period		Balance at the end of period		Guarantee or pledge	Note
	Number of Shares	Book value	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Book value		
Common stocks of Pu-Shi Venture Capital	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	None
Common stocks of Athena Capital	82,810	-	-	-	( 82,810)	-	-	-	-	None
Common stocks of Fu-Run Investment	713,235	7,132	-	-	( 713,235)	( 7,132)	-	-	-	None
Common stocks of Unicon Vision	7,830,197	77,832	-	-	( 7,830,197)	( 77,832)	-	-	-	None
Common stocks of Acer	6,150,000	187,268	-	-	( 6,150,000)	( 187,268)	-	-	-	None
Common stock of China Steel Structure Co., Ltd.	6,980,000	413,216	7,354,000	432,490	-	-	14,334,000	845,706	Yes	
Common stocks of Avision Inc.	10,000,000	102,400	-	-	( 23,100)	23,100	10,000,000	79,300	None	
Common stocks of United Microelectronics Corporation	5,054,000	328,510	2,500,000	149,084	( 170,146)	170,146	7,554,000	307,448	None	
Convertible bond call/put options	-	5,000	-	-	( 5,000)	5,000	-	-	-	None
<b>Total</b>		<u>\$ 1,121,358</u>		<u>\$ 581,574</u>		<u>(\$ 470,478)</u>		<u>\$ 1,232,454</u>		

Taiwan Mask Corporation  
Schedule of Investments Changes Accounted for Using Equity Method  
January 1 to December 31, 2022

Schedule 5

Unit: NT\$ Thousand

Name	Opening Balance		Increase in investment for the period		Increase (decrease) in investments accounted for using the equity method (Note)	Balance at the end of period			Market value or equity net value		Guarantee or pledge	Remarks
	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Ownership	Amount	Unit price (NT\$)	Total amount		
SunnyLake Park International Holdings, Inc.	3,120,000	\$ 5,139	-	\$ -	\$ 607	3,120,000	100.00%	\$ 5,746	\$ -	\$ 5,746	None	
Youe Chung Capital Corporation	255,567,666	1,776,924	279,309,902	-	( 636,118)	534,877,568	100.00%	1,140,806	-	1,140,806	None	
Innova Vision INC.	36,793,136	235,591	-	-	( 84,267)	36,793,136	91.53%	151,324	-	151,324	None	
Advagene Biopharma Co., Ltd.	12,549,652	63,578	-	-	( 30,070)	12,549,652	25.43%	33,508	-	33,508	None	
Miracle Technology Co., Ltd.	22,955,033	430,778	-	-	51,590	22,955,033	100.00%	482,368	-	482,368	None	
Weida Hi-Tech Co., Ltd.	12,176,880	87,898	-	-	( 3,818)	12,176,880	28.20%	84,080	-	84,080	None	
<b>Total</b>		<b>\$ 2,599,908</b>		<b>\$ -</b>	<b>(\$ 702,076)</b>			<b>\$ 1,897,832</b>				

Note: Mainly the share of profit or loss of subsidiaries and affiliates accounted for using the equity method, the share of other comprehensive income, and the cash dividends received from investees.



Taiwan Mask Corporation  
Property, Plant and Equipment Cost Changes Schedule  
January 1 to December 31, 2022

Schedule 6

Unit: NT\$Thousand

<u>Items</u>	<u>Opening Balance</u>	<u>Increase this period</u>	<u>Decrease this period</u>	<u>Reclassification for the year</u>	<u>Balance at the end of period</u>	<u>Guarantee or pledge</u>	<u>Note</u>
Buildings and structures (including land)	\$ 1,692,966	\$ 363,662	\$ -	(\$ 172,500)	\$ 1,884,128	Yes	
Machinery and equipment	3,215,027	1,280,116	-	31,170	4,526,313	Yes	
Transportation equipment	5,635	657	-	-	6,292	None	
Office equipment	31,105	12,159	-	327	43,591	Yes	
Other equipment	10,942	24,528	-	279,588	315,058	None	
Unfinished construction and equipment under acceptance	149,749	363,204	-	( 148,171)	364,782	None	
	<u>\$ 5,105,424</u>	<u>\$ 2,044,326</u>	<u>\$ -</u>	<u>(\$ 9,586)</u>	<u>\$ 7,140,164</u>		

Taiwan Mask Corporation  
Property, Plant and Equipment Accumulated Depreciation Changes Schedule  
January 1 to December 31, 2022

Schedule 7

Unit: NT\$ Thousand

<u>Items</u>	<u>Opening Balance</u>	<u>Increase this period</u>	<u>Decrease this period</u>	<u>Reclassification for the year</u>	<u>Balance of the period</u>	<u>Note</u>
Buildings and structures	\$ 602,039	\$ 140,346	\$ -	(\$ 87,564)	\$ 654,821	
Machinery and equipment	1,304,734	309,183	-	1,616	1,615,533	
Transportation equipment	2,581	844	-	-	3,425	
Office equipment	16,357	7,737	-	-	24,094	
Other equipment	1,248	3,913	-	74,802	79,963	
	<u>\$ 1,926,959</u>	<u>\$ 462,023</u>	<u>\$ -</u>	<u>(\$ 11,146)</u>	<u>\$ 2,377,836</u>	

Taiwan Mask Corporation  
Right-of-Use Assets Schedule  
January 1 to December 31, 2022

Schedule 8

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 567,697	\$ 5,285	\$ -	\$ 572,982	
Buildings and structures	3,656	4	-	3,660	
Transportation equipment (company vehicles)	12,650	4,770	-	17,420	
Other equipment	26,733	526	-	27,259	
<b>Total</b>	<b>\$ 610,736</b>	<b>\$ 10,585</b>	<b>\$ -</b>	<b>\$ 621,321</b>	

Taiwan Mask Corporation  
Right-of-Use Assets Accumulated Depreciation Schedule  
January 1 to December 31, 2022

Schedule 9

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 41,403	\$ 24,679	\$ -	\$ 66,082	
Buildings and structures	2,653	936	-	3,589	
Transportation equipment (company vehicles)	3,265	5,092	-	8,357	
Other equipment	-	1,855	-	1,855	
<b>Total</b>	<b>\$ 47,321</b>	<b>\$ 32,562</b>	<b>\$ -</b>	<b>\$ 79,883</b>	

Taiwan Mask Corporation  
Short-Term Borrowings Schedule  
December 31, 2022

Schedule 10

Unit: NT\$Thousand

Types of borrowings	Explanati on	Balance at the end of period	Contract Duration	Range of interest rate	Financing Amount	Pledge or Guarantee
Credit loan		\$ 60,000	2022.10.20~2023.01.18	1.890%	\$ 60,000	None
Credit loan		100,000	2022.11.28~2023.01.20	1.960%	300,000	None
Credit loan		100,000	2022.07.25~2023.07.25	1.701%	100,000	None
Credit loan		80,000	2022.12.28~2023.03.28	2.361%	80,000	None
Credit loan		119,840	2022.08.22~2023.03.20	1.06%~1.96%	379,840	None
Credit loan		21,534	2022.12.30~2023.03.30	4.000%	299,000	None
Credit loan		100,000	2022.12.19~2023.01.19	1.960%	100,000	None
Credit loan		293,560	2022.10.20~2023.06.17	1.16%~2.125%	393,560	None
Credit loan		80,000	2022.12.13~2023.02.09	1.958%	80,000	None
Credit loan		<u>100,000</u>	2022.12.20~2023.02.17	1.988%	100,000	None
		<u>\$ 1,054,934</u>				

Taiwan Mask Corporation  
Long-Term Borrowings Schedule  
December 31, 2022

Schedule 11

Unit: NT\$ Thousand

<u>Creditors</u>	<u>Summary</u>	<u>Amount Borrowed</u>	<u>Contract Duration</u>	<u>Coupon rate</u>	<u>Pledge or Guarantee</u>	<u>Note</u>
King's Town Bank	Intermediate- and long-term secured loans	\$ 1,250,000	2021.12.28~2027.1.28	2.425%	Houses and buildings and machine and equipment	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	850,000	2022.12.28~2032.12.27	2.070%	Buildings and structures and investment properties	
King's Town Bank	Intermediate- and long-term secured loans	400,000	2022.12.21~2027.12.21	2.675%	Machinery and equipment	
Agricultural Bank of Taiwan	Intermediate- and long-term secured loans	400,000	2022.12.27~2027.12.27	2.000%	Machinery and equipment	
Taishin International Bank	Intermediate- and long-term secured loans	250,000	2021.12.27~2024.12.27	2.410%	Buildings and structures	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	240,000	2021.12.27~2026.12.15	2.125%	Machinery and equipment	
		<hr/> 3,390,000				
Less: Mature within one year		( 484,737)				

Taiwan Mask Corporation  
Long-Term Borrowings Schedule  
December 31, 2022

Schedule 11

Unit: NT\$Thousand

\$ 2,905,263

Taiwan Mask Corporation  
Sales Income Schedule  
January 1 to December 31, 2022

Schedule 12

Unit: NT\$Thousand

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>
Photomask	66,608 pieces	\$ <u>3,887,648</u>



Taiwan Mask Corporation  
Operating Costs Schedule  
January 1 to December 31, 2022

Schedule 13

Unit: NT\$Thousand

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Direct materials		
Opening raw materials	\$ 105,224	
Incoming materials in the current period	568,537	
Ending raw materials	<u>( 99,179)</u>	
Consumption in this period	574,582	
Director labor	86,206	
Manufacturing expenses	<u>1,150,656</u>	
Manufacturing cost	1,811,444	
Opening work-in-progress	9,596	
Ending work-in-progress	<u>( 22,831)</u>	
Cost of finished goods	1,798,209	
Add: Opening finished goods	1,071	
Less - Ending finished goods	<u>( 1,814)</u>	
Cost of manufacturing and sales	1,797,466	
Other operating costs		
Loss on falling prices of inventory and inventory obsolescence	<u>( 887)</u>	
Operating costs	<u>\$ 1,796,579</u>	

Taiwan Mask Corporation  
Manufacturing Expenses Schedule  
January 1 to December 31, 2022

Schedule 14

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 432,485	
Contract maintenance fee		310,038	
Salaries expense		182,619	
Utilities		72,671	
Others		<u>152,843</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 1,150,656</u>	

Taiwan Mask Corporation  
Operating Expenses Schedule  
January 1 to December 31, 2022

Schedule 15

Unit: NT\$Thousand

Items	Summary	Amount	Note
Marketing expenses:			
Shipping expenses		\$ 25,527	
Salaries expense		23,491	
Export declaration fee		7,231	
Others		<u>7,246</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 63,495</u>	
Administrative Expenses:			
Salaries expense		\$ 96,701	
Service charge		20,196	
Depreciation		59,320	
Others		<u>95,985</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 272,202</u>	
Research and development expenses:			
Salaries expense		\$ 26,842	
Research and experiment fee		35,466	
Experimental material costs		14,377	
Others		<u>16,287</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 92,972</u>	

Taiwan Mask Corporation  
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period  
January 1 to December 31, 2022

Schedule 16

Unit: NT\$ Thousand

Function Type	2022				2021			
	Operating costs	Operating expenses	Non-operating income and expenses	Total	Operating costs	Operating expenses	Non-operating income and expenses	Total
Employee benefits expenditure								
Payroll expenses	\$ 256,622	\$ 132,903	\$ -	\$ 389,525	\$ 190,628	\$ 207,880	\$ -	\$ 398,508
Employee stock options	-	14,131	-	14,131	-	119,544	-	119,544
Labor and health insurance fees	17,476	11,753	-	29,229	14,230	9,656	-	23,886
Pension expense	7,912	4,452	-	12,364	6,150	3,951	-	10,101
Director remuneration	-	5,860	-	5,860	-	31,055	-	31,055
Other employee benefit expenses	8,763	7,657	-	16,420	7,329	2,467	-	9,796
Depreciation	432,485	62,100	18,531	513,116	313,960	25,891	15,722	355,573
Amortization expense	3,153	3,131	-	6,284	3,640	2,465	-	6,105

1. As of the end of the current period and the previous year, there were 379 and 304 employees, respectively, and there were 5 and 5 directors, respectively, who did not hold a concurrent employee position.

2. Stocks are listed on the Taiwan Stock Exchange or the Taipei Exchange and the following information is disclosed:

- (1) Average employee benefit expenses for the current year were \$1,234 thousand ("Total employee benefit expenses for the current year - total directors' remuneration"/"Number of employees for the current year - number of directors who are not also employees").  
Average employee benefit expenses for the previous year were \$1,879 thousand ("Total employee benefit expenses for the previous year - total directors' remuneration"/"Number of employees for the previous year - number of directors who are not also employees").
- (2) Average employee salary expense for the current year was \$1,042 thousand (Total salary expense for the current year / "Number of employees for the current year - Number of directors who were not also employees").  
Average employee salary expense for the previous year was \$1,333 thousand (Total salary expense for the previous year / "Number of employees for the previous year - Number of directors who were not also employees").
- (3) Change in average employee salary expense adjustment was 21.83% ("Average employee salary expense for the current year - Average employee salary expense for the previous year"/ Average employee salary expense for the previous year)
- (4) The Company has an audit committee, so there is no supervisor's remuneration.

Taiwan Mask Corporation  
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period (continued)  
January 1 to December 31, 2022

Schedule 16

Unit: NT\$Thousand

- (5) The Company has established and regularly reviewed the policies, systems, standards and structure of performance appraisal and salary remuneration of directors and managerial officers according to the Remuneration Committee charter, and abided by the following rules:
- A. The performance evaluation of the directors and managerial officer and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operations performance and future risks.
  - B. Shall not lead directors and managerial officer to pursue salary and compensation, engaging in risky conducts that outstrip the company's capacity to handle.
  - C. The bonus proportion of short-term performance for directors and senior level managerial officer and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company's business.
- (6) Directors' remuneration and employee remuneration are subject to the Company's Articles of Incorporation. The distribution shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
- A. Employee remuneration: Allocated based on the Company's operating condition, and is distributed based on employee's position, performance, and tenure of service.
  - B. Quarterly bonus: Allocated based on the Company's operating condition, and is given as an incentive for achieving the set targets.
  - C. Annual salary adjustment: Carried out in accordance with the Company's operating condition. The salary adjustment range takes into account the Company's operating condition, salary adjustment in the industry, domestic economic growth, price index, and individual performance appraisal.

Taiwan Mask Corporation and Subsidiaries  
Consolidated financial statements and  
independent auditor's report  
2022 and 2021  
(Stock Code: 2338)

Company address: No. 11, Chuangxin 1st Road, Baoshan,  
Hsinchu County, Hsinchu Science  
Park

Telephone: (03)563-4370

Taiwan Mask Corporation and Subsidiaries  
2022 and 2021 Consolidated Financial Statements and Accounting Auditor's Report  
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Taiwan Mask Corporation  
Consolidated Financial Statements Declaration

The companies that are required to be included in the affiliated companies consolidated financial statements as of and for the year ended on December 31, 2022, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements of parent company and subsidiaries prepared in conformity with the International Accounting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the affiliated companies consolidated financial statements is included in the consolidated financial statements of the aforesaid parent company and subsidiaries. Consequently, do not prepare a separate set of consolidated financial statements of the affiliated companies.

Very truly yours

Company Name: Taiwan Mask Corporation

Person in Charge: Sean Chen

March 3, 2023

Independent Auditors' Report

(112) Tsai-Sheng-Bao-Zi No. 22004222

To Taiwan Mask Corporation,

## **Opinions**

We have audited the accompanying consolidated balance sheets of Taiwan Mask Corporation and its subsidiaries (the "Group") as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2022 and 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2022 and 2021 in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## **Basis for Opinion**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of fiscal year 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, we do not provide a separate opinion on these matters.

Key audit matters for the TMC Group's consolidated financial statements in fiscal year 2022 are stated as follows:

### **Evaluation of Inventories**

#### Description

Refer to Note 4(14) for the accounting policies on the evaluation of inventories, Note 5(2) for the uncertainty of accounting estimations and assumptions for evaluation of inventories, and Note 6(5) for the detailed description of inventory accounts. The inventory amount and allowance for inventory valuation loss as of December 31, 2022 were NT\$515,289 thousand and NT\$132,759 thousand, respectively.

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

#### How our audit addressed the matter

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

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

## **Income recognition**

### Description

For the accounting policy on income recognition, please refer to Note 4(29) of the financial report. For sales revenue, please refer to Note 6(22); the operating income in fiscal year 2022 was NT\$7,741,118 thousand.

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

### How our audit addressed the matter

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

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

## **Other matters—Parent company only financial reports**

We have audited and expressed an unmodified opinion on the parent company only standalone financial statements of Taiwan Mask Corporation as of and for the years ended December 31, 2022 and 2021.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed

and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Independent Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2022 consolidated financial statements of the current period and are therefore deemed key audit matters. We describe these matters in our Auditors' Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonable are expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Ya-Hui Cheng

Accountant

Chien-Yu Liu

Securities and Futures Bureau of Financial  
Supervisory Commission of the Executive Yuan  
Approval Certificate No. 0960072936  
Financial Supervisory Commission of the  
Executive Yuan  
Approval Document for Attestation: Jin-Guan-  
Zheng-Shen-Zi No. 1090350620

March 3, 2023

Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: NT\$Thousand

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current assets</b>						
1100	Cash and Cash Equivalents	6(1)	\$ 1,749,957	10	\$ 2,681,819	17
1110	Financial Assets at Fair Value	6(2) and 8				
	Through Profit or Loss - Current		1,584,598	9	3,603,920	22
1136	Financial Assets at Amortized Cost -	6(3) and 8				
	Current		160,465	1	38,338	-
1140	Contract Asset - Current	6(22)	140,231	1	155,763	1
1150	Notes Receivables (Net)	6(4) and 7	1,361	-	63	-
1170	Accounts Receivables (Net)	6(4)	1,501,012	8	1,263,748	8
1180	Accounts Receivables - Related	6(4) and 7				
	Parties (Net)		2,346	-	16,812	-
1200	Other Receivables	7	13,751	-	68,997	-
1220	Tax Assets		42,652	-	22,600	-
130X	Inventories	6(5)	382,530	2	403,717	3
1410	Prepayments		280,245	2	121,866	1
1470	Other Current Assets		44,734	-	29,897	-
11XX	<b>Total Current Assets</b>		<u>5,903,882</u>	<u>33</u>	<u>8,407,540</u>	<u>52</u>
<b>Non-Current Assets</b>						
1510	Financial Asset at Fair Value	6(2) and 8				
	Through Profit or Loss - Non Current		2,896,557	16	1,433,752	9
1535	Financial Assets at Amortized Cost -	6(3) and 8				
	Non Current		507,602	3	39,925	-
1550	Investment under Equity Method	6(6)	124,565	1	164,707	1
1600	Property, plant and equipment	6(7) and 8	5,883,661	33	4,086,361	26
1755	Right-of-use Asset	6(8)	550,611	3	652,652	4
1760	Investment property (Net)	6(10) and 8	170,346	1	173,614	1
1780	Intangible assets	6(11)	497,180	3	496,804	3
1840	Deferred Income Tax Assets	6(29)	9,365	-	8,060	-
1900	Other Non-Current Assets	6(12)	1,349,137	7	690,980	4
15XX	<b>Total Non-Current Assets</b>		<u>11,989,024</u>	<u>67</u>	<u>7,746,855</u>	<u>48</u>
1XXX	<b>Total Assets</b>		<u>\$ 17,892,906</u>	<u>100</u>	<u>\$ 16,154,395</u>	<u>100</u>

(Continued)



Taiwan Mask Corporation and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Unit: NT\$Thousand

Liabilities and Equities	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current liabilities</b>						
2100	Short Term Loans	6(13)	\$ 4,624,525	26	\$ 4,376,766	27
2120	Financial liabilities at fair value through profit or loss - Current	6(2)	5,697	-	-	-
2130	Contract Liabilities - Current	6(22)	232,778	1	179,315	1
2150	Notes Payable		81	-	66	-
2170	Accounts Payable		417,175	2	477,232	3
2180	Accounts payable - Related party	7	284	-	-	-
2200	Other Payables	6(14)	837,213	5	742,008	5
2230	Current Income Tax Liabilities		178,854	1	186,481	1
2250	Provision for Liabilities - Current		-	-	10,964	-
2280	Lease Liability - Current		32,571	-	31,758	-
2320	Long-term liabilities due within one year or one business cycle	6(16)	611,473	4	70,391	1
2399	Other Current Liabilities - Other		39,114	-	39,281	-
21XX	<b>Total Current Liabilities</b>		<u>6,979,765</u>	<u>39</u>	<u>6,114,262</u>	<u>38</u>
<b>Non-current liabilities</b>						
2530	Corporate bonds payable	6(15)	2,609,044	14	1,657,049	10
2540	Long-term Loans	6(16)	3,167,974	18	2,651,808	16
2570	Deferred Income Tax	6(29)	121,124	1	110,989	1
2580	Lease liability - Non Current		527,098	3	623,883	4
2640	Defined Benefit Liabilities - Non Current		16,512	-	14,999	-
2645	Guarantee Deposits Received		34,754	-	6,908	-
2670	Other Non-Current Liabilities - Other		2,428	-	100,646	1
25XX	<b>Total Non-Current Liabilities</b>		<u>6,478,934</u>	<u>36</u>	<u>5,166,282</u>	<u>32</u>
2XXX	<b>Total Liabilities</b>		<u>13,458,699</u>	<u>75</u>	<u>11,280,544</u>	<u>70</u>
<b>Equity attributable to shareholders of the parent company</b>						
Capital						
3110	Capital stock	6(18)	2,564,465	14	2,556,735	16
Capital surplus						
3200	Capital surplus	6(19)	1,251,681	8	1,315,828	8
Retained earnings						
3310	Legal reserve	6(20)	769,952	4	656,037	4
3350	Unappropriated earnings		1,729,293	10	1,470,151	9
Other equity interests						
3400	Other equity interests	6(21)	10,508	-	4,032	-
3500	Treasury stock	6(18)	(1,778,979)	(10)	(941,423)	(6)
31XX	<b>Total Equities Attributable to Parent Company</b>		<u>4,546,920</u>	<u>26</u>	<u>5,061,360</u>	<u>31</u>
36XX	<b>Non-controlling Interests</b>		<u>(112,713)</u>	<u>(1)</u>	<u>(187,509)</u>	<u>(1)</u>
3XXX	<b>Total Equities</b>		<u>4,434,207</u>	<u>25</u>	<u>4,873,851</u>	<u>30</u>
Major Commitments and Contingencies 9						
Major Events after Financial Statement Date 11						
3X2X	<b>Total Liabilities and Equities</b>		<u>\$ 17,892,906</u>	<u>100</u>	<u>\$ 16,154,395</u>	<u>100</u>

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31 of 2022 and 2021

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

	Items	Notes	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	6(22) and 7	\$ 7,741,118	100	\$ 6,077,362	100
5000	Operating costs	6(5)	( 5,642,493)	( 73)	( 4,667,982)	( 77)
5900	Gross profit		2,098,625	27	1,409,380	23
	Operating expenses	6(27) (28)				
6100	Selling Expenses		( 209,947)	( 3)	( 150,235)	( 2)
6200	Administrative Expenses		( 375,754)	( 5)	( 656,228)	( 11)
6300	R&D Expenses		( 254,090)	( 3)	( 170,245)	( 3)
6450	Expected Credit Impairment	12(2)				
	(Loss) Gain		( 10,558)	-	1,340	-
6000	Total Operating Expenses		( 850,349)	( 11)	( 975,368)	( 16)
6900	Operating profit		1,248,276	16	434,012	7
	Non-operating income and expenses					
7100	Interest income	6(23)	25,271	-	4,858	-
7010	Other Incomes	6(24)	258,255	4	115,294	2
7020	Other Gains and Losses	6(25)	( 619,247)	( 8)	765,676	13
7050	Financial Costs	6(26)	( 177,546)	( 2)	( 100,524)	( 2)
7060	The share of affiliates and joint venture profits and losses recognized by the equity method	6(6)	( 61,296)	( 1)	( 80,385)	( 1)
7000	Total Non-Operating Incomes and Losses		( 574,563)	( 7)	704,919	12
7900	<b>Earnings Before Tax</b>		673,713	9	1,138,931	19
7950	Income Tax Expense	6(29)	( 228,081)	( 3)	( 291,537)	( 5)
8200	<b>Net Income</b>		\$ 445,632	6	\$ 847,394	14

(Continued)

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31 of 2022 and 2021

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

Items	Notes	2022		2021	
		Amount	%	Amount	%
<b>Other Comprehensive Incomes (Net)</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
8311 Re-measurements of defined benefit plan		(\$ 2,656)	-	\$ 1,189	-
8310 Total items that will not be reclassified subsequently to profit or loss		( 2,656)	-	1,189	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361 Financial statement translation differences of foreign operations	6(21)	6,476	-	3,143	-
8360 Total Components of other comprehensive income that will be reclassified to profit or loss		6,476	-	3,143	-
8300 <b>Other Comprehensive Incomes (Net)</b>		\$ 3,820	-	\$ 4,332	-
8500 <b>Total comprehensive income for the year</b>		\$ 449,452	6	\$ 851,726	14
Net Incomes (Losses) Attributable to:					
8610 Parent Company		\$ 703,519	9	\$ 1,146,610	19
8620 Non-controlling Interests		( 257,887)	( 3)	( 299,216)	( 5)
Total		\$ 445,632	6	\$ 847,394	14
Total Comprehensive Incomes (Losses) Attributable to:					
8710 Parent Company		\$ 707,339	9	\$ 1,150,942	19
8720 Non-controlling Interests		( 257,887)	( 3)	( 299,216)	( 5)
Total		\$ 449,452	6	\$ 851,726	14
Earnings per share	6(30)				
9750 Net Income		\$	3.37	\$	5.47
Diluted Earnings per share	6(30)				
9850 Net Income		\$	3.12	\$	5.37

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31 of 2022 and 2021

Unit: NT\$ thousand

Equity attributable to shareholders of the parent company											
Notes	Retained earnings					Other equity interests			Total	Non-controlling Interests	Total Equity
	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gain (loss) on investments on financial assets at fair value through other comprehensive income	Treasury stock			
<u>2021</u>											
Balance as of January 1, 2021	\$ 2,527,136	\$ 439,898	\$ 587,990	\$ 2,666	\$ 814,617	\$ 3,555	(\$ 2,666)	(\$ 834,598)	\$ 3,538,598	(\$ 90,165)	\$ 3,448,433
Net Income	-	-	-	-	1,146,610	-	-	-	1,146,610	( 299,216 )	847,394
Other Comprehensive Profit or Loss	-	-	-	-	1,189	3,143	-	-	4,332	-	4,332
Total comprehensive income for the year	-	-	-	-	1,147,799	3,143	-	-	1,150,942	( 299,216 )	851,726
Distribution and appropriation of earnings for 2020	6(20)	-	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	68,047	-	( 68,047 )	-	-	-	-	-	-
Reversal of Special reserve	-	-	-	( 2,666 )	-	-	-	-	-	-	-
Cash dividends	6(19)	-	-	-	( 379,071 )	-	-	-	( 379,071 )	-	( 379,071 )
Conversion of convertible bonds	6(19)	29,599	216,415	-	-	-	-	-	246,014	-	246,014
Adjustment of capital reserve by dividends paid to subsidiaries	-	-	55,622	-	-	-	-	-	55,622	-	55,622
Changes in shares of affiliates and joint ventures recognized under the equity method	6(19)	-	27,526	-	( 47,813 )	-	-	-	( 20,287 )	161,737	141,450
Share-based payment transaction	6(19)	-	169,174	-	-	-	-	-	169,174	7,806	176,980
Treasury Stock Buyback	-	-	-	-	-	-	-	( 828,884 )	( 828,884 )	-	( 828,884 )
Treasury stocks transfer to employees	-	-	-	-	-	-	-	722,059	722,059	-	722,059
Capital surplus - convertible bond stock options	-	406,616	-	-	-	-	-	-	406,616	-	406,616
Acceptance of gifts from shareholders	-	-	586	-	-	-	-	-	586	-	586
Payment of overdue unclaimed dividends to shareholders	-	-	( 9 )	-	-	-	-	-	( 9 )	-	( 9 )
Cash increase of non-controlling equity in Subsidiaries	-	-	-	-	-	-	-	-	-	32,329	32,329
Balance as of 2021/12/31	\$ 2,556,735	\$ 1,315,828	\$ 656,037	\$ -	\$ 1,470,151	\$ 6,698	(\$ 2,666)	(\$ 941,423)	\$ 5,061,360	(\$ 187,509)	\$ 4,873,851
<u>2022</u>											
Balance January 1, 2022	\$ 2,556,735	\$ 1,315,828	\$ 656,037	\$ -	\$ 1,470,151	\$ 6,698	(\$ 2,666)	(\$ 941,423)	\$ 5,061,360	(\$ 187,509)	\$ 4,873,851
Net Income	-	-	-	-	703,519	-	-	-	703,519	( 257,887 )	445,632
Other Comprehensive Profit or Loss	6(21)	-	-	-	( 2,656 )	6,476	-	-	3,820	-	3,820
Total comprehensive income for the year	-	-	-	-	700,863	6,476	-	-	707,339	( 257,887 )	449,452
Distribution and appropriation of earnings for 2021	6(20)	-	-	-	-	-	-	-	-	-	-
Legal capital reserve	-	-	113,915	-	( 113,915 )	-	-	-	-	-	-
Cash dividends	-	-	-	-	( 241,189 )	-	-	-	( 241,189 )	-	( 241,189 )
Conversion of convertible bonds	-	7,730	55,472	-	-	-	-	-	63,202	-	63,202
Distribution of cash from capital surplus	6(19)	-	( 241,189 )	-	-	-	-	-	( 241,189 )	-	( 241,189 )
Adjustment of capital reserve by dividends paid to subsidiaries	6(19)	-	73,463	-	-	-	-	-	73,463	-	73,463
Changes in ownership interests in subsidiaries recognized	6(19)	-	10,169	-	( 86,617 )	-	-	-	( 76,448 )	-	( 76,448 )
Changes in shares of affiliates and joint ventures recognized under the equity method	6(19)	-	21,107	-	-	-	-	-	21,107	130,213	151,320
Share-based payment transaction	6(19)	-	16,831	-	-	-	-	-	16,831	2,230	19,061
Treasury Stock Buyback	-	-	-	-	-	-	-	( 842,536 )	( 842,536 )	-	( 842,536 )
Treasury stock donation	-	-	-	-	-	-	-	4,980	4,980	-	4,980
Cash increase of non-controlling equity in Subsidiaries	-	-	-	-	-	-	-	-	-	200,240	200,240
Balance December 31, 2022	\$ 2,564,465	\$ 1,251,681	\$ 769,952	\$ -	\$ 1,729,293	\$ 13,174	(\$ 2,666)	(\$ 1,778,979)	\$ 4,546,920	(\$ 112,713)	\$ 4,434,207

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31 of 2022 and 2021

Unit: NT\$Thousand

	Notes	January 1 to December 31, 2022	January 1 to December 31, 2021
<u>Cash Flow from Operating Activities</u>			
Net Income (Loss) Before Tax		\$ 673,713	\$ 1,138,931
Adjustments to Reconcile Net Income to Net Cash Flow from Operating Activities			
Revenues and Expenses			
Depreciation	6(27)	568,193	483,274
Amortization	6(27)	45,391	18,236
Expected Credit Impairment loss (reversal gain)	12(2)	10,558	( 1,340 )
Interest income	6(23)	( 25,271 )	( 4,858 )
Interest Incomes	6(26)	177,546	100,524
Treasury stock donation expenses		4,980	-
Net Profit of Financial Asset at Fair Value Through Loss (Profit)	6(25)	801,122	( 559,714 )
Impairment Loss of Financial Assets	6(23)	-	11,737
Gain (loss) on disposal of investments	6(25)	( 123,552 )	( 287,760 )
Dividend income		( 194,598 )	( 85,104 )
Share-based payment transaction	6(18)	19,061	176,980
Share of losses of affiliated companies recognized under the equity method	6(6)	61,296	80,385
Loss (gain) on disposal of property, plant and equipment	6(24)	( 5,024 )	1,927
Property, plant and equipment reclassified as expenses		1,186	-
The Changes of Assets/ Liabilities related to Operating Activities			
The Changes of Assets/ Liabilities related to Operating Activities			
Mandatory financial assets at fair value through profit or loss		( 115,356 )	( 2,071,523 )
Contract Assets		15,532	( 61,954 )
Notes Receivables		( 1,298 )	1,018
Accounts Receivables		( 247,822 )	( 345,858 )
Accounts Receivables — Related Parties		14,466	( 10,213 )
Other Receivables		55,246	( 14,606 )
Other Receivables — Related Parties		-	3,068
Inventories		21,187	( 182,382 )
Prepayments		( 158,379 )	( 33,317 )
Other Current Assets		( 14,837 )	40,111
Other Non-Current Assets		671	104,166
Net Changes of Liabilities related to Operating Activities			
Contract Liabilities		53,463	78,360
Notes Payable		15	( 4,263 )
Accounts Payable		( 60,057 )	64,213
Accounts payable - Related party		284	-
Other Payables		144,840	211,059
Provisions		( 10,964 )	-
Other Current Liabilities		( 167 )	10,526
Defined Benefit Liabilities		4,169	( 2,026 )
Other Current Liabilities		( 98,218 )	51,396
Net Cash In-Flow (Out-Flow) from Operating Activities		1,617,376	( 1,089,007 )
Interest Received		25,271	4,825
Dividends Received		194,598	85,104
Interest Paid		( 177,546 )	( 101,583 )
Income Tax Paid		( 246,930 )	( 165,546 )
Cash In-Flow (Out-Flow) from Operating Activities		1,412,769	( 1,266,207 )

(Continued)

Taiwan Mask Corporation and Subsidiaries  
Consolidated Statement of Cash Flows  
January 1 to December 31 of 2022 and 2021

Unit: NT\$Thousand

	<u>Notes</u>	<u>January 1 to December 31, 2022</u>	<u>January 1 to December 31, 2021</u>
<u>Cash Flow from Investment Activities</u>			
Acquisition of Amortized Cost Financial Assets		(\$ 610,686)	(\$ 8,397)
Disposal of Amortized Cost Financial Assets		20,882	24,868
Acquisition of investment property by the Equity Method		-	( 188,072 )
Cash inflows from changes in consolidated entities	6(31)	-	46,854
Acquisition of Property, Plants and Equipment	6 (32)	( 2,911,204 )	( 1,883,332 )
Disposal of Property, Plants and Equipment		6,020	79,905
Acquisition of Intangible Assets		( 45,767 )	( 13,089 )
Decrease (Increase) of Refundable Deposits		( 36,932 )	2,680
Net Cash Outflow from Investing Activities		( 3,577,687 )	( 1,938,583 )
<u>Cash Flows from Financing Activities</u>			
Increase of Short Term Loan	6 (33)	16,200,182	8,552,978
Redemption of Short Term Loan	6 (33)	( 15,952,423 )	( 6,515,430 )
Increase of Long Term Loan	6 (33)	4,569,424	1,936,952
Redemption of Long Term Loan	6 (33)	( 3,512,177 )	( 954,679 )
Issuance of ordinary/convertible corporate bonds	6(31)	997,095	2,297,099
Distribution of cash dividends (including capital surplus distribution cash)		( 408,915 )	( 323,449 )
Treasury stocks transfer to employees		-	722,059
Treasury stock buyback cost		( 842,536 )	( 828,884 )
Redemption of Lease Principal	6 (33)	( 55,556 )	( 63,982 )
Increase in Guarantee Deposits Received	6 (33)	27,846	1,779
Cash increase of non-controlling equity in Subsidiaries		200,240	32,329
Payment of overdue unclaimed dividends		-	( 9 )
Net Cash In-Flow (Out-Flow) from Funding Activities		1,223,180	4,856,763
Adjustments of Exchange Rate		9,876	( 6,812 )
Net increase (decrease) in cash and cash equivalents		( 931,862 )	1,645,161
Beginning Balance of Cash and Cash Equivalents	6(1)	2,681,819	1,036,658
Ending Balance of Cash and Cash Equivalents	6(1)	\$ 1,749,957	\$ 2,681,819

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

Taiwan Mask Corporation and Subsidiaries  
Notes to the Consolidated Financial Statements  
2022 and 2021

Unit: NT\$Thousand  
(Unless otherwise specified)

I. Company history

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

II. Date and procedures for passing the financial statement

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 3, 2023.

III. Application of New and Revised International Financial Reporting Standards

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

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

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

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

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

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2023:

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendment to IAS 1 - “Disclosure of Accounting Policies”	January 1, 2023
Amendment to IAS 8 - “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12, “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

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

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

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

<u>Newly released / corrected / amended standards and interpretations</u>	<u>Effective Date Issued by IASB</u>
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 the IASB
Amendments to IFRS 16 - “Liabilities of Lease from the Leaseback”	January 1, 2024
IFRS 17 - “Insurance contracts”	January 1, 2023
Amendment to IFRS 17 - “Insurance contracts”	January 1, 2023
Amendments to IFRS 17 - “First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendment to IAS 1 - “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendment to IAS 1 - “Non-Current Liabilities With Covenants”	January 1, 2024

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

These consolidated financial statements of the Group have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued into effect by the FSC (collectively referred herein as the “IFRSs”).

(II) Basis of Preparation

1. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention.



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

(III) Basis of consolidation

1. The basis for preparation of consolidated financial statements

- (1) All subsidiaries are included in the Corporate Group's consolidated financial statements. Subsidiaries are all entities controlled by the Corporate Group. The Corporate Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Corporate Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Corporate Group.
- (3) The profit and loss and the components of other comprehensive income attribute to the owners of the parent company and non-controlling interest. The total comprehensive income also attributes to the owners of the parent company and non-controlling interest, even if this results in the non-controlling interests having a deficit balance.
- (4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are equity transactions, and they are considered as transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity.
- (5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

2. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activity	Ownership (%)		Explanation
			December 31, 2022	December 31, 2021	
Taiwan Mask Corporation	SunnyLake Park International Holding, Inc.	Name of Investor	100	100	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Name of Investor	100	100	
Taiwan Mask Corporation	Miracle Technology Co., LTD.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Taiwan Mask Corporation	Innova Vision INC.	Manufacturing, retail, wholesale and international trade of medical equipment	91.53	91.53	
Youe Chung Capital Corporation	Innova Vision INC.	Manufacturing, retail, wholesale and international trade of medical equipment	0.23	0.23	
Youe Chung Capital Corporation	Aptos Technology INC.	Design, packaging and testing of NAND flash memory, solid state drives and the related products	47.19	38.16	Note 3
Youe Chung Capital Corporation	Xsense Technology Corporation	Precious metal coating	100	41.43	Note 4, Note 5
Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I.) Taiwan Branch	Precious metal coating	53.00	-	Note 5
Youe Chung Capital Corporation	Digital-Can Tech. Co., Ltd.	3D Printing and Plastic Mold Design	57.39	57.39	Note 1
Aptos Technology INC.	ADL Energy Corp	Electronic parts and components and energy technical services	100	100	Note 2
Aptos Technology INC.	New Sunrise Limited	Name of Investor	100	100	
ADL Energy Corp	Aptos Global Holding Corp.	Name of Investor	100	100	
Miracle Technology Co., LTD.	Jing Hao Investment Co., Ltd.	Name of Investor	100	100	

Name of Investor	Name of Subsidiary	Main Business Activity	Ownership (%)		Explanation
			December 31, 2022	December 31, 2021	
Miracle Technology Co., LTD.	Miracle International Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Jing Hao Investment Co., Ltd.	Miko-China Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Jing Hao Investment Co., Ltd.	MIKO Technology Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	100	100	
Miko-China Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	79.17	79.17	
Miracle International Enterprise (Shanghai) Co., Ltd.	Sichuan Miracle Power Technology Co., Ltd.	IC product design, production and sales	20.83	20.83	
Innova Vision Inc.	Innova Technology	Medical equipment retail and wholesale	100	100	
Innova Vision Inc.	Innova Vision (B.V.I.) Inc.	Name of Investor	100	100	
Innova Vision Inc.	Innova Vision Kabushiki Kaisha	Medical equipment retail and wholesale	52.03	52.03	
Innova Vision (B.V.I.) Inc.	Innova Vision Kabushiki Kaisha	Medical equipment retail and wholesale	47.97	47.97	

Note 1: In August 2021, the Company's subsidiary, Youe Chung Capital Corporation, increased its investment in Digital-Can Tech. Co., Ltd. to 57.39%.

Note 2: Adl Technology was renamed ADL Energy Corp on January 5, 2022.

Note 3: The Group accounts for more than half of the company's board seats and has substantial control, so it is included as a consolidated entity in the consolidated financial statements.

Note 4: In April 2021, the Group participated in the management decisions and operating

policies of Xsense Technology Corporation and therefore included the firm in the consolidated financial statements as a consolidated entity from that date.

Note 5: Xsense Technology Corporation underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corporation applied to have the shares of Xsense Technology Corporation (B.V.I.) Taiwan Branch it held transferred to the original shareholders of Xsense Technology Corporation according to the original shareholding percentage; as of December 31, 2022, Youe Chung Capital Corporation held 100% equity of Xsense Technology Corporation and 53.00% of Xsense Technology Corporation (B.V.I.) Taiwan Branch.

3. Subsidiaries not included in the consolidated financial statement: None.

4. Adjustments for subsidiaries with different balance sheet dates: None.

5. Significant restrictions: None.

6. Subsidiaries that have non-controlling interests that are material to the Corporate Group:

The total non-controlling interests of the Group as of December 31, 2022 and 2021 were (\$112,713) and (\$187,509). The following information shows subsidiaries that have non-controlling interests that are material to the Corporate Group:

Name of Subsidiary	Main location of business	Non-controlling Interests				Explanation
		December 31, 2022		December 31, 2021		
		Amount	Ownership in %	Amount	Ownership in %	
Aptos Technology and its subsidiaries	Taiwan	(\$ 100,582)	52.81%	(\$ 245,715)	61.84%	

Aggregate financial information of subsidiaries:

Balance Sheet

	Aptos Technology and its subsidiaries	
	December 31, 2022	December 31, 2021
Current assets	\$ 339,417	\$ 391,993
Non-Current Assets	579,075	560,687
Current liabilities	( 679,551)	( 1,159,778)
Non-current liabilities	( 429,397)	( 190,261)
Total net assets	(\$ 190,456)	(\$ 397,359)

Statement of Comprehensive Income

Aptos Technology and its subsidiaries	
2022	2021

Revenue	\$ 708,792	\$ 609,209
Net loss before taxes	( 295,477)	( 245,370)
Income Tax Expense	-	-
Net loss of current period from continuing operations	( 295,477)	( 245,370)
Net loss	( 295,477)	( 245,370)
Other comprehensive income (net after tax)	-	-
Total comprehensive income for the year	(\$ 295,477)	(\$ 245,370)
Total comprehensive income attributable to non-controlling interests	\$ -	(\$ 1,603)

#### Statements of Cash Flows

	Aptos Technology and its subsidiaries	
	2022	2021
Net cash outflow from operating activities	(\$ 236,453)	(\$ 142,203)
Net Cash Outflow from Investing Activities	( 106,726)	( 98,611)
Net Cash In-Flow (Out-Flow) from Funding Activities	327,492	235,769
Increase (Decrease) in Cash and Cash Equivalents	( 15,687)	( 5,045)
Beginning Balance of Cash and Cash Equivalents	34,148	39,193
Ending Balance of Cash and Cash Equivalents	\$ 18,461	\$ 34,148

#### (IV) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

##### 1. Foreign currency transactions and balances

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

the initial transaction date.

- (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".

## 2. Translation of foreign operations

- (1) The operating results and financial position of all corporate group entities and affiliates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
  - B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period.
  - C. All resulting exchange differences are recognized in other comprehensive income.
- (2) When the foreign operation that is partially disposed of or sold is a subsidiary, the accumulated conversion difference recognized as other comprehensive income is re-attributed to the foreign operation's non-controlling interests on a pro rata basis. However, even if the Group retains part of its equity in the former subsidiary, but has lost control of the subsidiary of the foreign operation, it will be treated with as a disposal of the entire equity of the foreign operation
- (3) Goodwill and fair value adjustments arising on acquisition of a foreign entity are regarded as assets and liabilities of the foreign entity, and are translated at the closing rate.

## (V) Classification of current and non-current items

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

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

2. Liabilities that meet one of the following criteria are classified as current liabilities:
  - (1) Liabilities that are expected to be paid off within the normal operating cycle.
  - (2) Assets held mainly for trading purposes.
  - (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
  - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

## (VI) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time

deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VII) Financial assets at fair value through profit and loss

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

(VIII) Financial assets at fair value through other comprehensive profit and loss

1. Refers to an irrevocable election at the time of initial recognition to report the fair value changes of equity investments that are not held for trading in other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
3. The Corporate Group measures financial assets at fair value plus transaction costs at the initial recognition. The financial assets are subsequently measured at fair value. The fair value changes of equity investments are recognized in other comprehensive income. At the time derecognition, the accumulated gains or losses previously recognized in other comprehensive income shall not subsequently reclassified to profit or loss, and shall be transferred to retained earnings. When the right to receive dividends is established, the economic benefits associated with the dividends are likely to flow in, and the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

(IX) Financial assets measured at amortized cost

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

(X) Accounts and notes receivable

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

(XI) Impairment Loss of Financial Assets

Regarding debt instruments measured at FVTOCI, financial assets measured at amortized

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

(XII) De-recognition of financial assets

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

(XIII) Lessor's lease transaction - Operating lease

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

(XIV) Inventories

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

(XV) Investments accounted for using equity method - Associates

1. Associates refer to entities over which the Corporate Group has significant influence but is not in control. In general, the associates may have more than 20% of their voting shares directly or indirectly owned by the Group. The Corporate Group accounts for its investment in associates using the equity method, and the investment is initially recognized at cost.
2. The Corporate Group recognizes the profit and loss upon the acquisition of associates as the current profit and loss. Other comprehensive profit and loss after the acquisition are recognized as the other comprehensive profit and loss. When the Corporate Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group will not recognize further losses, unless it has incurred legal or constructive obligations or make payments on behalf of the associate.
3. If an associate has changes in equity not from profit or loss or other comprehensive income, and such changes do not affect the Corporate Group's shareholding in the associate, the Group will recognize all changes in equity attributable to the Group's share of the associate as "capital surplus" according to the shareholding percentage.
4. Unrealized gains on transactions between the Corporate Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Corporate Group.



5. In the event that an associate issues new shares and the Corporate Group does not subscribe to or acquire the new shares in proportion, which results in a change to the Group's shareholding percentage but the Group maintains a significant influence on the associate, the increase or decrease of the Group's share of equity interest is the adjustment of "capital surplus" and "investments accounted for under the equity method". If the investment percentage is reduced, in addition to the above adjustments, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionally on the same basis as would be required if the relevant assets or liabilities were disposed of.

(XVI) Property, plant and equipment

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

Buildings and structures	5 years to 56 years
Machinery and equipment	2 years to 14 years
Office equipment	3 years to 6 years
Transportation equipment	3 years to 6 years
Leasehold improvements	2 years to 10 years
Mold equipment	2 years
Other equipment	3 years to 5 years

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

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

The Company subsequently measures the lease liability at amortized cost using the

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

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

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

(XVIII) Real estate investment

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

(XIX) Intangible assets

1. Trademark and concession

Trademarks and concession obtained separately are recognized at the cost of acquisition, and trademarks and concessions obtained as a result of a business combination are recognized at fair value on the acquisition date. Trademarks and concessions are assets with a limited useful life and are amortized based on the estimated useful life of 10 to 15 years based on the straight-line method.

2. Computer software

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

3. Goodwill

Goodwill is measured in a business combination using the acquisition method.

(XX) Impairment of non-financial assets

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

recoverable amount. The goodwill impairment loss will not be reversed in subsequent years.

3. Goodwill is allocated to cash-generating units for the purpose of conducting the impairment testing. The allocation identified based on the operating segment, and the goodwill is allocated to cash-generation units or groups of cash-generation units expected to benefit from the business combination that generates goodwill.

(XXI) Borrowings

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

(XXII) Accounts and notes receivable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXIII) Convertible bonds payable

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

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

surplus - stock options” as the issuance cost of common stock exchanged.

(XXIV) Employee benefits

1. Short-term employee benefits

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

2. Pension

(1) Defined contribution plans

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

(2) Defined benefit plans

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

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

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

3. Termination benefits

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

4. Remuneration for employees and directors and supervisors

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

(XXV) Share-based payment to employees

The share-based payment agreement for delivery of equity is a transaction in which employees' labor service received as consideration for the Company's equity instrument

at fair value, and it is recognized as compensation costs during the vesting period, and the equity is adjusted accordingly. The fair value of equity instrument shall reflect the effects of vesting and non-vesting conditions of market value. The recognized remuneration costs are adjusted in accordance with the expected service conditions to be met and the non-vesting market value conditions, until the final recognized amount is recognized with the vesting amount on the vesting date.

(XXVI) Income tax

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

(XXVII) Capital

1. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax,

from the proceeds.

2. When the Company buys back the issued shares, the consideration paid, including any directly attributable incremental costs, is recognized as a deduction of shareholders' equity with the net amount after tax. When the purchased shares are subsequently reissued, the difference between the consideration received and the book value after deducting any directly attributable incremental costs and the impact of income tax is recognized as an adjustment to shareholders' equity.

(XXVIII) Dividend distribution

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

(XXIX) Recognized revenue

1. Product sales

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

2. Sales of services

The Group mainly provides integrated circuit packaging services. The actual services provided and fees will vary according to different customers. Prices are negotiated separately before providing services, and are based on the prevailing market price. The performance obligations identified based on customer contracts are mainly for packaging services, and revenue is recognized by measuring the degree of completion of performance obligations during the period of service provision.

With the packaging service provided, the customer simultaneously receives and consumes the performance benefits, and the customer has control over the asset when the asset is created or enhanced. The related revenue is recognized by measuring the degree of completion of the performance obligation during the service period. The packaging service is based on the input of the technical staff on the basis of the service, and the progress of completion is measured based on the percentage of the incurred cost to the estimated total cost. After the agreed service or shipment is fulfilled for the contract agreement, a bill is issued, so the contract assets are recognized when the

service provided, and transferred to account receivables when the customer agrees to the Group to issue the bill.

(XXX) Government subsidies

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

(XXXI) Business combination

1. The Corporate Group adopts the acquisition method for business combination. The combination consideration is calculated based on the fair value of transferred assets, liabilities incurred or assumed, and equity instruments issued. The transferred consideration includes the fair value of any assets and liabilities arising from contingent consideration agreed. The acquisition-related costs are recognized as expenses when incurred. The identifiable assets acquired and the liabilities assumed in a business combination are measured at the fair value on the acquisition date. The Group uses individual acquisition transactions as the basis. If the non-controlling interest is part of the current ownership interest and the holder has the right to a proportional share of the company's net assets at the time of liquidation, it is measured at a fair value on the acquisition date or based on the proportion of identifiable assets of acquiree. Other components of non-controlling interests are measured at fair value of the acquisition date.
2. If the total fair value of transfer of consideration, non-controlling interests of acquiree and the interest of acquiree that has been held previously exceeds the fair value of identifiable assets and the assumed liabilities, it is recognized as goodwill on the acquisition date. If the identifiable assets acquired and the assumed liabilities exceed the transfer of consideration, the difference between the non-controlling interests of acquiree and the total fair value of acquiree's interests previously held is recognized as the current profit or loss.

(XXXII) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the president that makes strategic decisions.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

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

(I) Important judgments adopted by the accounting policies

None.

(II) Critical accounting estimates and assumptions

Evaluation of Inventories

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

As of December 31, 2022, the book value of the Corporate Group's inventory was NT\$382,530.

VI. Summary of Significant Accounting Items

(I) Cash and Cash Equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 612	\$ 295
Checking accounts and demand deposits	1,012,305	1,637,066
Time deposits	737,040	1,044,458
Total	<u>\$ 1,749,957</u>	<u>\$ 2,681,819</u>

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

2. The Group has no cash and cash and cash equivalents pledged to others.

(II) Financial assets and liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Shares of listed and OTC company	\$ 1,254,041	\$ 2,464,617
Convertible bond call/put options	-	5,000
Beneficiary certificates	500	500
	<u>1,254,541</u>	<u>2,470,117</u>
Valuation adjustment	330,057	1,133,803
	<u>\$ 1,584,598</u>	<u>\$ 3,603,920</u>
Financial liabilities mandatorily measured at fair value through profit or loss		
Convertible bond call/put options	<u>\$ 5,697</u>	<u>\$ -</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss



Shares of listed and OTC company	\$	2,596,725	\$	1,155,128
Not listed, OTC or emerging stock board stocks		115,338		124,287
Private equity		20,000		10,000
		<u>2,732,063</u>		<u>1,289,415</u>
Valuation adjustment		164,494		144,337
	\$	<u>2,896,557</u>	\$	<u>1,433,752</u>

1. Details of financial assets/liabilities at fair value through profit or loss recognized in profit or loss are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Shares of listed and OTC company	(\$ 669,499)	\$ 839,470
Not listed, OTC or emerging stock board stocks	( 8,072)	( 4,147)
	<u>(\$ 677,571)</u>	<u>\$ 835,323</u>

2. Please see Note 8 on how the Group provides financial assets at fair value through profit or loss as a pledged collateral.

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

(III) Financial assets measured at amortized cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Demand Deposit	\$ 102,500	\$ 15,338
Time deposits	<u>57,965</u>	<u>23,000</u>
	<u>\$ 160,465</u>	<u>\$ 38,338</u>
Non-current items:		
Demand Deposit	\$ 22,383	\$ -
Time deposits	<u>485,219</u>	<u>39,925</u>
Total	<u>\$ 507,602</u>	<u>\$ 39,925</u>

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

	<u>2022</u>	<u>2021</u>
Interest income	<u>\$ 9,052</u>	<u>\$ 147</u>

2. While not considering the collaterals or other credit enhancements, the financial assets at amortized cost held by the Group had the maximum exposure of credit risk at \$668,067 and

\$78,263 as of December 31, 2022 and 2021, respectively.

3. Please see Note 8 on how the Group provides financial assets at amortized cost as a pledged collateral.

(IV) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes Receivables	\$ 1,361	\$ 63
Accounts Receivables	\$ 1,521,609	\$ 1,273,787
Accounts Receivables— Related Parties	2,346	16,812
	<u>1,523,955</u>	<u>1,290,599</u>
Less: Loss allowance	( 20,597)	( 10,039)
	<u>\$ 1,503,358</u>	<u>\$ 1,280,560</u>

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts Receivables</u>	<u>Notes Receivables</u>	<u>Accounts Receivables</u>	<u>Notes Receivables</u>
Not past due	\$ 1,188,466	\$ 1,361	\$ 1,060,909	\$ 63
Up to 30 days	224,106	-	188,933	-
31-90 days	85,210	-	29,361	-
91-180 days	14,582	-	1,891	-
More than 181 days past due	11,591	-	9,505	-
	<u>\$ 1,523,955</u>	<u>\$ 1,361</u>	<u>\$ 1,290,599</u>	<u>\$ 63</u>

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

2. As of December 31, 2022 and 2021, accounts receivable and notes receivable were from contracts with customers. The balances of notes and accounts receivable as of January 1, 2021 was NT\$902,090.
3. While not considering the collaterals or other credit enhancements, the accounts receivable held by the Group had the maximum exposure of credit risk at \$1,503,358 and \$1,280,560, respectively, as of December 31, 2022 and 2021.
4. Please refer to Note 12 (2) for the information on credit risk of accounts receivable.

(V) Inventories

	<u>December 31, 2022</u>		
	<u>Cost</u>	<u>(Gain from reversal of) loss allowance on decline in market value of inventories</u>	<u>Book value</u>
Raw materials	\$ 257,443	(\$ 77,998)	\$ 179,445
Work in process	84,578	( 9,468)	75,110
Finished goods	74,560	( 37,618)	36,942
Merchandise	98,708	( 7,675)	91,033

Total	\$ 515,289	(\$ 132,759)	\$ 382,530
		December 31, 2021	
		(Gain from reversal of loss allowance on decline in market value of inventories)	
	Cost		Book value
Raw materials	\$ 333,094	(\$ 61,865)	\$ 271,229
Work in process	62,502	( 9,068)	53,434
Finished goods	66,550	( 18,889)	47,661
Merchandise	32,526	( 1,133)	31,393
Total	\$ 494,672	(\$ 90,955)	\$ 403,717

The cost of inventories recognized as losses by the Corporate Group.

	2022	2021
Cost of goods sold	\$ 5,609,401	\$ 4,660,299
Loss on falling prices of inventory and inventory obsolescence	26,310	7,683
Loss on scrapping of inventory	11,169	-
Revenue from sales of leftovers	( 4,387)	-
	\$ 5,642,493	\$ 4,667,982

(VI) Investment under Equity Method

	December 31, 2022	December 31, 2021
Affiliates:		
Advagene Biopharma Co., Ltd.	\$ 40,485	\$ 76,809
Weida Hi-Tech Co., Ltd.	84,080	87,898
	\$ 124,565	\$ 164,707

The book value and the share of operating results of each of the Group's insignificant affiliates are summarized as follows:

	2022	2021
Net loss of current period from continuing operations	(\$ 61,296)	(\$ 80,385)

As of December 31, 2022, the Group held 30.73% and 28.20% of the shares of Advagene Biopharma Co., Ltd. and Weida Hi-Tech Co., Ltd., respectively, and held 30.76% and 28.20%, respectively, as of December 31, 2021. The Group was the single largest shareholder of the companies. However, the Group did not hold a majority of the Board of Directors' seats and therefore did not actually participate in the business decisions and operating policies, including strategic decisions (such as financing, acquisitions, personnel and dividend policies) of Advagene Biopharma and Weida Hi-Tech. The Group's shareholding alone does not reach the

statutory attendance percentage of shareholders meetings, indicating that the Group has no actual ability to direct relevant activities. Therefore it is judged that the Group has no control over the companies, and only has a significant influence on them.

(VII) Property, plant and equipment

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportation equipment	Mold equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2022								
Cost	\$ 2,327,441	\$ 3,631,853	\$ 46,490	\$ 6,544	\$ 18,784	\$ 63,751	\$ 246,016	\$ 6,340,879
Accumulated depreciation	( 654,360)	( 1,563,467)	( 21,271)	( 3,444)	( 6,472)	( 5,504)	-	( 2,254,518)
	<u>\$ 1,673,081</u>	<u>\$ 2,068,386</u>	<u>\$ 25,219</u>	<u>\$ 3,100</u>	<u>\$ 12,312</u>	<u>\$ 58,247</u>	<u>\$ 246,016</u>	<u>\$ 4,086,361</u>
<u>2022</u>								
January 1	\$ 1,673,081	\$ 2,068,386	\$ 25,219	\$ 3,100	\$ 12,312	\$ 58,247	\$ 246,016	\$ 4,086,361
Add - Cost	363,663	1,370,721	13,473	654	6,677	40,174	520,043	2,315,405
Disposals - Cost	-	( 391,644)	( 29)	-	-	( 65,269)	-	( 456,942)
Disposal - Accumulated depreciation	-	391,565	29	-	-	64,352	-	455,946
Depreciation	( 127,097)	( 354,072)	( 10,659)	( 844)	( 7,036)	( 16,215)	-	( 515,923)
Reclassification	( 108,902)	56,538	3,019	-	5,728	270,477	( 228,046)	( 1,186)
December 31	<u>\$ 1,800,745</u>	<u>\$ 3,141,494</u>	<u>\$ 31,052</u>	<u>\$ 2,910</u>	<u>\$ 17,681</u>	<u>\$ 351,766</u>	<u>\$ 538,013</u>	<u>\$ 5,883,661</u>
December 31, 2022								
Cost	\$ 2,538,391	\$ 5,286,246	\$ 65,406	\$ 8,466	\$ 313,370	\$ 595,668	\$ 538,013	\$ 9,345,560
Accumulated depreciation	( 737,646)	( 2,144,752)	( 34,354)	( 5,556)	( 295,689)	( 243,902)	-	( 3,461,899)
	<u>\$ 1,800,745</u>	<u>\$ 3,141,494</u>	<u>\$ 31,052</u>	<u>\$ 2,910</u>	<u>\$ 17,681</u>	<u>\$ 351,766</u>	<u>\$ 538,013</u>	<u>\$ 5,883,661</u>

	Buildings and structures (including land)	Machinery and equipment	Office equipment	Transportation equipment	Mold equipment	Other equipment	Unfinished construction and equipment under acceptance	Total
January 1, 2021								
Cost	\$ 1,830,994	\$ 2,931,096	\$ 28,540	\$ 3,675	\$ 10,391	\$ 39,856	\$ 135,172	\$ 4,979,724
Accumulated depreciation	( 566,920)	( 1,273,724)	( 15,004)	( 2,620)	( 6,390)	( 17,539)	-	( 1,882,197)
	<u>\$ 1,264,074</u>	<u>\$ 1,657,372</u>	<u>\$ 13,536</u>	<u>\$ 1,055</u>	<u>\$ 4,001</u>	<u>\$ 22,317</u>	<u>\$ 135,172</u>	<u>\$ 3,097,527</u>
<u>2021</u>								
January 1	\$ 1,264,074	\$ 1,657,372	\$ 13,536	\$ 1,055	\$ 4,001	\$ 22,317	\$ 135,172	\$ 3,097,527
Add - Cost	288,981	620,121	14,755	2,876	17,408	74,318	231,389	1,249,848
Disposals - Cost	-	( 63,065)	( 2,638)	-	( 9,015)	( 68,218)	-	( 142,936)
Disposal - Accumulated depreciation	-	18,195	1,986	-	4,915	36,008	-	61,104
Depreciation	( 88,496)	( 307,938)	( 8,256)	( 831)	( 4,997)	( 23,973)	-	( 434,491)
Consolidated entities change and reclassification	273,713	-	-	-	-	-	-	273,713
Reclassification - Cost	( 66,247)	57,266	-	-	-	-	( 120,545)	( 129,526)
Reclassification - Accumulated depreciation	1,056	-	-	-	-	-	-	1,056
Consolidated transfer in Net exchange differences	-	86,425	5,844	-	-	17,795	-	110,064
- Cost	-	11	( 12)	( 7)	-	-	-	( 8)
Net exchange differences - Accumulated depreciation	-	-	3	7	-	-	-	10
December 31	<u>\$ 1,673,081</u>	<u>\$ 2,068,387</u>	<u>\$ 25,218</u>	<u>\$ 3,100</u>	<u>\$ 12,312</u>	<u>\$ 58,247</u>	<u>\$ 246,016</u>	<u>\$ 4,086,361</u>
December 31, 2021								
Cost	\$ 2,327,441	\$ 3,631,853	\$ 46,490	\$ 6,544	\$ 18,784	\$ 63,751	\$ 246,016	\$ 6,340,879
Accumulated depreciation	( 654,360)	( 1,563,467)	( 21,271)	( 3,444)	( 6,472)	( 5,504)	-	( 2,254,518)
	<u>\$ 1,673,081</u>	<u>\$ 2,068,386</u>	<u>\$ 25,219</u>	<u>\$ 3,100</u>	<u>\$ 12,312</u>	<u>\$ 58,247</u>	<u>\$ 246,016</u>	<u>\$ 4,086,361</u>

1. The Group had no interest capitalization for investment property in 2022 and 2021.
2. The major components of the Group's buildings and structures include land, buildings and factory renovation projects. Except for land, they are depreciated for 5 to 56 years.
3. Information on property, plant and equipment pledged to others as collateral is provided in Note 8.
4. The abovementioned property, plant and equipment of the Group are for self-use.

(VIII) Leasing arrangements - lessee

1. The underlying assets leased by the Group include land, buildings and company vehicles. Leasing contracts are typically made for periods of 3 to 20 years. Lease contracts are negotiated separately and include a variety of terms and conditions. There are no restrictions for the leased assets, except that they cannot be used as loan collaterals.
2. The lease periods of other equipment leased by the Group did not exceed 12 months.
3. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 507,948	\$ 536,478
Buildings and structures	1,018	70,758
Transportation equipment (company vehicles)	16,241	18,683
Other equipment	25,404	26,733
	<u>\$ 550,611</u>	<u>\$ 652,652</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 25,727	\$ 18,545
Buildings and structures	11,781	12,894
Machinery and equipment	-	6,060
Transportation equipment (company vehicles)	9,640	6,470
Other equipment	1,854	-
	<u>\$ 49,002</u>	<u>\$ 43,969</u>

4. The increase in the right-of-use assets was \$16,769 and \$188,920 for 2022 and 2021, respectively.
5. The information on profit or loss items related to lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit and loss</u>		
Interest expenses on lease liabilities	\$ 7,012	\$ 5,784
Expenses for short-term lease contracts	6,283	3,491
Lease of low-value assets	2,785	266

6. The Group's total cash outflow on leases for 2022 and 2021 was \$71,636 and \$73,523, respectively.

7. Options to extend or terminate leases

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

(IX) Leasing arrangements - lessor

1. The Corporate Group leases out assets such buildings. The lease contracts are typically made for periods of 1 to 2 years. The terms of lease contracts are negotiated separately and include various terms and conditions. In order to preserve the condition of leased assets, the Group usually requires lessees not to pledge the underlying leased assets.

2. The Group recognized rental income of \$19,276 and \$20,933 based on operating lease contracts in 2022 and 2021, respectively, and none of the lease contracts were variable lease payments.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
2022	\$ -	\$ 13,613
2023	14,476	2,043
2024	786	-
	<u>\$ 15,262</u>	<u>\$ 15,656</u>

(X) Real estate investment

	<u>Buildings and structures</u>
January 1, 2022	
Cost	\$ 184,105
Accumulated depreciation	( 10,491)
	<u>\$ 173,614</u>
<u>2022</u>	
January 1	\$ 173,614
Depreciation	( 3,268)
December 31	<u>\$ 170,346</u>
December 31, 2022	
Cost	\$ 184,105
Accumulated depreciation	( 13,759)
	<u>\$ 170,346</u>

	<u>Buildings and structures</u>
January 1, 2021	



Cost	\$	330,129
Accumulated depreciation	(	6,458)
	\$	<u>323,671</u>
<u>2021</u>		
January 1	\$	323,671
Business merger and transfer out	(	273,713)
Reclassification - Cost		129,526
Reclassification - Accumulated depreciation	(	1,056)
Depreciation	(	4,814)
December 31	\$	<u>173,614</u>
December 31, 2021		
Cost	\$	184,105
Accumulated depreciation	(	10,491)
	\$	<u>173,614</u>

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

	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$ 16,436	\$ 16,268
Direct operating expenses incurred by investment properties that generate rent income in the period	\$ 2,641	\$ 5,311

2. The fair value of the investment property held by the Group as of December 31, 2022 and 2021 were \$165,392 and \$168,813, respectively. They were valued using the income method and were of Level 3 fair value, and the major assumptions are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	7.09%	4.49%
Annual rent (net income)	\$ 11,285	\$ 16,286
Number of years	45~50	45~50

3. No capitalization of interest for investment property in 2022 and 2021.

4. As of December 31, 2022 and 2021, the investment properties had been used as collaterals.

Intangible assets

	<u>2022</u>				
	<u>Trademark and concession</u>	<u>Computer software</u>	<u>Patents</u>	<u>Goodwill</u>	<u>Total</u>
January 1					
Cost	\$ 272,017	\$ 68,980	\$ 9,592	\$ 220,774	\$ 571,363
Accumulated amortization and	( 9,506)	( 59,318)	( 5,735)	-	( 74,559)

impairments										
	<u>\$</u>	<u>262,511</u>	<u>\$</u>	<u>9,662</u>	<u>\$</u>	<u>3,857</u>	<u>\$</u>	<u>220,774</u>	<u>\$</u>	<u>496,804</u>
January 1	\$	262,511	\$	9,662	\$	3,857	\$	220,774	\$	496,804
Addition - From separate acquisition										
Acquired		-		45,767		-		-		45,767
Amortization expense	(	37,902)	(	5,528)	(	1,961)		-	(	45,391)
December 31	<u>\$</u>	<u>224,609</u>	<u>\$</u>	<u>49,901</u>	<u>\$</u>	<u>1,896</u>	<u>\$</u>	<u>220,774</u>	<u>\$</u>	<u>497,180</u>
December 31										
Cost	\$	272,017	\$	114,747	\$	9,592	\$	220,774	\$	617,130
Accumulated amortization and impairments	(	47,408)	(	64,846)	(	7,696)		-	(	119,950)
	<u>\$</u>	<u>224,609</u>	<u>\$</u>	<u>49,901</u>	<u>\$</u>	<u>1,896</u>	<u>\$</u>	<u>220,774</u>	<u>\$</u>	<u>497,180</u>

2021

	<u>Trademark and concession</u>	<u>Computer software</u>	<u>Patents</u>	<u>Goodwill</u>	<u>Total</u>					
January 1										
Cost	\$	98,223	\$	54,079	\$	9,522	\$	69,173	\$	230,997
Accumulated amortization and impairments	(	1,403)	(	50,646)	(	5,224)		-	(	57,273)
	<u>\$</u>	<u>96,820</u>	<u>\$</u>	<u>3,433</u>	<u>\$</u>	<u>4,298</u>	<u>\$</u>	<u>69,173</u>	<u>\$</u>	<u>173,724</u>
January 1	\$	96,820	\$	3,433	\$	4,298	\$	69,173	\$	173,724
Consolidated transfer in		173,790		2,836		-		151,601		328,227
Addition - From separate acquisition										
Acquired		2,462		10,557		70		-		13,089
Amortization expense	(	10,561)	(	7,164)	(	511)		-	(	18,236)
December 31	<u>\$</u>	<u>262,511</u>	<u>\$</u>	<u>9,662</u>	<u>\$</u>	<u>3,857</u>	<u>\$</u>	<u>220,774</u>	<u>\$</u>	<u>496,804</u>
December 31										
Cost	\$	272,017	\$	68,980	\$	9,592	\$	220,774	\$	571,363
Accumulated amortization and impairments	(	9,506)	(	59,318)	(	5,735)		-	(	74,559)
	<u>\$</u>	<u>262,511</u>	<u>\$</u>	<u>9,662</u>	<u>\$</u>	<u>3,857</u>	<u>\$</u>	<u>220,774</u>	<u>\$</u>	<u>496,804</u>

(XI) Other Non-Current Assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>		
Prepayments for equipment	\$	1,293,001	\$	671,105
Refundable deposit		52,758		15,826

Others	3,378	4,049
Total	<u>\$ 1,349,137</u>	<u>\$ 690,980</u>

(XII) Short Term Loans

Type of borrowings	December 31, 2022	Range of interest rate	Collateral
Bank borrowings			
Credit loan	\$ 1,618,197	1.06%~2.675%	None Certificates of deposit, reserve accounts, stocks of listed and OTC companies, treasury stock and investment properties.
Secured borrowings	3,006,328	1.25%~2.75%	
	<u>\$ 4,624,525</u>		

Type of borrowings	December 31, 2021	Range of interest rate	Collateral
Bank borrowings			
Credit loan	\$ 1,685,766	0.90%~2.60%	None Certificates of deposit, reserve accounts, stocks of listed and OTC companies, treasury stock and investment properties.
Secured borrowings	2,691,000	1.04%~2.45%	
	<u>\$ 4,376,766</u>		

The interest expenses recognized in profit and loss in 2022 and 2021 were \$77,598 and \$27,734, respectively.

(XIII) Other Payables

	December 31, 2022	December 31, 2021
Payroll and bonus payable	\$ 111,894	\$ 78,558
Remunerations payable to employees and directors	129,630	196,679
Payable on equipment	111,919	85,822
Machine maintenance payable	51,362	29,411
Others	432,408	351,538
	<u>\$ 837,213</u>	<u>\$ 742,008</u>

(XIV) Corporate bonds payable

	December 31, 2022	December 31, 2021
Corporate bonds payable	\$ 3,000,000	\$ 2,000,000
Less: Amount of exercised conversion options	( 324,400)	( 258,700)
Less: discount on corporate bonds payable	( 66,556)	( 84,251)
Less: Corporate bonds matured in one year or a business cycle or have the	<u>2,609,044</u>	<u>1,657,049</u>

put option exercised

	-	-
\$	2,609,044	\$ 1,657,049

1. The terms of issuance for the Group's 3rd domestic unsecured convertible bonds are as follows:
  - (1) The Group has been approved by the competent authority to raise and issue \$2,000,000 of the 3rd domestic unsecured convertible bonds, with a coupon rate of 0% and an issuance period of 5 years from August 3, 2021 to August 3, 2026. The convertible bonds are repayable in cash at par value on maturity. The convertible bonds were listed for trading on August 3, 2021.
  - (2) The bondholders may request the conversion of the convertible bonds into the Group's common shares at any time from the day after the expiration of three months from the date of issuance of the corporate bonds to the maturity date, except during the period when the transfer of the corporate bonds is suspended in accordance with the regulations or laws, and the rights and obligations of the converted common shares are the same as those of the original issued common shares.
  - (3) The conversion price of the convertible bonds is determined in accordance with the pricing model stipulated in the Measures, and the conversion price will be adjusted in accordance with the pricing model stipulated in the Conversion Measures in the event that the Group is subject to anti-dilution provisions. The conversion price will be reset on the base date set by the Regulations in accordance with the pricing model stipulated in the Conversion Measures. As of December 31, 2022, the conversion price was NT\$85 per share.
  - (4) If the closing price of the Company's common stock exceeds 30% of the then conversion price for 30 consecutive business days from the day following the third month of the issuance of the convertible bonds to the 40th business day prior to the expiration of the issuance period, the Company may redeem the outstanding corporate bonds within the next 30 business days at the par value of the corporate bonds in cash.
  - (5) If the outstanding balance of the convertible bonds is less than 10% of the total par value of the corporate bonds issued, the Company may redeem the convertible bonds at any time thereafter for cash at the par value of the corporate bonds, from the day following the third month of the issuance of the corporate bonds to the 40th business day prior to the expiration of the issuance period.
  - (6) As of December 31, 2022, a total of \$324,400 in face value had been converted into 3,733 thousand shares of common stock.
2. Upon issuance of convertible bonds, the Group separated the conversion options from the components of liabilities in accordance with IAS 32, "Financial Instruments: Presentation," and recorded "capital surplus - stock options" at \$406,616. The embedded repurchase and repurchase rights are separated from the principal contractual debt instruments in accordance with IFRS 9, "Financial Instruments", because they are not closely related to the economic characteristics and risks of the principal contractual debt instruments, and are recorded as "financial assets or liabilities at fair value through profit or loss" on a net basis. The effective interest rate of the master contract debt after the separation was 0.0902%.
3. First series domestic secured corporate bonds

In order to raise the Group's working capital, the board of directors resolved to approve on August 5, 2022 the issue of the first series domestic secured corporate bond. The issue has been reported to and approved by the Taipei Exchange, and the terms are as follows:

- (1) Total amount of issue: According to the different issue conditions, there are two types of bonds, A and B, of which A is issued with an amount of \$300,000, and B is issued with an amount of \$200,000, totaling \$500,000.
- (2) Issue period: Five years, issued on September 28, 2022, and matured on September 28, 2027.
- (3) Coupon rate and repayment method of principal and interest: Both Bond A and Bond B have a fixed annual coupon rate of 1.80%. Simple interest is calculated and paid once a year, and the principal is repaid in cash at the face value of the bond at maturity.
- (4) Guarantee method: The Company's bonds are guaranteed by the joint delegation guarantee contract signed and the obligation and the contract of guarantee for performance of corporate bonds signed by major banks.

#### 4. Second series domestic secured convertible corporate bonds

In order to raise the Group's working capital, the board of directors resolved to approve on August 5, 2022 the issue of the second series domestic secured convertible corporate bond. The issue has been reported to and approved by the Taipei Exchange, and the terms are as follows:

- (1) Total amount of issue: According to the different issue conditions, there are two types of bonds, A and B, of which A is issued with an amount of \$300,000, and B is issued with an amount of \$200,000, totaling \$500,000.
- (2) Issue period: Five years, issued on December 27, 2022, and matured on December 27, 2027.
- (3) Coupon rate and repayment method of principal and interest: Bond A has a fixed annual coupon rate of 2.20% and Bond B has a fixed annual coupon rate of 2.38%. Simple interest is calculated and paid once a year, and the principal is repaid in cash at the face value of the bond at maturity.
- (4) Guarantee method: The Company's bonds are guaranteed by the joint delegation guarantee contract signed and the obligation and the contract of guarantee for performance of corporate bonds signed by major banks.

#### (XV) Long-term Loans

<u>Type of borrowings</u>	<u>Borrowing period and payment method</u>	<u>Range of interest rate</u>	<u>Collateral</u>	<u>December 31, 2022</u>
<u>Long-term bank borrowings</u>				
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2021 and January 28, 2027.	2.425%	Houses and buildings and machine and equipment	\$ 1,250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 27, 2024.	2.410%	Buildings and structures	250,000

Secured borrowings	Repaid in instalments and different amounts according to the agreed period between June 12, 2018 and December 15, 2026.	1.730%~ 3.125%	Machinery and equipment	1,050,407
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2022 and December 27, 2032.	2.070%	Buildings and structures and investment properties	850,000
Secured borrowings	January 24, 2022 to January 24, 2027, the interest is paid monthly together with the principal.	1.500%~ 2.875%	None (responsible person's guarantee)	8,247
Other long-term borrowings				
Secured borrowings	Principal is amortized from October 29, 2021 to September 16, 2027	3.970%	Machinery and equipment	89,655
Secured borrowings	March 25, 2021 to July 29, 2027, the interest is paid monthly together with the principal.	2.450%~ 8.201%	Machinery and equipment	90,068
Credit loan	December 30, 2021 to April 30, 2024, the interest is paid together with the principal.	7.613%	None	14,240
Secured borrowings	July 10, 2022 to June 10, 2027, the interest is paid monthly together with the principal.	4.250%	Machinery and equipment	176,830
				3,779,447
Less: Long-term borrowings (including current portion)				( 611,473)
				\$ 3,167,974

Type of borrowings	Borrowing period and payment method	Range of interest rate	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 28, 2021 and January 28, 2027.	1.800%	Buildings and structures, machinery equipment and investment property	\$ 1,250,000

Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 27, 2024.	1.580%	Buildings and structures	250,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between December 27, 2021 and December 15, 2026.	1.300%	Machinery and equipment	300,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between November 9, 2020 and November 9, 2023.	1.440%	Buildings and structures and investment properties	850,000
Secured borrowings	Repaid in instalments and different amounts according to the agreed period between September 27, 2017 and December 29, 2026.	1.000%~ 3.730%	Machinery, equipment and reserve account (Note)	72,199
				2,722,199
Less: Long-term borrowings (including current portion)				( 70,391)
				\$ 2,651,808

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

(XVI) Pensions

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

qualify for retirement in the following year, the Company and its domestic subsidiaries will make contribution for the deficit by the end of next March.

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

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	(\$ 21,458)	(\$ 22,899)
Fair value of plan assets	5,861	7,990
Defined Benefit Liabilities	<u>(\$ 15,597)</u>	<u>(\$ 14,909)</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Defined Benefit Liabilities
2022			
Balance on January 1	(\$ 22,899)	\$ 7,990	(\$ 14,909)
Current service cost	( 61)	-	( 61)
Interest (expense) income	( 171)	67	( 104)
	<u>( 23,131)</u>	<u>8,057</u>	<u>( 15,074)</u>
Re-measurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	471	471
Change in financial assumptions	1,646	-	1,646
Experience adjustments	( 4,773)	-	( 4,773)
	<u>( 3,127)</u>	<u>471</u>	<u>( 2,656)</u>
Pension fund contribution	-	2,133	2,133
Paid pension	4,800	( 4,800)	-
Balance on December 31	<u>(\$ 21,458)</u>	<u>\$ 5,861</u>	<u>(\$ 15,597)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Defined Benefit Liabilities
2021			
Balance on January 1	(\$ 23,846)	\$ 5,723	(\$ 18,123)
Current service cost	( 61)	-	( 61)
Interest (expense) income	( 82)	22	( 60)
	<u>( 23,989)</u>	<u>5,745</u>	<u>( 18,244)</u>
Re-measurements:			
Return on plan assets			



(excluding amounts included in interest income or expense)	321	99	420
Change in financial assumptions	1,068	-	1,068
Change in demographic assumptions	( 1,286)	- (	1,286)
Experience adjustments	987	-	987
	<u>1,090</u>	<u>99</u>	<u>1,189</u>
Pension fund contribution	-	2,146	2,146
Paid pension	-	-	-
Balance on December 31 (\$	<u>22,899)</u>	<u>\$ 7,990</u>	<u>(\$ 14,909)</u>

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings are less than the aforementioned rates, government shall make payments for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating the fund and hence the Company is unable to disclose the classification of fair value of plan asset in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

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

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.4%</u>	<u>0.75%</u>
Future salary increases	<u>2.125%</u>	<u>2.125%~2.50%</u>

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience of various countries.

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

	Discount rate		Future salary increases	
	0.25% increase	0.25% decrease	0.25% increase	0.25% decrease
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 641)</u>	<u>\$ 666</u>	<u>\$ 646</u>	<u>(\$ 626)</u>
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 697)</u>	<u>\$ 725</u>	<u>\$ 698</u>	<u>(\$ 675)</u>

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

- (6) The expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 are \$2,133
  - (7) As of December 31, 2022, the weighted average duration of the retirement plan is 13 years.
2. (1) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (hereinafter referred to as the “New Plan”) under the Labor Pension Act (hereinafter referred to as the “Act”), covering all regular employees with domestic citizenship. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
  - (2) For 2022 and 2021, the pension costs recognized by the Corporate Group in accordance with the abovementioned pension measures were \$35,520 and \$28,606, respectively.

#### (XVII) Capital

1. As of December 31, 2022, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares (including 20,000 thousand shares which can be subscribed to as employee stock options). The paid-in capital was \$2,564,465 with a par value of NT\$10. All proceeds from shares issued have been collected.

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

	Unit: Thousand shares	
	2022	2021
January 1	214,107	205,632
Conversion of convertible bonds	773	2,960
Treasury stocks transfer to employees	-	20,000

Treasury Stock Buyback	(	10,000)	(	14,485)
Treasury stock donation		350		-
December 31		<u>205,230</u>		<u>214,107</u>

## 2. Treasury stock

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

		December 31, 2022	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	36,731	\$ 522,698
The Company	Transfer shares to employees	14,485	1,256,281
		<u>51,216</u>	<u>\$ 1,778,979</u>

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

### (2) For 2022 and 2021, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract Period	Vesting conditions
Transfer of treasury shares to employees	2022.01.26	4,485	Immediate vesting	Note
Transfer of treasury shares to employees	2021.05.05	3,000	Immediate vesting	Note
Transfer of treasury shares to employees	2021.03.15	7,000	Immediate vesting	Note
Transfer of treasury shares to employees	2021.02.03	3,000	Immediate vesting	Note

Note: The Company grants treasury stocks to employees of the Company and its subsidiaries.

### (3) Remuneration costs related to the transfer of treasury stocks of the Group in 2022 and 2021 were \$19,061 and \$176,980, respectively

### (4) The Securities and Exchange Act stipulates that the percentage of the Company's repurchase of outstanding shares shall not exceed 10% of the Company's total issued shares, and the total value of shares purchased shall not exceed the retained earnings

plus the premium of issued shares and the amount of realized capital reserve.

- (5) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, shareholders are not entitled to the shareholders' rights.
- (6) According to the provisions of the Securities and Exchange Act, the share repurchased to be transferred to employees shall be transferred within 5 years from the date of the purchase. If the transfer is not made within the time limit, the shares are deemed as unissued shares, and change of registration shall be made to cancel the shares. In order to maintain the Company's credit and shareholders equity, the shares bought back should have the registration changed to cancel the shares within six months from the date of the purchase.
- (7) The Company's stock held by the subsidiary Youe Chung Capital is treated as treasury stock. As of December 31, 2022 and 2021, Youe Chung Capital held 36,731 thousand and 37,081 shares, respectively, of the Company. The average book value per share was NT\$14.23, and the fair value per share was NT\$84.7 and NT\$108.00, respectively. The cost of transferring treasury stocks is calculated based on the book value of the Company's stock held by Youe Chung Capital and the Company's indirect shareholding during each period.
- (8) The Company was approved by the Board of Directors on February 3, 2021, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.96% of the total issued shares. The buy-back was completed and executed between February 4, 2021 and April 3, 2021.
- (9) The Company was approved by the Board of Directors on November 3, 2021, to buy back 6,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 2.37% of the total issued shares. The buy-back of 4,485 thousand shares was completed and executed between November 4, 2021 and January 3, 2022.
- (10) The Company was approved by the Board of Directors on May 6, 2022, to buy back 10,000 thousand shares of the Company in the centralized trading market and transfer them to employees, and the number of shares repurchased accounted for 3.91% of the total issued shares. The buy-back of 10,000 thousand shares was completed and executed between May 9, 2022 and July 8, 2022.

(XVIII) Capital surplus

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

	Issue premiums	Trading of treasury stock	Changes in ownership interests in subsidiaries recognized	stock option	Equity changes in affiliates	Others	Total
January 1, 2022	\$ 269,010	\$ 695,046	\$ 4,919	\$ 295,074	\$ 47,320	\$ 4,459	\$ 1,315,828

Conversion of convertible bonds	68,829	-	-	( 13,357)	-	-	55,472
Distribution of cash from capital surplus	( 241,189)	-	-	-	-	-	( 241,189)
Adjustment of capital reserve by dividends paid to subsidiaries	-	73,463	-	-	-	-	73,463
Changes in ownership interests in subsidiaries recognized	-	-	10,169	-	-	-	10,169
Changes in shares of affiliates recognized under the equity method	-	-	-	-	21,107	-	21,107
Share-based payment transaction	-	-	2,700	14,131	-	-	16,831
December 31, 2022	<u>\$ 96,650</u>	<u>\$ 768,509</u>	<u>\$ 17,788</u>	<u>\$ 295,848</u>	<u>\$ 68,427</u>	<u>\$ 4,459</u>	<u>\$ 1,251,681</u>

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

(XIX) Retained earnings

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

- (2) Decide on the financing required for one of the capital budgeting items.
  - (3) Decide on the amount of the financing to be supported by retained earnings (methods such as cash capital increase or corporate bonds and so on can be adopted as support).
  - (4) After retaining the portion required for operation needs out of the earnings remainder, the rest should be distributed to shareholders in the form of dividends. Cash dividends distribution proportion should not be lower than 20% of the total amount of dividends for the distribution proportion of the Company's dividends.
3. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
  4. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
  5. The Company's Board meeting resolved on March 3, 2023 to distribute a cash dividend of NT\$2.3 per common share from the 2022 earnings, with a total dividend of \$556,511. In addition, a cash distribution of NT\$0.2 per share was made from capital surplus for a total of NT\$48,392.
  6. The Company's board of directors resolved on May 26, 2022 to distribute a cash dividend of NT\$1.00 per ordinary share from the 2021 surplus with a total dividend of \$255,674. NT\$1.00 per share is to be distributed from the capital surplus, with a total of \$255,674. In addition, as the Company implemented the transfer of 14,485 thousand shares of treasury stock to employees, which changed the number of outstanding shares to 241,189 thousand shares, so the cash dividend was adjusted to \$241,189 to be distributed from the capital surplus of \$241,189.
  7. The Company's shareholders' meeting resolved on July 5, 2021 to distribute a cash dividend of NT\$1.50 per common share from the 2020 earnings, with a total dividend of \$379,071.

(XX) Other equity interests

	2022		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 6,698	\$ 4,032
Difference in foreign currency translation:	-		
- Group		6,476	6,476
December 31	<u>(\$ 2,666)</u>	<u>\$ 13,174</u>	<u>\$ 10,508</u>
	2021		
	Unrealized gains and losses	Foreign currency translation	Total
January 1	(\$ 2,666)	\$ 3,555	\$ 889
Difference in foreign currency			

translation:

- Group		3,143	3,143
December 31	(\$ 2,666)	\$ 6,698	\$ 4,032

(XXI) Operating revenue

	2022	2021
Revenue from contracts with customers	\$ 7,741,118	\$ 6,077,362

1. Segmentation of revenue from contracts with customers

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

2022	Photomask and semiconductor segment	Medical segment	Total
Revenue from contracts with external customers	\$ 7,684,054	\$ 57,064	\$ 7,741,118
Cut-off point of income recognition			
Income recognized at a particular point in time	\$ 6,896,734	\$ 57,064	\$ 6,953,798
Income recognized gradually over time	787,320	-	787,320
	\$ 7,684,054	\$ 57,064	\$ 7,741,118
2021	Photomask and semiconductor segment	Medical segment	Total
Revenue from contracts with external customers	\$ 6,068,709	\$ 8,653	\$ 6,077,362
Cut-off point of income recognition			
Income recognized at a particular point in time	\$ 5,354,576	\$ 8,653	\$ 5,363,229
Income recognized gradually over time	714,133	-	714,133
	\$ 6,068,709	\$ 8,653	\$ 6,077,362

2. Contract Liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract Assets	\$ 140,231	\$ 155,763	\$ 93,809
Contract Liabilities	\$ 232,778	\$ 179,315	\$ 99,418

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

	2022	2021
Opening balance of contract liabilities		

Revenue recognized for this period (Including reclassification of other income)	\$ 114,475	\$ 55,000
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(XXII) Interest income

	2022	2021
Interest from bank deposits	\$ 16,168	\$ 4,678
Interest income from financial assets measured at amortized cost	9,052	147
Other interest incomes	51	33
	<u>\$ 25,271</u>	<u>\$ 4,858</u>

(XXIII) Other Incomes

	2022	2021
Rental income	\$ 19,456	\$ 21,170
Dividend income	194,598	85,104
Other income - Others	44,201	9,020
	<u>\$ 258,255</u>	<u>\$ 115,294</u>

(XXIV) Other Gains and Losses

	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 5,024	(\$ 1,927)
Disposal of investment gains (losses)	123,552	287,760
Gain on lease modifications	103	7
Foreign currency exchange gains (losses)	76,984	1,057
Gains (losses) of financial assets at fair value through profit or loss	( 801,123)	559,714
Impairment Loss of Financial Assets	-	( 11,737)
Other miscellaneous expenses	( 3,268)	( 4,814)
Other Gains and Losses	( 20,519)	( 64,384)
	<u>(\$ 619,247)</u>	<u>\$ 765,676</u>

(XXV) Financial Costs

	2022	2021
Interest expenses:		
Bank borrowings	\$ 152,431	\$ 86,348
Convertible bonds	18,103	8,392
Lease liabilities	7,012	5,784
	<u>\$ 177,546</u>	<u>\$ 100,524</u>



(XXVI) Expenses by nature

	<u>2022</u>	<u>2021</u>
Employee benefits expenditure	\$ 1,393,688	\$ 1,200,299
Depreciation	568,193	483,274
Amortization	45,391	18,236

(XXVII) Employee benefits expenditure

	<u>2022</u>	<u>2021</u>
Payroll expenses	\$ 1,152,751	\$ 899,267
Share-based payment to employees	19,061	176,980
Labor and health insurance fees	116,437	61,958
Pension expense	35,684	28,727
Other personnel expenses	69,755	33,367
	<u>\$ 1,393,688</u>	<u>\$ 1,200,299</u>

1. According to the Articles of Incorporation, the Company shall distribute not less than 10% of the current year's profit situation for employee remuneration and not more than 2% of current year's profit situation for director remuneration. However, profits must first be taken to offset against cumulative losses, if any.
2. For 2022 and 2021, employee remuneration was accrued at \$102,000 and \$158,000, respectively, and director remunerations was accrued at \$18,000 and \$30,800, respectively. The abovementioned amounts were listed as payroll expenses.

The remuneration to employees and directors were estimated at 10.05% and 1.77%, respectively, based on the profitability for the year ended December 31, 2022; the remuneration to employees and directors were estimated at 10.18% and 1.98%, respectively, based on the profitability for the year ended December 31, 2021.

The employee remuneration and director remuneration resolved by the Board of Directors for 2021 were \$158,000 and \$18,000, respectively, which were different from \$158,000 and \$30,800 recognized in the 2021 financial statement by \$0 and \$12,800. This is mainly due to changes in estimates which have been adjusted to the income of 2022.

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

(XXVIII) Income tax

1. Income tax expense

Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ 236,441	\$ 239,544
Over provision of prior year's income tax	( 17,190)	-

Total current tax	219,251	239,544
Deferred income tax:		
Origination and reversal of temporary differences	8,830	51,993
Deferred income tax:	8,830	51,993
Income Tax Expense	<u>\$ 228,081</u>	<u>\$ 291,537</u>

## 2. Reconciliation between income tax expense and accounting profit

	2022	2021
Tax calculated based on profit before tax and statutory tax rate	(\$ 155,090)	\$ 909,863
Expenses (benefits) to be excluded according to the tax law	271,967	( 759,077)
Temporary difference of unrecognized deferred income tax assets	( 780)	( 1,830)
Tax loss of unrecognized deferred income tax assets	91,423	58,331
Income tax effects of the alternative minimum tax system	17,003	35,538
Changes in assessment of realizability of deferred income tax assets	20,748	48,712
Over provision of prior year's income tax	( 17,190)	-
Income Tax Expense	<u>\$ 228,081</u>	<u>\$ 291,537</u>

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

	2022		
	January 1	Recognized in profit or loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Loss on inventory	\$ 3,762	\$ 1,525	\$ 5,287
Unrealized exchange loss	( 521)	1,365	844
Others	4,819	( 1,585)	3,234
Subtotal	<u>\$ 8,060</u>	<u>\$ 1,305</u>	<u>\$ 9,365</u>
Deferred income tax liabilities:			
- Temporary differences:			
Unrealized gain on exchange	( 409)	( 3,791)	( 4,200)
Long-term investments	( 74,084)	( 12,717)	( 86,801)
Others	( 36,496)	6,373	( 30,123)
Subtotal	<u>( 110,989)</u>	<u>( 10,135)</u>	<u>( 121,124)</u>
Total	<u>(\$ 102,929)</u>	<u>(\$ 8,830)</u>	<u>(\$ 111,759)</u>

2021		
January 1	Recognized in profit or	December 31

		loss	
Deferred income tax assets:			
- Temporary differences:			
Loss on inventory	\$ 394	\$ 3,368	\$ 3,762
Unrealized exchange loss	1,938 (	2,459) (	521)
Others	-	4,819	4,819
Subtotal	\$ 2,332	\$ 5,728	\$ 8,060
Deferred income tax liabilities:			
- Temporary differences:			
Unrealized gain on exchange (	287) (	122) (	409)
Long-term investments (	52,981) (	21,103) (	74,084)
Others	- (	36,496) (	36,496)
Subtotal	( 110,989)	( 57,721)	( 110,989)
Total	(\$ 108,657)	(\$ 51,993)	(\$ 102,929)

4. The effective period of the unused tax losses and unrecognized deferred income tax assets of the Group are as follows:

December 31, 2022

Year of occurrence	Reported amount/Assessed amount	Amount not yet deducted	Amount of unrecognized deferred income tax assets	Last year to be deducted
2013	478,805	478,805	478,805	112
2014	358,406	358,406	358,406	113
2015	634,004	634,004	634,004	114
2016	297,633	297,633	297,633	115
2017	487,947	487,947	487,947	116
2018	506,779	506,779	506,779	117
2019	252,514	252,514	252,514	118
2020	305,259	305,259	305,259	119
2021	572,303	572,303	572,303	120
2022	457,113	457,113	457,113	121
	<u>\$ 4,350,763</u>	<u>\$ 4,350,763</u>	<u>\$ 4,350,763</u>	

December 31, 2021

Year of occurrence	Reported amount/Assessed amount	Amount not yet deducted	Amount of unrecognized deferred income tax assets	Last year to be deducted
2012	425,658	425,658	425,658	111
2013	478,805	478,805	478,805	112
2014	358,406	358,406	358,406	113
2015	634,004	634,004	634,004	114

2016	297,633	297,633	297,633	115
2016	487,947	487,947	487,947	116
2017	506,779	506,779	506,779	117
2018	252,514	252,514	252,514	118
2019	305,259	305,259	305,259	119
2020	<u>572,303</u>	<u>572,303</u>	<u>572,303</u>	120
	<u>\$ 4,319,308</u>	<u>\$ 4,319,308</u>	<u>\$ 4,319,308</u>	

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	<u>\$ 362,066</u>	<u>\$ 365,967</u>

6. The Company's income tax returns through 2020 have been assessed and approved by the tax authority.

(XXIX) Earnings per share

	2022		
	<u>Amount after tax</u>	<u>Average weighted share outstanding (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 703,519</u>	<u>208,572</u>	<u>\$ 3.37</u>
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 703,519</u>	<u>208,572</u>	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	14,422	19,713	
Employee remuneration	-	1,473	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 717,941</u>	<u>229,758</u>	<u>\$ 3.12</u>
	2021		
	<u>Amount after tax</u>	<u>Average weighted share outstanding (thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,146,610</u>	<u>209,770</u>	<u>\$ 5.47</u>
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 1,146,610</u>	<u>209,770</u>	

Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,713	3,220	
Employee remuneration	-	1,791	
Profit attributable to ordinary shareholders of the parent			
plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 1,153,323</u>	<u>214,781</u>	<u>\$ 5.37</u>

The weighted average number of shares outstanding in 2022 and 2021 has deducted the number of shares held by the Company and the subordinate company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

(XXX) Business combination

1. On August 2, 2021, the Group acquired 57.39% of the shares of Digital-Can Tech. Co., Ltd. for \$139,072 in cash and gained control over Digital-Can Tech. Co., Ltd.

(1). The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Digital-Can Tech. Co., Ltd. is shown as follows:

	<u>August 2, 2021</u>
Acquisition consideration	
Cash	\$ 139,072
Share of non-controlling interests in the identifiable net assets of the acquiree	<u>72,605</u>
	<u>211,677</u>
Fair value of acquired identifiable assets and assumed liabilities	
Cash	24,346
Financial assets measured at amortized cost	19,600
Notes Receivables	202
Accounts Receivables	3,251
Inventories	6,128
Prepayments	2,129
Other Current Assets	521
Property, plant and equipment	64,182
Intangible assets	69,565
Other Non-Current Assets	6,520
Short Term Loans	( 500)
Contract Liabilities	( 1,187)
Notes Payable	( 6)
Accounts Payable	( 1,165)
Other Payables	( 8,874)
Other Current Liabilities	( 6,174)

Long-term Loans	(	7,843)
Deferred Income Tax	(	15,650)
Other Current Liabilities	(	300)
Total identifiable net assets		<u>154,745</u>
Goodwill	\$	<u>56,932</u>

- (2) Non-controlling interest is measured by the proportion of the acquiree's net identifiable assets to the non-controlling interest.
- (3) The fair value of the identifiable net assets acquired as of August 2, 2021 was originally assessed at a provisional amount and the fair value of these net assets was determined after the end of the measurement period as described above. Among them, the initial valuations of PP&P and intangible assets were \$55,499 and \$0, respectively, which were different from the fair values of \$64,182 and \$69,565, respectively, identified in the purchase price apportionment report. The consolidated balance sheet as of December 31, 2021 and the consolidated statement of comprehensive income for 2021 were adjusted.
- (4) Since the acquisition of Digital-Can Tech. Co., Ltd. in August 2, 2021, the contribution to operating revenue and net loss before tax have both been \$6,036 and (\$3,706), respectively. Assuming that Digital-Can Tech. Co., Ltd. has been included in the consolidated reports since January 1, 2021, the operating revenue and net profit before tax of the Group for 2021 are \$6,089,369 and \$1,161,815, respectively.
2. The Group owns 41.43% of Xsense Technology Corporation, and Xsense Technology Corporation and its subsidiary Xsense Technology Corporation (B.V.I.) held a Board of Directors' meeting on March 25, 2021 to re-elect the Chairman of the Board of Directors, and the president of the Company was elected. The new management team in April 2021, led by the President of the Company, is involved in the operating decisions and business policies, including strategic decisions, of Xsense Technology Corporation and its subsidiary, Xsense Technology Corporation (B.V.I.) and therefore the firm is included in the consolidated financial statements.

- (1) The information on the fair value of the acquired assets and assumed liabilities on the acquisition date and the share of non-controlling interests in the acquiree's identifiable net assets for the acquisition of Xsense Technology Corporation is shown as follows:

	April 1, 2021
Fair value of previously held interests in Xsense Technology Corporation at the acquisition date	\$ 154,192
Share of non-controlling interests in the identifiable net assets of the acquiree	<u>106,819</u>
	<u>\$ 261,011</u>
Fair value of acquired identifiable assets and assumed liabilities	
Cash	\$ 22,508
Accounts Receivables	18,687
Other Receivables	6,690

Inventories		19,127
Prepayments		27,149
Other Current Assets		15,607
Property, plant and equipment		45,882
Intangible assets		107,065
Deferred Income Tax Assets		4,819
Other Non-Current Assets		96,544
Short Term Loans	(	40,000)
Contract Liabilities	(	350)
Notes Payable	(	4,257)
Accounts Payable	(	14,617)
Other Payables	(	63,602)
Other Current Liabilities	(	12,085)
Deferred Income Tax	(	20,846)
Other Current Liabilities	(	41,974)
Total identifiable net assets		<u>166,347</u>
Goodwill	\$	<u>94,664</u>

- (2) Non-controlling interest is measured by the proportion of the acquiree's net identifiable assets to the non-controlling interest.
- (3) The fair value of the identifiable net assets acquired as of April 1, 2021 was originally assessed at a provisional amount and the fair value of these net assets was determined after the end of the measurement period as described above. Among them, the initial valuations of inventory, PP&P and intangible assets were \$47,425, \$99,856 and \$8,574, respectively, which were different from the fair values of \$19,127, \$45,882 and \$107,065, respectively, identified in the purchase price apportionment report. The consolidated balance sheet as of December 31, 2021 and the consolidated statement of comprehensive income for 2021 were adjusted.
- (4) Since the Group merged with Xense Technology Corporation on April 1, 2021, Xense Technology Corporation contributed operating revenue and net loss before tax of \$54,810 and (\$121,199), respectively. If Xsense Technology Corporation had been merged since January 1, 2021, the Group's operating revenue and net profit before tax would have been \$6,098,459 and \$1,075,603, respectively, for the year ended December 31, 2021.

(XXXI) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 2,315,405	\$ 1,249,848
Add: Prepayments for equipment at the end of the period	1,293,001	671,105
Opening balance of payable on equipment	85,822	53,809
Less: Prepayments for equipment at the beginning of the period	( 671,105)	( 5,608)

Ending balance of payable on equipment	(	111,919)	(	85,822)
Cash paid during the year	\$	2,911,204	\$	1,883,332

(XXXII) Changes in liabilities arising from financing activities

	Short Term Loans	Corporate bonds payable	Long-term borrowings (including current portion)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2022	\$ 4,376,766	\$ 1,657,049	\$ 2,722,199	\$ 655,641	\$ 6,908	\$ 9,418,563
Change in cash flow from financing activities	247,759	997,095	1,057,248	( 55,556)	27,846	2,274,392
Interest Incomes	-	18,103	-	7,012	-	25,115
Interest Paid	-	-	-	( 7,012)	-	( 7,012)
Other non-cash transactions	-	( 63,203)	-	( 40,416)	-	( 103,619)
December 31, 2022	\$ 4,624,525	\$ 2,609,044	\$ 3,779,447	\$ 559,669	\$ 34,754	\$ 11,607,439

	Short Term Loans	Corporate bonds payable	Long-term borrowings (including current portion)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2021	\$ 2,298,718	\$ -	\$ 1,732,083	\$ 506,926	\$ 5,129	\$ 4,542,856
Change in cash flow from financing activities	2,037,548	2,297,099	982,273	( 63,982)	1,779	5,254,717
Interest Incomes	-	8,392	-	5,784	-	14,176
Interest Paid	-	-	-	( 5,784)	-	( 5,784)
Other non-cash transactions	40,500	( 648,442)	7,843	212,697	-	( 387,402)
December 31, 2021	\$ 4,376,766	\$ 1,657,049	\$ 2,722,199	\$ 655,641	\$ 6,908	\$ 9,418,563

VII. Related Party Transactions

(I) Related parties' names and relationship

Name of the related parties	Relationship with the Group
Xsense Technology Corporation	Affiliate (Note)
Xsense Technology Corporation (B.V.I.) Taiwan Branch	Affiliates
Weida Hi-Tech Co., Ltd.	Affiliates
Powerchip Technology Corporation	Other related party
Image Match Design Inc.	Other related party
BKS Tec Corp.	Other related party
Pilot Battery Co.,Ltd.	Other related party
Taiwan Mask Charity Foundation	Other related party

Note: In April 2021, the Group participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included



the firm in the consolidated financial statements as a consolidated entities as of that date.

(II) Significant transactions with the related parties

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Product sales:		
Affiliates	\$ 7,066	\$ 72
Other related party	28,629	39,099
Total	<u>\$ 35,695</u>	<u>\$ 39,171</u>

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

2. Purchase

	<u>2022</u>	<u>2021</u>
Purchase of merchandise:		
Other related party	\$ 386	\$ -

3. Account receivable from related parties.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts Receivables:		
Affiliates	\$ 325	\$ -
Other related party	2,021	16,812
Total	<u>\$ 2,346</u>	<u>\$ 16,812</u>

4. Related-party payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Other related party	\$ 284	\$ -

5. Acquisition of financial assets

2022: None.

		<u>2021</u>
	<u>Account item</u>	<u>Acquisition price</u>
Other related party	Investment under Equity Method	\$ 49,000
	Number of shares traded	
	14,000,000	

6. Acquisition of other assets

2022: None.

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

Total		<u>\$ 10,676</u>
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## 7. Others

### (1) Deposits Received:

	2022	2021
Other related party	<u>\$ 95</u>	<u>\$ 95</u>

### (2) Rent income:

	2022	2021
Affiliates	\$ -	\$ 2,010
Other related party	<u>891</u>	<u>526</u>
	<u>\$ 891</u>	<u>\$ 2,536</u>

(3) The Company's subsidiary Youe Chung Capital donated 350,000 shares of stocks, a total of NT\$4,980, to the Taiwan Mask Charity Foundation.

(4) In 2022 and 2021, the Company donated \$4,416 and \$31,801, respectively, in cash to the Taiwan Mask Charity Foundation.

### (III) Compensation of key management personnel

	2022	2021
Salary and short-term employee benefits	\$ 55,458	\$ 32,110
Post-employment benefits	253	185
Other long-term employee benefits	15,702	27,501
Share-based payment to employees	-	13,990
Total	<u>\$ 71,413</u>	<u>\$ 73,786</u>

## VIII. Pledged assets

Assets pledged by the Corporate Group as collateral are as follows:

Assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Demand deposit (Recognized as "Financial assets at amortized cost")	\$ 124,883	\$ 15,338	Reserve accounts for long- and short-term borrowings
Time deposit (Recognized as "Financial assets at amortized cost")	490,190	40,239	Short-term loans and guarantees for goods out of the free zone
Stocks of publicly traded and OTC companies (recognized as "Financial assets at fair value through profit or loss")	2,682,150	3,486,951	Short Term Loans
Shares of the Company (recorded as "treasury stock" Note)	504,454	408,437	Short Term Loans
Buildings and structures (including land)	1,169,267	1,683,654	Long-term Loans

Machinery and equipment and equipment under acceptance	2,638,893	2,471,149	Long- and short-term borrowings
Real estate investment	170,346	163,042	Long- and short-term borrowings
Office equipment	2,401		
Other equipment	4,470	3,610	Long- and short-term borrowings
Intangible assets	508	-	Long-term Loans
	<u>\$ 7,787,562</u>	<u>\$ 8,272,420</u>	

Note: The cost of pledged treasury shares was \$504,454, and fair value as of December 31, 2022 was \$3,002,615.

#### IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

##### (I) Contingencies

None.

##### (II) Commitments

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Machine maintenance	<u>\$ 51,362</u>	<u>\$ 29,411</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property, plant and equipment	<u>\$ 2,065,912</u>	<u>\$ 1,666,024</u>

###### 3. Lease agreement

Please see Note 6 (8) and (9)

#### X. Losses due to major disasters

None.

#### XI. Major Events after Financial Statement Date

The resolution of the Company's Board on March 3, 2023 passed the appropriation of earnings. Please refer to Note 6 (20) for details.

#### XII. Others

##### (I) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

Net debt is calculated as total borrowings (including “current and non-current borrowings” as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated balance sheet plus net debt.

The Group's strategy in 2022 and 2021 was to borrow long-term loans to purchase machinery and equipment and obtain long-term working capital. For the years ended December 31, 2022 and 2021, the debt-to-capital ratios were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 11,013,016	\$ 8,756,014
Less: Cash and cash equivalents	<u>( 1,749,957)</u>	<u>( 2,681,819)</u>
Net debt	9,263,059	6,074,195
Total equity	4,434,207	4,873,851
Total capital	<u>\$ 13,697,266</u>	<u>\$ 10,948,046</u>
Debt-to-equity ratio	<u>67.63%</u>	<u>55.48%</u>

## (II) Financial instruments

### 1. Types of financial instrument

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit and loss		
Mandatory financial assets at fair value through profit or loss	<u>\$ 4,481,155</u>	<u>\$ 5,037,672</u>
Financial assets measured at amortized cost		
Cash and Cash Equivalents	\$ 1,749,957	\$ 2,681,819
Financial assets measured at amortized cost	668,067	78,263
Notes Receivables	1,361	63
Accounts receivable (Including related parties)	1,503,358	1,280,560
Other accounts receivable (Including related parties)	13,751	68,997
Refundable deposit	<u>52,758</u>	<u>15,826</u>
	<u>\$ 3,989,252</u>	<u>\$ 4,125,528</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	<u>\$ 5,697</u>	<u>\$ -</u>
Financial liabilities at amortized cost		
Short Term Loans	\$ 4,624,525	\$ 4,376,766
Notes Payable	81	66
Accounts payable (Including related parties)	417,459	477,232

Other payables (Including related parties)	837,213	742,008
Corporate bonds payable	2,609,044	1,657,049
Long-term borrowings (including current portion)	3,779,447	2,722,199
Guarantee Deposits Received	34,754	6,908
	<u>\$ 12,302,523</u>	<u>\$ 9,982,228</u>
Lease liabilities	<u>\$ 559,669</u>	<u>\$ 655,641</u>

## 2. Risk management policies

- (1) The Group's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and performance.
- (2) Risk management is carried out by a central finance department (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates and hedges financial risks in close collaboration with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

## 3. Significant financial risks and degrees of financial risks

### (1) Market risk

#### A. Foreign exchange risk

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

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency (in thousands)	Exchange rate	Carrying amount (in thousands of NTD)
Financial assets			
<u>Monetary items</u>			
USD : NTD	USD 67,712	30.71	\$ 2,079,436
RMB : NTD	CNY 30,598	4.408	134,876
JPY : NTD	JPY 47,877	0.232	11,127
Financial liabilities			
<u>Monetary items</u>			

USD : NTD	USD	11,803	30.71	362,470
JPY : NTD	JPY	283,739	0.232	65,941

December 31, 2021				
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying amount (in thousands of NTD)	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD	45,460	27.680	\$ 1,258,333
RMB : NTD	CNY	146,650	4.344	637,048
JPY : NTD	JPY	92,077	0.241	22,191
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD	11,916	27.680	329,835
RMB : NTD	CNY	28,431	4.344	123,504
JPY : NTD	JPY	214,789	0.241	51,764

- B. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Group amounted to a gain of \$76,984 and a gain of \$1,057 for the years ended December 31, 2022 and 2021, respectively.
- C. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

2022				
Sensitivity Analysis				
(Foreign currency: functional currency)	Fluctuation	Effect on profit or loss	Other comprehensive profit and loss affected	
Financial assets				
<u>Monetary items</u>				
USD : NTD	1%	\$ 20,794	\$	-
RMB : NTD	1%	1,349		-
JPY : NTD	1%	111		-
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	1%	( 3,625)		-
RMB : NTD	1%	-		-
JPY : NTD	1%	( 881)		-

2021				
Sensitivity Analysis				
(Foreign currency:	Fluctuation	Effect on profit	Other comprehensive	

functional currency)		or loss	profit and loss affected
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 12,583	\$ -
RMB : NTD	1%	6,370	-
JPY : NTD	1%	222	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	( 3,298)	-
RMB : NTD	1%	( 1,235)	-
JPY : NTD	1%	( 518)	-

#### Price risk

- A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- B. The Group invests primarily in equity instruments and open-end funds issued by domestic and foreign companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit after tax affected by equity instruments at fair value through profit or loss after tax for 2022 and 2021 is an increase or decrease of \$44,812 and \$50,377, respectively; as for the other comprehensive income classified as equity instruments at fair value through other comprehensive income, it is \$0 for both 2022 and 2021.

#### Cash flow and fair value interest rate risk

- A. The Group's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Group to cash flow interest rate risk. For 2022 and 2021, the Group's borrowings issued at floating rates were mainly denominated in New Taiwan dollars and US dollars.
- B. The Group's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Group to the risk of future market interest rate changes.
- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net profit after tax for 2022 and 2021 is a decrease or increase of \$16,808 and \$14,198, respectively, mainly due to the interest expense changes caused by the floating interest rate.

#### (2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable and the contract cash flow from debt instruments measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss.

- B. The management of credit risk is established with a Group perspective. Only the banks and financial institutions with an independent credit rating of at least “A” can be accepted as transaction partners of the Group. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.
- C. The Group considers a contract payment overdue in accordance with the agreed payment terms a breach of contract.
- D. The Group uses IFRS 9 to provide the following assumption as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:
- (A) If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.
- (B) For bond investments in Taipei Exchange, if any external rating agency rates it as an investment grade on the balance sheet date, the credit risk of the financial asset is considered low.
- E. The Group uses the following indicators to determine the status of credit impairments of debt instruments:
- (A) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (B) The issuer has suffered significant financial difficulties or is likely to enter bankruptcy or other financial restructuring.
- (C) The issuer delays or does not pay for the interest or principal.
- (D) Unfavorable changes in the national- or regional-level economic situation resulting in the issuer's default.
- F. The Group categorizes the accounts receivable from customers based on the characteristics of trade credit risks. The simplified approach is adopted for estimating the expected credit loss based on the provision matrix.
- G. The Group may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Group will continue the recourse to protect the rights of the claims.
- H. The Group has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2022 and 2021 are shown as follows:

	Not past due	Up to 30 days	31-90 days	91-180 days	More than 181 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.01~1%	0.05~1.95%	1.85%~5.53%	5.23~17.66%	56.58~100%	
Total book value	\$ 1,188,466	\$ 224,106	\$ 85,210	\$ 14,582	\$ 11,591	\$ 1,523,955



Loss allowance	-	( 619)	( 2,267)	( 7,392)	( 10,319)	( 20,597)
	未逾期	30 天內	31-90 天	91-180 天	181 天以上	合計
<u>December 31, 2021</u>						
Expected loss rate	0.01~1%	0.01~1.95%	1.99~6.29%	5.05~19.97%	57.18~100%	
Total book value	\$ 1,060,909	\$ 188,933	\$ 29,361	\$ 1,891	\$ 9,505	\$ 1,290,599
Loss allowance	-	( 2)	( 1,397)	( 598)	( 8,042)	( 10,039)

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

	2022	
	<u>Accounts Receivables</u>	
January 1	\$	10,039
Recognize impairment loss		<u>10,558</u>
December 31	\$	<u>20,597</u>
	2021	
	<u>Accounts Receivables</u>	
January 1	\$	11,399
Reversal of impairment loss	(	1,340)
Impact from exchange rate	(	<u>20)</u>
December 31	\$	<u>10,039</u>

### (3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Corporate Group and aggregated by the Group's treasury department. It monitors rolling forecasts of liquidity requirements to ensure the Group has sufficient cash to meet operational needs.
- B. The remaining cash held by each operating entity will be transferred back to the Group's finance department. The finance department of the Group invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost and bond investment without an active market (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2022 and 2021, the position of money market held by the Corporate Group is at \$2,417,912 and \$2,760,287, respectively, and is expected to generate immediate cash flow to manage liquidity risk.
- C. The Group's unutilized borrowings are shown as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Floating rate				
Mature within one year	\$	645,878	\$	953,880
Maturity of more than 1 year		60,014		20,000

Fixed rate			
Maturity of more than 1 year	11,045	-	
	<u>\$ 716,937</u>	<u>\$ 973,880</u>	

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

Non-derivative financial liabilities:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2022				
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 4,702,123	\$ -	\$ -	\$ -
Notes Payable	81	-	-	-
Accounts payable (Including related parties)	417,459	-	-	-
Other payables (Including related parties)	837,213	-	-	-
Lease liabilities	38,246	78,734	224,177	221,011
Corporate bonds payable	-	-	2,696,140	-
Long-term borrowings (including current portion)	680,126	919,483	352,448	217,645
Guarantee Deposits Received	-	34,754	-	-
	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
December 31, 2021				
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 4,404,500	\$ -	\$ -	\$ -
Notes Payable	66	-	-	-
Accounts Payable	477,232	-	-	-
Other payables (Including related parties)	742,008	-	-	-
Lease liabilities	46,784	47,424	644,497	-
Corporate bonds payable	-	-	1,741,300	-
Long-term borrowings (including current portion)	71,855	792,803	1,861,513	-
Guarantee Deposits Received	-	6,908	-	-

(III) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or

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

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

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

2. Financial instruments not measured at fair value

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

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

December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ 4,344,484	\$ 79,300	\$ 56,871	\$ 4,480,655
Beneficiary certificates	500	-	-	500
	<u>\$ 4,344,984</u>	<u>\$ 79,300</u>	<u>\$ 56,871</u>	<u>\$ 4,481,155</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Convertible bond call/put options	\$ -	\$ -	\$ 5,697	\$ 5,697
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,697</u>	<u>\$ 5,697</u>
December 31, 2021	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit and loss				
Equity securities	\$ 4,877,148	\$ 102,400	\$ 52,622	\$ 5,032,170
Beneficiary certificates	500	-	-	500
Convertible bonds	-	-	5,000	5,000
	<u>\$ 4,877,148</u>	<u>\$ 102,400</u>	<u>\$ 52,622</u>	<u>\$ 5,032,170</u>

<u>\$ 4,877,648</u>	<u>\$ 102,400</u>	<u>\$ 57,622</u>	<u>\$ 5,037,670</u>
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4. The methods and assumptions adopted by the Group for assessing the fair value are as follows:

- (1) The Group adopt market pricing as the input of fair value (i.e. Level 1), and the breakdown of the characteristics of the instrument is as follows:

	<u>Shares of listed and OTC company</u>	<u>Open-end funds</u>
Market price	Closing price	Net Value

- (2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the consolidated balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).
- (3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Group. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the consolidated balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.
- (4) The Group incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Group, respectively.

5. There were no transfers between Level 1 and 2 in 2022 and 2021.

6. The following table shows the changes in Level 3 in 2022 and 2021:

	<u>Equity securities</u>
January 1, 2022	\$ 57,622
Acquisition cost of the period	12,500
Disposal this period	( 7,132)
Recognized in profit or loss of the period	( 12,123)
Impact from exchange rate	307
December 31, 2022	<u>\$ 51,174</u>
	<u>Equity securities</u>
January 1, 2021	\$ 31,708

Acquisition cost of the period	32,651
Recognized in profit or loss of the period	( 6,737)
December 31, 2021	<u>\$ 57,622</u>

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2022

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 51,174	Net asset value method	Net asset value		- The higher the net asset value, the higher the fair value

December 31, 2021

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 52,622	Net asset value method	Net asset value		- The higher the net asset value, the higher the fair value

8. The Corporate Group has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

		<u>December 31, 2022</u>				
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>		
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets						
Equity instruments	Net asset value	± 1%	\$ 512	(\$ 512)	\$ -	\$ -
		<u>December 31, 2021</u>				
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>		
	<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets						
Equity instruments	Net asset value	± 1%	\$ 526	(\$ 526)	\$ -	\$ -

(IV) Others

The Company has evaluated the Group's operations and financial information, and amid the novel coronavirus crisis, the Group's ability to continue as a going concern, asset impairment and financing risks have not been greatly affected.

XIII. Supplementary Disclosure

(I) Significant transactions information

1. Loans to others: Please refer to Table 1.
2. Provision of endorsements and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 4.
5. Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivative trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 6.

(III) Information on investments in China

1. Basic information: Please refer to Table 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

(IV) Information on Major Shareholders

Information on major shareholders: Detailed in Table 8.

XIV. Segments information

(I) General information

Management has determined the reportable operating segments based on reports reviewed by the president and used to make strategic decisions.

The Group's corporate structure, the basis for division of segments, and the basis for measurement of segment information have not changed significantly during the current

period.

(II) Measurement of segment information

The Group evaluates the performance of the operating segments and allocates resources based on the adjusted net profit of each segment.

(III) Segments information

Information on the reporting segments provided to the chief operating decision maker is shown as follows:

2022:

	Photomask and semiconductor segment	Medical segment	Total
Revenue from external clients	\$ 7,684,054	\$ 57,064	\$ 7,741,118
Segment revenue	(\$ 178,008)	\$ -	(\$ 178,008)
Segment margin	\$ 810,187	(\$ 136,474)	\$ 673,713
Segment margin include:			
Depreciation	(\$ 560,487)	(\$ 7,706)	(\$ 568,193)
Amortization expense	(\$ 44,778)	(\$ 613)	(\$ 45,391)
Financial Costs	(\$ 172,615)	(\$ 4,931)	(\$ 177,546)
Interest income	\$ 25,222	\$ 49	\$ 25,271
Investments income recognized by using equity method	(\$ 61,296)	\$ -	(\$ 61,296)
Segment assets	\$ 17,396,692	\$ 496,214	\$ 17,892,906

2021:

	Photomask and semiconductor segment	Medical segment	Total
Revenue from external clients	\$ 6,068,709	\$ 8,653	\$ 6,077,362
Segment revenue	(\$ 155,571)	\$ -	(\$ 155,571)
Segment margin	\$ 1,255,406	(\$ 116,475)	\$ 1,138,931
Segment margin include:			
Depreciation	\$ 434,569	\$ 48,705	\$ 483,274
Amortization expense	\$ 18,102	\$ 134	\$ 18,236
Financial Costs	(\$ 99,775)	(\$ 749)	(\$ 100,524)
Interest income	\$ 4,837	\$ 21	\$ 4,858
Investments income recognized by using equity method	(\$ 80,385)	\$ -	(\$ 80,385)
Segment assets	\$ 15,791,812	\$ 362,583	\$ 16,154,395

(IV) Reconciliation for segment income

Sales between segments are conducted according to the principle of transactions at fair value. The operating revenue from external customers reported to the operating decision maker is

measured in a manner consistent with that in the income statement.

The consolidated income, assets and liabilities of related segments are consistent with the consolidated income, consolidated assets and consolidated liabilities, so there is no reconciliation information.

(V) Information on products and services

The revenue from external customers mainly come from the sales of photomasks and semiconductors and product and labor revenue of medical equipment, as shown in Note 6 (22).

(VI) Geographical information

Information by region for the Group in 2022 and 2021:

	2022		2021	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Taiwan	\$ 2,929,266	\$ 8,396,368	\$ 2,986,379	\$ 6,083,155
Asia	4,753,060	1,810	3,084,232	1,430
Others	58,792	-	6,751	-
Total	<u>\$ 7,741,118</u>	<u>\$ 8,398,178</u>	<u>\$ 6,077,362</u>	<u>\$ 6,084,585</u>

(VII) Major customer information

Information by major customer for the Group in 2022 and 2021:

	2022		2021	
	Revenue	Department Photomask and semiconductor segment	Revenue	Department Photomask and semiconductor segment
Company B	<u>\$ 936,993</u>		<u>\$ 942,399</u>	



Taiwan Mask Corporation and Subsidiaries

Loans to Others

January 1 to December 31, 2022

Table 1

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Company that lent	Borrowing party	General ledger account	Relate	Maximum	Balance at the	Amount	Actually	Range of	Nature of loan	Amount of	Reason for	Amount of	Collateral		Limit on loans	Ceiling on total	Note
														Name	Value			
1	ADL Energy Corp	Aptos Technology INC.	Other Receivables— Related	Y	\$ 28,000	\$ 7,200	\$	7,200	2.7%	Short-term	-	Business	-	Promissory note	\$ 7,200	\$ 19,166	\$ 19,166	Note 3
2	Miracle Technology CO., LTD.	Aptos Technology INC.	Other Receivables— Related Parties	Y	170,000	170,000		170,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	170,000	178,503	178,503	Note 4
3	Youe Chung Capital Corporation	Aptos Technology INC.	Other Receivables— Related Parties	Y	650,000	150,000		150,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	150,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I.) Taiwan Branch	Other Receivables— Related Parties	Y	470,000	270,000		270,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	270,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corporation	Other Receivables— Related Parties	Y	8,000	-		-	2.0%	Short-term financing	-	Working capital	-		-	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Innova Vision INC.	Other Receivables— Related Parties	Y	90,000	90,000		90,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	90,000	1,698,869	1,698,869	Note 6

Note 1: The description of the number columns are as follows:

- (1). Fill in 0 for the issuer.
- (2). The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: Amendment to the Procedures for Lending Funds to Others:

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Cc

Note 3: Subsidiary - ADL Energy Corp Procedures for Lending Funds to Others:

- (1) The total loan amount shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed 40% of the Company net value.
  - (2) In addition to the provisions in (1), the loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of g
  - (3) In addition to the provisions in (1), in which companies or businesses have a short-term financing need, and the loan amount of each individual borrowers not exceeding 40% of the Company net value, the financing amount refers to the accumulated balance of the company's short-term financing.
  - (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, or loans to the Company from any overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares are not restricted by the ab
- The total amount of loans lent between the overseas companies or to the parent company and the limit for each limit are specified as follows:
- I. The total amount loans to enterprises shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrower shall not exceed 40% of the Company net value.
  - II. For overseas companies that have business dealings with each other, the individual loan amount shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
  - III. If there is a need for short-term financing, the loan amount of each individual borrowers shall not exceed 40% of the company's net value, and the financing amount refers to the accumulated balance of the short-term financing between overseas companies.
- (5) The highest balance for the current period is the amount resolved by the board.

Note 4: Subsidiary - Miracle Technology Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Cc

Note 5: Subsidiary - Innova Vision Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) The loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties in the past year. The amount of business transactions refers to the higher of the amount of goods purchased or s
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Note 6: Subsidiary - Youe Chung Capital Corporation Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Taiwan Mask Corporation and Subsidiaries  
Endorsements and Guarantees to Others  
January 1 to December 31, 2022

Unit: NT\$Thousand  
(Unless otherwise specified)

Table 2

No. (Note 1)	Endorser/guarantor	Guaranteed Party		ip (Note 2)	ent and guarantee for a single enterprise (Note 3, 4, 5, 6)				Maximum Endorsement/ Guarantee Amount Allowable (Note 3, 4, 5, 6)				Note		
		Name of Company			Maximum Balance	Ending Balance	Amount	Amount of	Ratio of	Guarantee	Guarantee	Guarantee			
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.		2	\$ 229,550	\$ 225,505	\$ 214,970	\$ -	\$ -	4.73%	\$ 1,818,768	Y	N	N	Note 3
1	ADL Energy Corp	Aptos Technology INC.		3	14,374	19,500	19,500	19,500	19,500	40.70%	19,166	N	Y	N	Note 4
2	Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.		3	344,788	224,808	224,808	224,808	224,808	65.20%	344,788	N	Y	N	Note 5
3	Miracle Technology CO., LTD.	Xsense Technology Corp, INC.		1	178,503	150,000	150,000	150,000	150,000	33.61%	178,503	N	N	N	Note 6
3	Miracle Technology CO., LTD.	Aptos Technology INC.		1	178,503	150,000	-	-	-	-	178,503	N	N	N	Note 6

Note 1: The description of the number columns are as follows:

- (1) Fill in 0 for the issuer.
- (2) The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: The relationship between the guarantor and the guarantee are one of the seven types indicated below:

- (1) A company with which it does business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other.
- (5) A company that is mutually insured by a contract between peers or co-founders based on the needs of the contracted work.
- (6) A company that is guaranteed by all contributing shareholders in proportion to their shareholdings due to a joint investment relationship.
- (7) Companies that are engaged in joint and several guarantees for the performance guarantee of pre-sale housing sales contracts in accordance with the regulations of the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee practices for others provide that:

- (1) The total amount of the Company's external endorsement guarantee shall not exceed 30% of the Company's paid-in capital.
- (2) The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3) Companies with which the Company has a parent-child relationship: The amount of endorsement and guarantee for a single enterprise shall not exceed 10% of the Company's paid-in capital and the paid-in capital of the company being endorsed and guaranteed.
- (4) The aggregate amount of the endorsement and guarantee of the Company and its subsidiaries as a whole shall not exceed 40% of the net worth of the Company, of which the endorsement and guarantee of a single subsidiary shall not exceed 20% of the net worth of the Company.

Note 4: Subsidiary - ADL Energy Corp Endorsement and Guarantee Procedures:

- (1) The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.
- (2) The amount of the endorsement guarantee for a single enterprise shall not exceed 30% of the net value of the company's most recent audited or reviewed financial statements.
- (3) The Company and its subsidiaries shall state in the shareholders' meeting the necessity and reasonableness of any endorsement or guarantee of more than 50% of the net value of the Company's most recent audited or reviewed financial statements.

Note 5: Miko-China Enterprise (Shanghai) Co., Ltd. Endorsement and Guarantee Procedures:

The total amount of endorsement guarantee liability is limited to RMB 30 million, and the amount of endorsement guarantee for a single enterprise shall not exceed RMB 30 million; however, for the parent company that directly or indirectly holds, through a subsidiary,

Note 6: Subsidiary - Miracle Technology Co., Ltd. Endorsement and Guarantee Procedures:

The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.

Taiwan Mask Corporation and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2022

Table 3

Unit: NT\$thousand  
(Unless otherwise specified)

Company name of the shareholding	Marketable securities	Relationship	General ledger account	Period end				
				Number of shares	Book value	Ownership	Fair value	Note
Taiwan Mask Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	7,554,000	\$ 307,448	0.06%	█ \$ 307,448	
Taiwan Mask Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	14,334,000	845,706	7.17%	█ 845,706	
Taiwan Mask Corporation	Common stocks of Avision Inc. through private placement.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,000,000	79,300	5.18%	█ 79,300	
Youe Chung Capital Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	6,000,000	244,200	0.05%	█ 244,200	
Youe Chung Capital Corporation	Common stocks of Microtek International Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	40,409,000	1,032,450	19.65%	█ 1,032,450	
Youe Chung Capital Corporation	Common stocks of Taiwan Mask Corporation	Parent company	Financial Asset at Fair Value Through Profit or Loss - Non Current	36,731,440	3,111,153	14.37%	█ 3,111,153	
Youe Chung Capital Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	24,999,000	1,474,941	12.50%	█ 1,474,941	
Youe Chung Capital Corporation	Common stocks of EVERBRITE Technology	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,831,000	439,739	16.92%	█ 439,739	
Youe Chung Capital Corporation	Image Match Design Inc.	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,890,000	3,213	3.17%	█ 3,213	
Youe Chung Capital Corporation	B Current Impact Investment	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,000,000	10,000	10.00%	█ 10,000	
Youe Chung Capital Corporation	B Current Impact Investment Partnership	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	250,000	2,500	-	█ 2,500	
Youe Chung Capital Corporation	Intellectual Property Innovation Corporation Partnership Fund	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	-	20,000	-	█ 20,000	
Jing Hao Investment Co., Ltd.	G-TECH ELECTRONICS LTD.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,097,092	-	8.08%	█ -	
Jing Hao Investment Co., Ltd.	Memchip Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	187,915	-	3.13%	█ -	
Aptos Technology INC	Common stocks of TOPFUN TECHNOLOGY INC	None	Financial assets measured at fair value through other comprehensive income - Non Current	100,000	-	12.27%	█ -	
ADL Energy Corp	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu. Beneficiary Certificate	None	Financial Assets at Fair Value Through Profit or Loss - Current	50,000	500	-	█ 500	
Miko-China Enterprise (Shanghai)	Common stocks of Shenzhen He Mei Jing Yi Semiconductor Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	400,000	21,158	0.31%	█ 21,158	

Taiwan Mask Corporation and Subsidiaries  
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital  
January 1 to December 31, 2022

Table 4

Unit: NT\$ Thousand  
(Unless otherwise specified)

Company that buys	Marketable securities	General ledger account	Counterparty relationship		Beginning of period		Buy (Note 3)		Sell/Reduce (Note 3)				End of period		
			(Note 2)	(Note 2)	Number of	Amount	Number of shares	Amount	Number of shares	Selling Price	Book Cost	Gains and	Number of shares	Amount	
Taiwan Mask Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	6,980,000	\$ 413,216	7,354,000	\$ 432,193	-	\$ -	\$ -	\$ -	-	14,334,000	\$ 845,706
Youe Chung Capital Corporation	Microtek International	Financial Assets at Fair Value Through Profit or	-	-	-	-	46,599,000	705,222	( 6,190,000)	( 80,395)	( 69,019)	11,376	40,409,000	1,032,450	
Youe Chung Capital Corporation	Acer	Financial Assets at Fair Value Through Profit or	-	-	33,460,000	1,018,857	-	-	( 33,460,000)	( 817,942)	( 832,785)	( 14,843)	-	-	
Youe Chung Capital Corporation	United Microelectronics	Financial Assets at Fair Value Through Profit or	-	-	28,200,000	1,833,000	2,500,000	157,227	( 24,700,000)	( 1,000,186)	( 721,815)	278,371	6,000,000	244,200	
Youe Chung Capital Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	15,923,000	942,642	9,076,000	540,483	-	-	-	-	24,999,000	1,474,941	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities of the abovementioned items.

Note 2: For marketable securities that adopt the equity method, the two fields should be filled out and the rest are not required.

Note 3: Acquisition or sale of the same securities should be calculated separately at market price to see if they reach NT\$300 million or 20% of the Company's paid-in capital.

Taiwan Mask Corporation and Subsidiaries  
Significant inter-company transactions during the reporting periods  
January 1 to December 31, 2022

Table 5 Unit: NT\$ thousand  
(Unless otherwise specified)

No. (Note 1)	Name of the counterparty	Counterparty	Relationship	General ledger account	Amount	Status of transaction		(Note 3)
						Transaction terms	operating revenues or total assets	
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Sales	14,828	Net 60	0.19%	
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Endorsement and guarantee	214,970	Same with other customers	1.20%	
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Accounts Receivables	5,221	Net 60	0.03%	
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Rental income	2,811	Same with other customers	0.04%	
0	Taiwan Mask Corporation	Miracle International Enterprise (Shanghai) Co., Ltd.	1	Sales	17,172	Net 60	0.22%	
0	Taiwan Mask Corporation	Miracle International Enterprise (Shanghai) Co., Ltd.	1	Accounts Receivables	3,978	Net 60	0.02%	
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Rental income	53,332	Same with other customers	0.69%	
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Other Receivables	8,118	Same with other customers	0.05%	
0	Taiwan Mask Corporation	Innova Vision INC.	1	Rental income	18,766	Same with other customers	0.24%	
0	Taiwan Mask Corporation	Innova Vision INC.	1	Other Receivables	7,064	Same with other customers	0.04%	
0	Taiwan Mask Corporation	Xsense Technology Corp, INC.	1	Rental income	48,735	Same with other customers	0.63%	
0	Taiwan Mask Corporation	Xsense Technology Corp, INC.	1	Other Receivables	1,902	Same with other customers	0.01%	
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	Equipment acquisition	23,087	Same with other customers	0.13%	
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	repayments for equipment	71,804	Same with other customers	0.40%	
0	Taiwan Mask Corporation	ADL Energy Corp	1	Equipment acquisition	9,797	Same with other customers	0.05%	
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Other Receivables	170,000	receipt and payment at an agreed time	0.95%	
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Interest income	3,319	receipt and payment at an agreed time	0.04%	
1	Miracle Technology CO., LTD.	Xsense Technology Corp, INC.	3	Endorsement and guarantee	150,000	Same with other customers	0.84%	
1	Miracle Technology CO., LTD.	Miracle International Enterprise (Shanghai) Co., Ltd.	3	Sales	51,234	Net 30	0.66%	
1	Miracle Technology CO., LTD.	Miracle International Enterprise (Shanghai) Co., Ltd.	3	Accounts Receivables	1,156	Net 30	0.01%	
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Sales	3,739	Net 60	0.05%	
1	Miracle Technology CO., LTD.	ADL Energy Corp	3	Sales	6,894	Net 60	0.09%	
2	Shikou-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	3	Endorsement and guarantee	224,808	Same with other customers	1.26%	
3	Shuhan Miracle Power Technology Co., Ltd.	Miracle Technology CO., LTD.	3	Sales	17,081	Net 30	0.22%	
4	Youe Chung Capital Corporation	Aptos Technology INC.	3	Other Receivables	150,000	receipt and payment at an agreed time	0.84%	
4	Youe Chung Capital Corporation	Aptos Technology INC.	3	Interest income	5,904	receipt and payment at an agreed time	0.08%	
4	Youe Chung Capital Corporation	Xsense Technology Corp, INC.	3	Other Receivables	270,000	receipt and payment at an agreed time	1.51%	
4	Youe Chung Capital Corporation	Xsense Technology Corp, INC.	3	Interest income	5,274	receipt and payment at an agreed time	0.07%	
4	Youe Chung Capital Corporation	Innova Vision INC.	3	Other Receivables	90,000	receipt and payment at an agreed time	0.50%	
5	Aptos Technology INC.	Miracle Technology CO., LTD.	3	Sales	6,038	Net 60	0.08%	
6	ADL Energy Corp	Aptos Technology INC.	3	Other Receivables	7,200	receipt and payment at an agreed time	0.04%	
6	ADL Energy Corp	Aptos Technology INC.	3	Endorsement and guarantee	19,500	Same with other customers	0.11%	
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	24,812	Net 60	0.32%	
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other Receivables	17,002	receipt and payment at an agreed time	0.10%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

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

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount.

Note 4: Only transactions with an amount of more than NT\$1 million will be disclosed, and transactions with related parties will not be disclosed separately.

Taiwan Mask Corporation and Subsidiaries

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2022

Table 6

Unit: NT\$ Thousand  
(Unless otherwise specified)

Name of Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of the end of period			Net profit (loss) of the	Investment	Note
				at the end of period of the previous year		Number of shares	Ownership	Book value			
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Re-investment	\$ 103,045	\$ 103,045	3,120,000	100%	\$ 5,746	\$ 43	\$ 43	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Re-investment	1,260,000	1,260,000	534,877,568	100%	1,140,806 (	1,379,376 (	559,391)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	165,691	165,691	12,549,652	25.43%	33,508 (	118,377 (	30,116)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronics components manufacturing, electronics materials	211,332	229,696	22,955,033	100%	482,368	63,131 (	63,131	
Taiwan Mask Corporation	Weida Hi-Tech Company	Taiwan	Display panel control chip and other module's research, design,	293,371	293,371	12,176,880	28.20%	84,080 (	20,213 (	24,909)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	578,321	578,321	36,793,135	91.53%	151,324 (	129,197 (	125,646)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	60,021	60,021	2,613,223	5.30%	6,977 (	118,377 (	6,271)	
Youe Chung Capital Corporation	Xsense Technology Corp, INC.	British Virgin Islands	Precious metal coating	325,965	317,965	1	100.00%	6,319 (	540 (	37,227)	Note 1
Youe Chung Capital Corporation	Xsense Technology Corp, INC.	Taiwan	Precious metal coating	-	-	12,189,191	53.00%	( 5,469)	( 160,094)	( 18,228)	Note 1
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory, solid state drives	434,692	134,928	28,481,161	47.19%	( 89,485)	( 295,477)	( 130,031)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	151,533	151,533	94,370	0.23%	425 (	129,197 (	303)	
Youe Chung Capital Corporation	Digital-Can Tech. Co., Ltd.	Taiwan	3D Printing and Plastic Mold Design	139,072	139,072	7,281,250	57.39%	113,858 (	20,631 (	19,641)	
Aptos Technology INC.	ADL Energy Corp	Taiwan	Electronic parts and components and	413,050	413,050	11,984,526	100%	47,914 (	19,975 (	19,975)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Re-investment	-	-	-	100%	-	-	-	Note 2
ADL Energy Corp	Aptos Global Holding Corp.	Seychelles	Re-investment	29,795	29,795	10,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jing Hao Investment Co., Ltd.	Taiwan	Re-investment	10,012	10,012	21,280,774	100%	285,851	50,890 (	50,890	
Jing Hao Investment Co., Ltd.	Miko Technology Co., Ltd	Hong Kong	Electronics components manufacturing, electronics materials	37	37	10,000	100%	6,740 (	50 (	50)	
Innova Vision INC.	Innova Technology	Taiwan	Sales of contact lens	64,650	64,650	3,000,000	100%	( 3,338)	( 104)	( 104)	
Innova Vision INC.	Innova Vision (B.V.I) Inc.	British Virgin Islands	Re-investment	60,157	60,157	1,000,000	100%	14 (	573)	573)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	84,204	84,204	6,400	52.03%	( 169)	( 1,181)	( 614)	
Innova Vision (B.V.I) Inc.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	56,420	56,420	5,900	47.97%	( 156)	( 1,181)	( 567)	

Note 1: Xsense Technology Corp, INC. underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corp, INC. applied to have the shares of Xsense Technology Corp, INC. it held transferred to the original

Note 2: As of December 31, 2022, the funds for shares have not been remitted.

Taiwan Mask Corporation and Subsidiaries

Information on investments in China

January 1 to December 31, 2022

Table 7

Unit: NT\$ Thousand  
(Unless otherwise specified)

Investee in China	Main business activities	Paid-up capital	Investment method (Note 1)	Accumulated	Amount remitted from			Accumulated amount of	Net profit (loss)	Ownership held by the	income (loss)		Accumulated	Note
					Remitted to	Remitted back	(Note 2)				Carrying			
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and	\$ 3,283	1	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 60,510	100%	\$ 60,510	\$ 344,788	\$ -	Note 2 (2) B	
Miracle International Enterprise(Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and	10,215	1	10,215	-	-	10,215	3,393	100%	3,393	93,635	-	Note 2 (2) B Note 4	
Sichuan Miracle Power Technology Co.,	IC product design,	53,676	3	-	-	-	-	( 3,454)	100%	( 3,454)	58,754	-	Note 2 (2)	

Name of Company	remittance from Taiwan to China as of the end of the	amount approved by the	China imposed by the Investment Commission
Miracle Technology CO., LTD.	\$ 13,498	\$ 13,498	\$ 267,755

Note 1: Investment methods are classified into the following three categories; fill in the number of categories each case belongs to:

- (1). Directly invest in a company in China.
- (2) Through investing in an existing company in the third area (please specify the company), which then invested in China.
- (3). Others

Note 2: Investment income recognized by the Company for the current period

- (1) If it is still under preparation with no actual gain or loss, it shall be indicated in the box.
- (2) The basis for recognition of the investment gains or losses is divided into the following three.
  - A. Financial statements audited and validated by an international accounting firm that has a collaborative relationship with CPA firms in Taiwan.
  - B. Financial statements audited and validated by a certified accountant or accounting firm who work with the parent company in Taiwan.
  - C. Unaudited financial statements.

Note 3: The relevant figures in this table should be presented in New Taiwan Dollars.

Note 4: It was originally invested through Misun Technology Co., Ltd. Since the aforementioned company has gone through dissolution and liquidation, it has been changed to Miracle Technology Co., Ltd. directly investing in Miracle International Enterprise (Shanghai) Co., Ltd.

Taiwan Mask Corporation and Subsidiaries

Information on Major Shareholders

December 31, 2022

Table 8

Name of Main Shareholders	Shares	
	No. of shares held	Ownership
Youe Chung Capital Corporation	36,731,440	14.32%
Taiwan Mask Corporation	14,485,000	5.64%