



# **Materials Analysis Technology Inc.**

## **2021**

**Inquiry website for the annual report:**

**[http: //mops.twse.com.tw](http://mops.twse.com.tw)**

**Date of publication: May 20, 2022**

**I. Company spokesperson and deputy spokesperson**

Spokesperson

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Title: Vice President

Telephone: (03)611-6678

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Deputy Spokesperson

Name: Yu-Hsin Li

Title: Deputy Manager, Audit Office

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**II. Address and telephone of the headquarters, branches, and plant:**

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Jubei Lab II: 1F, No.8, Taiyuan 2nd St., Zhubei City, Hsinchu County, Taiwan 302 R.O.C.

/Jinshan Lab: 2F, 4F, No.1, Jinshan 7th St., Hsinchu City, Taiwan 300 R.O.C.

Branch/Hsinchu Prosperity Lab: 1F, No.14, Prosperity Rd. II, Science-Based Industrial Park, Hsinchu City, Taiwan 300 R.O.C.

/SoC Lab: 1A4, No.1, Li-Hsin Rd. I, Hsinchu Science-based Industrial Park, Hsinchu City, Taiwan 300 R.O.C.

Branch/Tainan Lab: 1F, No.9, Nanke 3rd Rd., Xinshi Dist., Tainan Science Park, Tainan City 74147, Taiwan R.O.C.

Company telephone: (03)611-6678

Plant: None.

**III. Stock transfer agency:**

Name: Fubon Securities Co., Ltd.

Address: 2F, No. 17, Xuchang St., Zhongzheng Dist., Taipei City 100415, Taiwan R.O.C.

Address: <http://www.fbs.com.tw>

Telephone: (02)2361-1300

**IV. CPAs for the financial statements in the most recent year:**

Name of CPAs: Tung-Hui Yeh, Mei-Chen Tsai

Name of CPA firm: Deloitte Taiwan

Address: 6F, No. 2, Zhanye 1st Rd., Hsinchu Science Park, Hsinchu City 300091,  
Taiwan R.O.C.

Address: <http://www.deloitte.com.tw>

Telephone: (03)578-0899

**V. Trading venue of overseas marketable securities listed for trading and  
method of searching overseas marketable securities information: None.**

**VI. Company website:**<http://www.ma-tek.com>

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## One. Letter to Shareholders

Dear Shareholders,

On behalf of the MA-tek management team and all employees, we would like to express our sincere gratitude to all our shareholders for their continued support. The 2021 business outcomes and 2022 business outlook report are as below:

### I. 2021 Business Report

#### (I) Implementation outcomes of business plan

Unit: NTD in thousand

Item	2021	2020	Growth Rate (%)
Operating Revenue	3,361,082	3,061,573	9.78%
Operating Gross Margin	1,205,989	907,027	32.96%
Net Operating Profit	669,752	443,466	51.03%
Net Profit before Tax	702,256	451,692	55.47%
Net Income after Tax	585,681	385,077	52.09%

The Company's 2021 annual consolidated revenue was at NTD3,361,082 thousand, a growth increase of 9.78% compared to the previous year's NTD3,061,573 thousand. The net income after tax was NTD585,681 thousand, a huge growth of 52.09% compared to the previous year's NTD385,077 thousand. Earnings per share was NTD9.48, a huge growth of 53.40% compared to the previous year's NTD6.18.

In 2021, even though the COVID-19 pandemic began to slow down and the global economy was making a strong rebound, the technology war between China and USA continued. The Company's revenue remained at a growth of 9.78%. With the optimizing of the company's product portfolio and the continuous improvement of the operation efficiency, our gross margin grew from 29.63% to 35.88%, and the net income after tax grew from 12.58% to 17.43%. To satisfy customers' growing demand, the Company continues to expand various analytical capacity and develop technologies and scouting international professional talents. It is our goal to cultivate long-term competitiveness of the company and to become the best long-term R&D partner of our customers providing rapid and professional services.

#### (II) State of budget Implementation

The Company has not performed financial forecast for release in 2021.

#### (III) Financial revenue and expenditure and profitability analysis

Analysis item		2021	2020
Solvency (%)	Current ratio (%)	277.29	297.73
	Quick ratio (%)	254.63	270.03

	Times interest earned ratio (%)		42.25	24.50
Operating ability	Average collection turnover (times)		3.93	3.77
	Average days of collection for accounts receivable		93	97
	Average inventory turnover (times)		-	-
	Average days of sales		-	-
	Property, plant, and equipment turnover (times)		1.70	1.62
	Total assets turnover (times)		0.69	0.70
	Profitability (%)	Return on assets (%)		12.32
Return on shareholder equity (%)		18.87	13.59	
To Paid-in Capital Ratio (%)		Operating Income	107.48	71.17
		Pre-tax Income	112.70	72.49
Net (loss) margin (%)		17.43	12.58	
Earnings per share (NTD)		9.48	6.18	
Financial leverage		1.03	1.05	

#### (IV) State of research and development

In response to the market competition pressure and to satisfy diverse demands from customers, the Company has set up a R&D Center dedicated to develop new technologies in expectations to offer the most professional and advanced analytical techniques. The Company's R&D personnel and their education and work experiences are as below:

Unit: Person

Education/Year	2019	2020	2021	2022, as of April 30
Ph.D. and Master's	8	6	8	3
College and University	5	1	2	2
Senior High School	1	0	0	0
Total	14	7	10	5

The analytical techniques successfully developed by the Company in the most recent three years are as follows:

Year	Name of the analytical technique
2019	<ol style="list-style-type: none"> <li>1. Develop application of the EBIC technique to the fault localization of optoelectronic devices.</li> <li>2. Build PCB Conformal Coating product verification plan.</li> <li>3. Enhance Backside illumination CMOS image sensor (BSI-CIS) Failure Analysis Technologies, non-destructive removal of silicon substrate, to benefit subsequent fault location and analysis.</li> </ol>

Year	Name of the analytical technique
	<ol style="list-style-type: none"> <li>4. YAG detector application for the interlayer defect search in fault analysis.</li> <li>5. K-kit application for image enhancement of low contrast liquid samples.</li> <li>6. Develop FIB circuit editing method for OLED components characteristic extraction.</li> <li>7. Selection of aperture grids for the specimen preparation for Transmission Electron Microscope (TEM).</li> <li>8. Develop panel driver IC chip extraction technology.</li> <li>9. Develop software for the dimension measurement of Transmission Electron Microscopy (TEM) image.</li> <li>10. Total verification solutions, Reliability Analysis (RA), Fault Analysis (FA), Materials Analysis (MA), for the third generation semiconductor GaN, SiC.</li> <li>11. Material properties DSC, TGA, TMA, DMA analyzer application, providing material characteristic verification and paste solidification analysis.</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. PIPS application for TEM image quality enhancement solutions of compound semiconductor.</li> <li>2. Develop FIB needle repair technology.</li> <li>3. Establishment of Contact leakage failure analysis procedures.</li> <li>4. Establishment of VCSEL analysis procedures.</li> <li>5. Develop HTGB / HTRB / H3TRB machineries.</li> <li>6. Develop MCC Independent Temperature Control Circuit.</li> <li>7. Establishment of TEM copper grid engraving procedures.</li> <li>8. Establishment of technical procedures for technological archaeological analysis.</li> <li>9. Test plan for high power HTOL HPB-5.</li> <li>10. Test plan for memory DI HTOL.</li> <li>11. Develop FinFET full delayering technology.</li> <li>12. Backside FIB-CKT technology enhancement and advance application.</li> <li>13. Establishment of OmniProbe200 technology for preparing inverted cut specimens.</li> <li>14. ImageJ automatic calculation of defects, lattice, and stains.</li> </ol>
2021	<ol style="list-style-type: none"> <li>1. Establishment of 16nm SRAM FA flow.</li> <li>2. Building of TOF-SIMS analytical technique.</li> <li>3. 7nm FinFET fabrication process research.</li> <li>4. Negative staining technology of K-kit for TEM image quality enhancement.</li> <li>5. Atomic Layer Deposition (ALD) technology for the organic structure protection of the TEM specimen.</li> <li>6. EBSD analytical technique and procedures establishment.</li> <li>7. COB needle planting process automated aligning machine.</li> <li>8. Optical positioning arm swing type drop ball tester.</li> <li>9. LED array chip fault localization analytical system.</li> <li>10. The Heating De-Cap system of for MEMS chip packages.</li> </ol>



Year	Name of the analytical technique
	11. FIB sample stage for full-wafer sample.
	12. Establishment of FIB-CKT analytical technique and procedures for Wafer-level Chip Scale Package (WLCSP).

The Company will continue to collaborate with top academic research institutions in Taiwan and overseas to enhance the technical level of its analytical services and vertically integrate materials analysis, failure analysis, and reliability analysis to strengthen its technical capabilities and accelerate research and development.

## **II. 2022 Business plan overview**

### **(I) Business guidelines**

1. Focus on expansion of MA capacity in Taiwan to service the advanced process customers.
2. Accommodate the local customer demands in Japan by purchasing additional equipment to get hold of advanced process and vehicle electronics growth trend.
3. Owing to the third generation semiconductor and local semiconductor supply chain localization demands in Mainland China, continue setting up new laboratories and additional procurement of equipment to satisfy the local market demands.
4. On overseas market, strong recruitment expansion of international talents entering the blue ocean market to secure foundation for growth in the coming twenty years.
5. With many efforts invested in research and development, the company is now leading the industry developing new type of analytical techniques, and establishing industry-academia collaborations cultivating R&D technologies. Each year, NTD20 million expenses is invested to offer national universities to conduct related R&D expenditures. These research outcomes and Intellectual Property (IP) can be shared with the customers in ensuring the Company maintains its leading R&D technology position.

### **(II) Expected sales amount**

It is anticipated that the company's sales will grow simultaneously with the expansion of capacity. The profit for this year is expected to rise.

### **(III) Important production and sales policy**

The company's service items are now more comprehensive. The utilization rate of many important equipment of MA-tek is in full capacity. Decisions have been made to invest for the acquisition of more equipments to meet customer

demands and for strong recruitment expansion of international talents, entering the blue ocean market to secure the foundation for growth in the coming twenty years. Overall, the Company has been actively layout for technology, patents, talents and equipment, continue driving the company's sales upwards. It is expected that sales will grow simultaneously with the capacity expansion.

### **III. Company future development strategies**

With the constantly increasing market demands, there will be a large scale capital expenditure proceeded with for this year for about NTD1.5 billion. It is mainly used for procurement of additional equipment for various laboratories expanding service capacity in response to customer demands. Focus on expanding MA capacity in Taiwan servicing the advanced processing customers. In Japan, accommodate the local customer demands by purchasing additional equipment to get hold of advanced process and vehicle electronics growth trend. Owing to the third generation semiconductor and local semiconductor supply chain localization demands in Mainland China, continue to satisfy the local market demands.

### **IV. Influence of external competition, legal and regulatory environment, and macroeconomic situation**

With the continuous development of new technology applications in 5G, HPC and vehicle electronics, each country is recognizing the importance of the semiconductor industry, and is competing to support their own semiconductor supply chain. In addition, there are continuous research and development in the miniaturization technology of the semiconductor advanced process, and as the world enters the 5G generation, related terminal product applications are blossoming. Hence, it is a foreseeable future with each country emphasizing the semiconductor industry as a highly important industry. The demands for chip and process technology developments are on the rise each day. To elevate market competitiveness, the Company is placing efforts in speedy delivery, precision equipment, competition advantages in prices and strict control in costs to tackle the current macroeconomic situation. It is hoped to create advantages and seize well the opportunities in the midst of this fierce industry competition, enabling continuous growth for the company's sales and profits.

Overall, the Company has been actively layout for technology, patents, talents and equipments, continue driving the company's sales upwards. It is expected that sales will grow simultaneously with the capacity expansion. On the future outlook, the company's profit growth is now on track for a positive profit cycle. With the increased

capital expenditures in response to customer demands, the profit for this year can be expected to move up a large step, entering the golden twenty consecutive years of continuous growth in profits.

Thank you everyone for taking the time to attend today's Annual General Meeting of Shareholders. We look forward to your continuing support and encouragement to the management team.

Chairperson and CEO Yong-Fen Hsieh

## Two. Company Overview

**I. Date of establishment:** May 14, 2002

**II. Company history:**

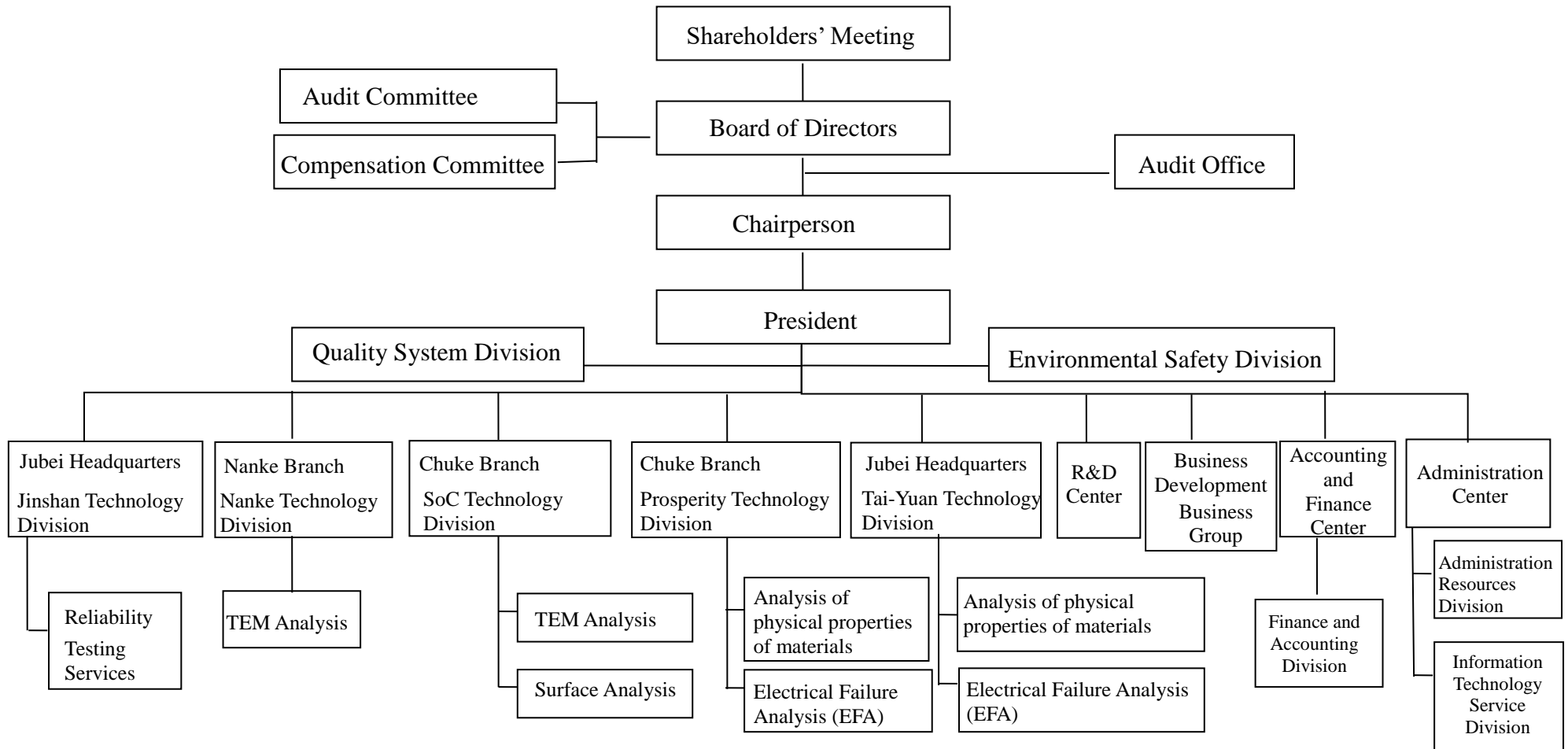
May 2002	Approval for the establishment of Materials Analysis Technology Inc.
January 2004	Expansion of operation items in Electrical Failure Analysis (FEA).
June 2004	Obtained ISO 9001 and IECQ 17025 certifications.
January 2006	Acquired SHENG-CHIANG ELECTRONIC CO., LTD. in a business combination
April 2006	Approval of the establishment of HC Lab.
May 2006	Establishment of MA-tek (Shanghai) Ltd.
June 2006	Awarded 32nd place for the Deloitte Taiwan High Technology Fast50.
December 2006	Awarded 157th place for the Deloitte Asia Pacific Technology Fast500.
September 2007	Approval by the Financial Supervisory Commission (FSC), Executive Yuan on the public offering of the Company's stocks.
November 2007	Establishment of MA-tek Japan Inc.
January 2008	Approval by Taipei Stock Exchange (TWSE) for the Company's stock to be listed in the Emerging Stock Market, Taiwan.
January 2008	Began operations for SoC Lab in the SoC Center in Hsinchu Science Park.
September 2008	Began operations for Jinshan Lab (JS Lab) in Hsinchu, Taiwan.
December 2008	Awarded the 9th Industrial Excellence Award the best performance recognition by the Taiwan Economy Ministry's Industry Development Bureau (IDB).
March 2009	Approval by FSC for listing on Taiwan OTC market.
August 2009	Listed for trading on Taipei Exchange (TPEX).
August 2011	Establishment of the MA-tek (US) Corp..
June 2012	Passed the CG6007 general corporate governance evaluation of the Taiwan Corporate Governance Association (TCGA).
January 2013	The only independent lab which been selected as the A+ company by Global Views Monthly magazine.
April 2013	Selected as one of the Top 500 high tech and high growth companies in 2012 by Deloitte.
May 2013	The ESD&LU testing services provided by lab of MA-tek (Shanghai) passed the Texas Instrument, USA certification qualifications.
September 2013	Introduce liquid sample analysis (K-kit) service.
March 2014	Reinvested to establish Bio MA-tek Inc.

March 2014	Approval of the establishment of the Nanke Branch of MA-tek Tainan Science Park subsidiary.
October 2015	Certified by ISO 27001 in Information Security.
May 2017	Establishment of MA-tek Xiamen Ltd.
March 2018	Passed the merger of Bio MA-tek Inc. subsidiary.
March 2019	Establishment of MA-tek Educational Consulting (Xiamen) Co., Ltd.
November 2019	Relocation of MA-tek Japan Inc. to Nagoya, the Nagoya Lab in Japan began operations.
October 2020	Certified by ISO/IEC 15408 CC EAL6 in Information Security.
November 2020	MA-tek (Shanghai) Ltd. certified for the High and New Tech Enterprises Certification.
March 2021	Jubei Lab II began operations.
April 2021	Jinshan Lab (JS Lab) was certified by the TUV NORD certification.
April 2021	Reinvested to establish Workflow Enhancement Technology Inc.
April 2021	MA-tek (Shanghai) Ltd. certified for the “High and New Tech Enterprises Certification”.
September 2021	Introduced the Taiwan Intellectual Property Management System.
October 2021	MA-tek Tainan Lab-II began operations.
January 2022	Certified by Taiwan Intellectual Property System (TIPS) as Level A.

### Three. Corporate Governance Report

#### I. Organization System

##### (I) Organization Chart



(II) Business activities of main departments

Main Department	Business under Management
CEO Office	<ol style="list-style-type: none"> <li>1. Company operation and management.</li> <li>2. Establishment of operation strategies and direction.</li> <li>3. Evaluation of reinvestment business and its management.</li> </ol>
Audit Office	<ol style="list-style-type: none"> <li>1. Execute internal control system audit and defect improvements.</li> <li>2. Risk management planning, monitoring and analysis.</li> </ol>
Technology Division	<ol style="list-style-type: none"> <li>1. Execution and management of test analysis and test work.</li> <li>2. Test analysis, record, and processing and judgement of analysis results.</li> <li>3. Research and development for new technologies and enhancement of original technologies.</li> <li>4. Eliminate customer problems.</li> </ol>
R&D Center	<ol style="list-style-type: none"> <li>1. New technologies development.</li> <li>2. New product development.</li> <li>3. Research and development on new applications for existing technologies.</li> <li>4. Research and development of customers' special requirements.</li> </ol>
Business Development Group	<ol style="list-style-type: none"> <li>1. Build customer data, establish and review customer credit limit, formulate accounts receivable management and sales target.</li> <li>2. Integrate product requirements by customers in Taiwan and overseas, trend projection and promotion of sales targets.</li> <li>3. Strategic planning of product portfolio, price control to achieve profit goals.</li> <li>4. Global market information collection and feedback for new customers layout and planning.</li> </ol>
Administration Resources Division	<ol style="list-style-type: none"> <li>1. Human resource and management related system establishment and execution, education training planning and execution, performance evaluation process establishment and execution.</li> <li>2. Planning and control of material requirements.</li> <li>3. Fixed assets management.</li> <li>4. Maintaining and management of laboratory environment.</li> </ol>
Finance and Accounting Division	<ol style="list-style-type: none"> <li>1. Budget preparation and execution analysis.</li> <li>2. Accounting and accounts treatment and taxation planning.</li> <li>3. Financial statements drafting, statistics and analysis.</li> <li>4. Coordinate the planning and management of sources and utilization of funds.</li> <li>5. Service related affairs handling.</li> </ol>
Information Technology Services Division	<ol style="list-style-type: none"> <li>1. Construct and integrate company information management system.</li> <li>2. Personal computer software and hardware procurement and maintenance.</li> <li>3. Computer room and material management.</li> <li>4. Website planning, management and maintenance.</li> <li>5. Factory information backup process execution and monitoring.</li> </ol>
Quality System Division	<ol style="list-style-type: none"> <li>1. Draft and finalize quality guidelines and system, execute production line quality assurance and product reliability related work.</li> <li>2. Handle customer quality related business.</li> <li>3. Responsible for the company regulations management, printing, updating, and standard process procedures and quality record and preservation, release ISO/QS quality (environmental protection) system maintenance and support.</li> </ol>
Environmental Safety Division	<ol style="list-style-type: none"> <li>1. Drive emergency response system and management control in all factories.</li> <li>2. Execute various safety, environmental protection filing and testing processes.</li> <li>3. Environmental regulations and safety management educational training.</li> </ol>

II. Information on directors, president, vice-president, assistant VP and head of each department and branches

(I) Director information

1. Director

April 17, 2022; Unit: Share																			
Position	Name	Gender Age	Nationality or place of registration	Date of Appointment	Tenure	Date of First Appointment	Shares held when elected		Current shareholding		Shares currently held by spouse & minors		Shares held in the name of others		Main work experiences and education	Concurrently held positions in the Company and other companies at present	Other Officer, Director or Supervisor who is a spouse or relative within the second degree of kinship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship
Chairperson	ARQ Consulting Company	Female 61–65	Republic of China	2020.6.18	3 years	2002.4.16	4,725,526	7.58%	4,725,526	7.58%	0	0	0	0	Ph.D., Materials Science, National Tsing Hua University, Taiwan Senior Manager, United Microelectronics Corporation Manager, Unipac Optoelectronics Corporation Director of AU Optronics Corp. Chairperson & CEO, MA-tek	The Company: CEO Chairperson, MA-tek (Shanghai) Ltd. Chairperson, ARQ Ltd. Chairperson, MA-tek (Xiamen) Ltd. Chairperson, MA-tek Educational Consulting (Xiamen) Co., Ltd. Chairperson, MA-TEK USA Chairperson, Workflow Enhancement Technology Inc.	-	-	-
	Representative: Yong-Fen Hsieh		Republic of China						1,003,129 (Including number of shares under trust with discretion reserved 900,000 shares)	1.66%	0	0	0	0					
Director	ERP Investment Corp.	Male 61–65	Singapore	2020.6.18	3 years	2008.9.17	6,621,119	10.63%	6,243,119	10.02%	0	0	0	0	Singapore Polytechnics – Diploma in Electrical, Electronic and Communication Vice Chairperson, Ellipsiz Pte Ltd. President, SmartSolve Ptv Ltd. President, International Business Services Pte Ltd.	President, Core Resolution Pte Ltd.	-	-	-
	Representative: NG BENG SOON								0	0	0	0	0	0					
Director	SHIN MING Corp	Male 41–45	United States of America	2020.6.18	3 years	2017.6.16	2,035,688	3.27%	2,035,688	3.27%	0	0	0	0	MBA, Waseda University, Japan Assistant Vice President, General Planning Office, Shin Kong Life Insurance Co., Ltd. Assistant Vice President, Overseas Stock Investment, Shin Kong Life Insurance Co., Ltd.	Director, SHIN MING Corp Director, Shin Pei Industrial Co., Ltd. Director, FUHBIC Supervisor, MA-tek Educational Consulting (Xiamen) Co., Ltd. Chairperson, Prosoon Intelligent Automation Corp.	-	-	-
	Representative: Scott Allen								0	0	0	0	0	0					
Director	Chun Kuan	Male 61–65	Republic of China	2020.6.18	3 years	2017.6.16	456,153	0.73%	578,474	0.93%	0	0	0	0	MBA, Southern New Hampshire University, USA CFO, King Yuan ELECTRONICS CO., LTD. Accounting Department Director, United Microelectronics Corporation CFO, Unipac Optoelectronics Corporation	Independent Director, IC PLUS Corp. Chairperson, Xun Jie Investment Co., Ltd.	-	-	-
Independent Director	Ching-Hsiang Hsu	Male 61–65	Republic of China	2020.6.18	3 years	2017.6.16	0	0	0	0	0	0	0	0	Ph.D., Electrical Engineering, University of Illinois Director, Department of Electrical Engineering, National Tsing Hua University, Taiwan Researcher, IBM TJ Watson Research Center, NY, USA	Chairperson, eMemory Technology Inc Chairperson, IMQ Technology Inc. Chairperson & CEO, PUFsecurity Corporation Representative Director, SecuX Technology Inc. Representative Director, Powerflash Technology Corporation Independent Director, Acer Inc. Director, National Applied Research Laboratories (NARLabs)	-	-	-
Independent Director	Neng-Hsien Tsai	Male 66–70	Republic of China	2020.6.18	3 years	2020.6.18	0	0	0	0	0	0	0	0	Ph.D., Materials Engineering, Massachusetts Institute of Technology Vice President, Quality and Reliability, Taiwan Semiconductor Manufacturing Company Limited Vice President, Operations, Vanguard International Semiconductor Corporation Researcher, Bell Labs, USA	Chairperson, Jing Jie Investment Co., Ltd. Director, TSMC Foundation	-	-	-
Independent Director	Juine-Kai Tsang	Male 71–75	United States of America	2020.6.18	3 years	2020.6.18	0	0	0	0	0	0	0	0	Ph.D., Physics, University of Illinois, Urbana Champaign R&D and management positions in semiconductor companies in the US	Managing Member, VentureTech Alliance Management Co., LLC Director, 5V Technologies, Ltd. (Cayman) Director, 5V Technologies, Ltd. Director, Mutual-Pak Technology Co., Ltd. Director, Great Team Backend Foundry, Inc. (BVI) Director, LIQUIDLEDs Lighting Corp. Director, Aether System Inc. Independent Director, TrueLight Corporation	-	-	-



(II) Major shareholders of the juristic person shareholder

April 30, 2022

Name of the juristic person shareholder	Major shareholders of the juristic person shareholder
ARQ Consulting Company	Yung-Fen Hsieh (48.28%), Ying-Tzu Chu (17.24%), Ying-Chin Chu (17.24%), and Ying-Hsi Chu (17.24%)
ERP Investment Corp.	NG BENG SOON (80%) and Fu-Hua Chang (20%)
SHIN MING Corp	Samoa Shang Pu Kuang International Co., Ltd.(95.24%), Tung-Ming Wu (2.60%), Hui-Chu Wu Chen (0.98%), Scott Allen (0.59%), Hsin-Pei Wu (0.59%)

Where the juridical persons are the major shareholders, the major shareholders of the juristic person:

April 30, 2022

Name of the juridical person	Major shareholders of the juristic person
Samoa Shang Pu Guang International Co., Ltd.	Tung-Ming Wu (100%)

(III) Information disclosure on the professional qualifications of the directors and supervisors, and status of independence of the independent directors:

April 30, 2022

Criteria Name	Professional qualifications and experiences (Note 1)	Independence status (Note 2)	Number of public companies that Independent Directors also hold positions
ARQ Ltd. Representative: Yong-Fen Hsieh	Possesses the work experiences required by the company's business in business, legal, finance, and business management skills. Chairperson & CEO, MA-tek There have been no occurrence of events as described under Article 30 of the Company Act.	Not an Independent Director, not applicable.	None
ERP Investment Corp. Representative: NG BENG SOON	Possesses the work experiences required by the company's business in business, legal, finance, and business management skills. President, Core Resolution Pte Ltd. There have been no occurrence of events as described under Article 30 of the Company Act.	Not an Independent Director, not applicable.	None
SHIN MING CORP. Representative: Scott Allen	Possesses the work experiences required by the company's business in business, legal, finance, and business management skills. Director, FUHBIC Supervisor of MA-tek Educational Consulting (Xiamen) Co., Ltd., Chairperson of PROSOON INTELLIGENT AUTOMATION CORP. There have been no occurrence of events as described under Article 30 of the Company Act.	Not an Independent Director, not applicable.	None
Chun Kuan	Possesses the work experiences required by the company's business in business, legal, finance and accounting, and business management skills. Chairperson, Xun Jie Investment Co., Ltd. There have been no occurrence of events as described under Article 30 of the Company Act.	Not an Independent Director, not applicable.	1

<div>Criteria</div> <div>Name</div>	Professional qualifications and experiences (Note 1)	Independence status (Note 2)	Number of public companies that Independent Directors also hold positions
Ching-Hsiang Hsu	<p>Possesses the work experiences required by the company's business in business, legal, finance, and business management skills.</p> <p>Chairperson, eMemory Technology Inc</p> <p>There have been no occurrence of events as described under Article 30 of the Company Act.</p>	<p>On the state of independence of the independent director, none of the following persons, but not limited to, the independent director himself, his spouse, and relatives within the second degree of kinship have held positions as a director, supervisor or employee of the Company or of its affiliated companies, and do not hold any company shares; have not held positions as a director, supervisor or employee of a designated company that has specified relationship with the Company; have not obtained compensation from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent 2 years.</p>	1
Neng-Hsien Tsai	<p>Possesses the work experiences required by the company's business in business, legal, finance, and business management skills.</p> <p>Vice President of Quality and Reliability, Taiwan Semiconductor Manufacturing Co., Ltd., Vice President of Operations, Vanguard International Semiconductor Corporation, Chairperson, Jingjie Investment Co., Ltd., Director, TSMC Foundation.</p> <p>There have been no occurrence of events as described under Article 30 of the Company Act.</p>	<p>On the state of independence of the independent director, none of the following persons, but not limited to, the independent director himself, his spouse, and relatives within the second degree of kinship have held positions as a director, supervisor or employee of the Company or of its affiliated companies, and do not hold any company shares; have not held positions as a director, supervisor or employee of a designated company that has specified relationship with the Company; have not obtained compensation from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent 2 years.</p>	None

<div>Criteria</div> <div>Name</div>	Professional qualifications and experiences (Note 1)	Independence status (Note 2)	Number of public companies that Independent Directors also hold positions
Juine-Kai Tsang	<p>Possesses the work experiences required by the company's business in business, legal, finance, and business management skills.</p> <p>Managing Member, VentureTech Alliance Management Co., LLC  Director, 5V Technologies, Ltd. (Cayman), Director, 5V TECHNOLOGIES, TAIWAN LTD.,  Director, MUTUAL-PAK TECHNOLOGY CO., LTD., Director, Great Team Backend Foundry, Inc.(BVI),  Director, LIQUIDLED LIGHTING CORP., Director, AETHER SYSTEMS INC., Independent Director, TrueLight Corporation.</p> <p>There have been no occurrence of events as described under Article 30 of the Company Act.</p>	<p>On the state of independence of the independent director, none of the following persons, but not limited to, the independent director himself, his spouse, and relatives within the second degree of kinship have held positions as a director, supervisor or employee of the Company or of its affiliated companies, and do not hold any company shares; have not held positions as a director, supervisor or employee of a designated company that has specified relationship with the Company; have not obtained compensation from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent 2 years.</p>	2

Note 1: Professional qualifications and experiences. Describe the professional qualifications and experiences of each director and supervisor. If he/she is a member of the Audit Committee and possesses accounting or finance profession, his/her accounting or finance background and work experiences should be specified. Lastly, state whether there have been circumstances relating to Article 30 of The Company Act.

Note 2: The state of independence should be specified for the independent director, including but not limited to whether the independent director, his/her spouse, and relatives within the second degree of kinship are acting as the director, supervisor or employee of the Company or its affiliated enterprise; The number of shares and percentage held by the independent director, his/her spouse, and relatives within second degree of kinship (or in the name of others); whether the independent director is acting as the director, supervisor or employee of a designated company that has specified relationship with the Company (refer to the establishment of public company independent directors and Subparagraphs 5–8, Paragraph 1, Article 3 of the regulation to comply with); the compensation amount from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent 2 years.

(IV) Information on president, vice-president, assistant VP and head of each department and branches

April 17, 2022; Unit: Share

Position	Name	Gender	Nationality	Onboard Date	Shareholding		Spouse & minors Shareholding		Shares held in the name of others		Main work experiences and education	Concurrently held positions in other companies at present	Managers of the Company who is a spouse or relative within the second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Position	Name	Relationship	
President	Yong-Fen Hsieh	Female	Republic of China	2022/04	1,003,129 (Including number of shares under trust with discretion reserved 900,000 shares)	1.94%	0	0	0	0	Ph.D., Materials Science, National Tsing Hua University, Taiwan Senior Manager, United Microelectronics Corporation Manager, Unipac Optoelectronics Corporation Director of AU Optronics Corp.	The Company: CEO Chairperson, MA-tek (Shanghai) Ltd. Chairperson, ARQ Ltd. Chairperson, MA-tek (Xiamen) Ltd. Chairperson, MA-tek Educational Consulting (Xiamen) Co., Ltd. Chairperson, MA-TEK US	-	-	-	Note 1
Business Development Group Vice President	Chih-Ming Sun (Note 2)	Male	Republic of China	2021/11	0	0	0	0	0	0	Curtin University of Technology/Master of Business Logistics Management MBA Senior Manager, United Microelectronics Corporation Senior Division Head, Macronix International Co., Ltd. Vice President, Hefei Crystal Integrated Circuit Assistant Vice President, Taiwan Graphene Co., Ltd. Special Assistant, Shuz Tung Machinery Industrial Co., Ltd.	None	-	-	-	-
Vice President, Materials Analysis Business Group	Ming-Ching Huang (Note 3)	Female	Republic of China	2022/01	100,612	0.16%	0	0	0	0	Master's in Chemical Engineering, National Cheng Kung University Director of Materials Analysis Technology Inc. Manager, United Microelectronics Corporation Assistant Engineer, National Nano Device Laboratories	None	-	-	-	-
Chief Financial Officer and Vice President	Sam Lee	Male	Republic of China	2018/09	0	0	0	0	0	0	Master's, Department of Finance, National Chung Cheng University Deputy Manager, Finance Department, United Microelectronics Corporation Manager, Finance Department, FARADAY TECHNOLOGY CORPORATION Assistant Vice President, Finance Department, King Yuan ELECTRONICS CO., LTD.	None	-	-	-	-
Accounting Officer	Yu-Li Lin	Female	Republic of China	2015/10	20,000	0.04%	0	0	0	0	Bachelor, Department of Agribusiness Management, National Pingtung University of Science and Technology Administrator, Department of Finance, INFO-TEK CORPORATION Deputy Manager, Finance Department, Materials Analysis Technology Inc.	None	-	-	-	-

Note 1: Where the Company's president or person of an equivalent post (the highest level manager) of a company are the same person as the Chairperson, are spouses or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. The related information are as below: The main consideration for appointing the same person as the Company's Chairperson and President is to increase operation efficiency and to facilitate a smooth execution for decision-making. Furthermore, over half of the directors are not concurrently a manager and employee of the company. This enables the Board of Directors to retain its objectivity and monitoring force. However, for the purpose of enhancing the checks and balances mechanism, the Company intends to appoint independent directors as countermeasure.

Note 2: New appointment in 2021/11..

Note 3: New appointment in 2022/11.

(V) Remunerations paid to directors, supervisors, president and vice presidents in the most recent year

1. Remuneration for directors and independent directors

Unit: NTD in thousand

Position	Name	Director remuneration								Sum of A, B, C and D as a percentage of net income		Remuneration received by a Director who is also an employee of the Company								Sum of A, B, C, D, E, F, and G as a percentage of net income		Whether compensation from reinvested companies other than subsidiaries is received
		Base compensation (A)		Severance pay and pensions (B)		Directors remuneration (C)		Expenses for execution of business (D)				Salaries, bonuses, special allowances (E)		Severance pay and per (F)		Employee remuneration (G)						
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial statements	
Chairperson	Representative of ARQ Consulting Company: Yong-Fen Hsieh	0	0	0	0	9,425	9,425	52	52	1.61%	1.61%	7,651	7,651	119	119	5,862	0	5,862	0	3.94%	3.94%	None
Director	Representative of ARQ Consulting Company: Chien-Hua Wang (Note 1)																					
Director	Representative of SHIN PEI CORP.: Hsin-Pei Wu (Note 1)																					
Director	Representative of ERP Investment Corp.: NG BENG SOON (Note 2)																					
Director	Representative of SHIN MING CORP.: Scott Allen (Note 2)																					
Director	Chun Kuan																					
Independent Director	Ching-Mai Wu (Note 1)																					
Independent Director	Jung-Sheng Liu (Note 1)																					
Independent Director	Ching-Hsiang Hsu																					
Independent Director	Neng-Hsien Tsai (Note 3)																					
Independent Director	Juine-Kai Tsang (Note 3)																					

Note 1: The term of Directors and Supervisors expired on June 18, 2020, and the person was dismissed after re-election. Note 2: The term of Directors and Supervisors expired on June 18, 2020, and the person was elected as Director after the Company set up the Audit Committee. Note 3: New appointment on June 18, 2020.

## Range of remuneration

Remuneration range of Directors	Name of director			
	Sum of the first four compensations (A+B+C+D)		Sum of the first seven compensations (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements G	The Company	All companies in the financial statements H
Less than NTD 1,000,000	SHIN PEI CORP. ERP Investment Corp. SHIN LIN CORP. Chun Kuan Ching-Mai Wu Jung-Sheng Liu Ching-Hsiang Hsu Neng-Hsien Tsai Juine-Kai Tsang	SHIN PEI CORP. ERP Investment Corp. SHIN LIN CORP. Chun Kuan Ching-Mai Wu Jung-Sheng Liu Ching-Hsiang Hsu Neng-Hsien Tsai Juine-Kai Tsang	SHIN PEI CORP. ERP Investment Corp. SHIN LIN CORP. Chun Kuan Ching-Mai Wu Jung-Sheng Liu Ching-Hsiang Hsu Neng-Hsien Tsai Juine-Kai Tsang	SHIN PEI CORP. ERP Investment Corp. SHIN LIN CORP. Chun Kuan Ching-Mai Wu Jung-Sheng Liu Ching-Hsiang Hsu Neng-Hsien Tsai Juine-Kai Tsang
NTD1,000,000 (inclusive) – NTD2,000,000 (exclusive)	ARQ Ltd.	ARQ Ltd.	0	0
NTD2,000,000 (inclusive) – NTD3,500,000 (exclusive)	0	0	0	0
NTD3,500,000 (inclusive) – NTD5,000,000 (exclusive)	0	0	0	0
NTD5,000,000 (inclusive) – NTD10,000,000 (exclusive)	0	0	0	0
NTD10,000,000 (inclusive) – NTD15,000,000 (exclusive)	0	0	0	0
NTD15,000,000 (inclusive) – NTD30,000,000 (exclusive)	0	0	ARQ Ltd.	ARQ Ltd.
NTD30,000,000 (inclusive) – NTD50,000,000 (exclusive)	0	0	0	0
NTD50,000,000 (inclusive) – NTD100,000,000 (exclusive)	0	0	0	0
NTD100,000,000 and above	0	0	0	0
Total	9	9	9	9

## 2. Supervisor remuneration

Unit: NTD in thousand

Unit: NTD in thousand

Position	Name	Supervisor remuneration						The sum of A, B and C as a percentage of net income (%)		Whether compensation from reinvested companies other than subsidiaries is received
		Base compensation (A)		Earnings distribution for remuneration (B)		Expenses for execution of business (C)				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	
Supervisor	Representative of ERP Investment Corp.: NG BENG SOON	0	0	1,741	1,741	0	0	0.30%	0.30%	None
Supervisor	Representative of SHIN MING CORP.: Scott Allen									
Supervisor	Kun-Sheng Chiang									

Note 1: The term of Directors and Supervisors expired on June 18, 2020, and the Company set up the Audit Committee to replace the supervisor system.

### Range of remuneration

Remuneration range of Supervisors	Name of Supervisor	
	Sum of the first three compensations (A+B+C+D)	
	The Company	All companies in the financial statements E
Less than NTD 1,000,000	ERP Investment Corp. SHIN MING CORP. Kun-Sheng Chiang	ERP Investment Corp. SHIN MING CORP. Kun-Sheng Chiang
NTD1,000,000 (inclusive) – NTD2,000,000 (exclusive)	0	0
NTD2,000,000 (inclusive) – NTD3,500,000 (exclusive)	0	0
NTD3,500,000 (inclusive) – NTD5,000,000 (exclusive)	0	0
NTD5,000,000 (inclusive) – NTD10,000,000 (exclusive)	0	0
NTD10,000,000 (inclusive) – NTD15,000,000 (exclusive)	0	0
NTD15,000,000 (inclusive) – NTD30,000,000 (exclusive)	0	0
NTD30,000,000 (inclusive) – NTD50,000,000 (exclusive)	0	0
NTD50,000,000 (inclusive) – NTD100,000,000 (exclusive)	0	0
NTD100,000,000 and above	0	0
Total	3	3



### 3. Remuneration for President and Vice Presidents

Unit: NTD in thousand/thousand shares

Position	Name	Salary (A)		Severance pay and pensions (B)		Bonuses and special allowances (C)		Employee Compensation (D)				Sum of A, B, C and D as a percentage of net income (%)		Whether compensation from reinvested companies other than subsidiaries is received
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies in the financial statements		The Company	All companies in the financial statements	
								Cash bonus	Share bonus	Cash bonus	Share bonus			
President	Yong-Fen Hsieh	9,952	9,952	274	274	1,532	1,532	7,862	0	7,862	0	3.35%	3.35%	None
Vice President	Chih-Ming Sun (Note 1)													
Vice President	Sam Lee													

Note 1: New appointment in 2021/11.

#### Range of remuneration

Remuneration range of President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the financial statements
Less than NTD 1,000,000	Chih-Ming Sun	Chih-Ming Sun
NTD1,000,000 (inclusive) – NTD2,000,000 (exclusive)	0	0
NTD2,000,000 (inclusive) – NTD3,500,000 (exclusive)	0	0
NTD3,500,000 (inclusive) – NTD5,000,000 (exclusive)	0	0
NTD5,000,000 (inclusive) – NTD10,000,000 (exclusive)	Sam Lee	Sam Lee
NTD10,000,000 (inclusive) – NTD15,000,000 (exclusive)	Yong-Fen Hsieh	Yong-Fen Hsieh
NTD15,000,000 (inclusive) – NTD30,000,000 (exclusive)	0	0
NTD30,000,000 (inclusive) – NTD50,000,000 (exclusive)	0	0
NTD50,000,000 (inclusive) – NTD100,000,000 (exclusive)	0	0
NTD100,000,000 and above	0	0
Total	6	6

#### 4. Employee bonuses paid to managers

Unit: NTD in thousand

	Position	Name	Share bonus	Cash bonus	Total	Total as a percentage of net income (%)
Managerial officers	President	Yong-Fen Hsieh	0	8,262	8,262	1.41%
	Vice President	Chih-Ming Sun (Note 1)				
	Financial Officer	Sam Lee				
	Accounting Officer	Yu-Li Lin				

Note 1: New appointment in 2021/11.

5. Analysis of the ratio of total remuneration paid to the Directors, Supervisors, President, and Vice Presidents in the most recent two years by the Company and all companies in the consolidated financial statements to the net income in the standalone or individual financial report, and explanation of the remuneration policy, standard and combination, and procedures for determining remuneration, and their correlation with business performance and future risks.

(1) The ratio taken by the gross total of compensation paid by the Company and all firms disclosed in the consolidated financial statements to the directors, supervisors, president and vice presidents of this company to the net income over the past two years.

Item  Position	Total remuneration as a percentage of net income (loss)			
	2021		2020	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Director	5.26%	5.26%	8.01%	8.01%
Supervisor				
President and Vice Presidents				

#### Change description

Director: The Company's Director remuneration is allocated according to the company's Articles of Incorporation, appropriated at 2.3% of the net profit before tax. Its percentages to net profit before tax for 2021 and 2020 were 2.21% and 2.27% respectively.

Supervisor: The Audit Committee has been appointed in replacement of the supervisor duties. Hereby, not applicable.

President and Vice Presidents: The overall remuneration for 2021 is lesser than in 2020 mainly due to the changes to the Vice Presidents. The President and Vice

President remunerations are determined with reference to industry practice, and are processed only after approval by the Compensation Committee and Board of Directors meetings.

(2) Description of the policies, criteria and composition of the compensation paid; the procedures to determine compensation, and their interrelationship with business performance and future risks:

A. The payment of the remuneration that the Company's directors and supervisors receive is based on the Company's Articles of Incorporation, their participation and contribution to the company's operations, and with reference to industry practices. The principles for the payment of the Company's directors and supervisor's remuneration are based on the Articles of Incorporation established by the board and submission of the remuneration plan to the Shareholders' Meeting for approval.

The preceding director and supervisor remuneration may be paid in the form of cash. Employee and director and supervisor remuneration shall be resolved by the board and reported to the shareholders' meeting.

B. The appointment, dismissal and remuneration of the Company's President and Vice Presidents is processed according to the company's regulation. The remuneration payment standard is handled by the Company's human resource unit based on the personnel performance evaluation regulations, taking into account of the individual performance and contribution to the company operations, and with reference to industry practice on salary payment standard for the same level of job, and the remuneration proposal is to be submitted to the Remuneration Committee and the Board for approval before processing. The distribution standard for the employee remuneration is determined based on the company's Articles of Incorporation, to be submitted to the Board for resolution and reported to the shareholders' meeting.

C. The Company purchases the liability insurance for the directors and supervisors each year to enforce responsibility in protecting directors and supervisors and assets. In addition, there have been no occurrences of litigation cases, repair obligations, and other matters for the Company that would result in future possibilities of bearing responsibilities, obligations or debts.

### **III. Operations of corporate governance:**

#### **(I) Operations of the Board of Directors**

The 2021 Board meetings were held five times. The attendance of the directors and supervisors is as follows:

Position	Name	Actual Number of Attendances (Non-voting Attendances) B	Number of Entrusted Attendances	Percentage of Actual Number of Attendances (Non-voting Attendances) (%) [B/A]	Remarks
Chairperson	Representative of ARQ Consulting Company: Yong-Fen Hsieh	5	0	100	
Director	ERP Investment Corp. Representative: NG BENG SOON	2	0	40	
Director	Representative of SHIN MING Corp: Scott Allen	3	0	60	
Director	Chun Kuan	5	1	100	
Independent Director	Ching-Hsiang Hsu	4	1	80	
Independent Director	Neng-Hsien Tsai (Note 3)	4	1	80	
Independent Director	Juine-Kai Tsang (Note 3)	3	0	60	

Other matters that require reporting:

I. The matters stipulated in Article 14-3 of the Securities and Exchange Act and other resolved matters by the Board about which an independent director 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 independent directors' opinions and the Company's handling of the opinions of independent directors:

(I) Matters specified in Article 14-3 of the Taiwan Securities and Exchange Act.

Board of Directors	Content of the Proposal and the Follow-up Process	Matters specified in Article 14-3 of the Taiwan Securities and Exchange Act	Expressed a dissenting opinion or qualified opinion by the independent director
5th Meeting of the 7th Term 2021.03.18	1. 2020 Employee, and director and supervisor remuneration distribution.	V	None
	2. Provide endorsements and guarantees for MA-tek Shanghai and MA-tek Japan subsidiaries.	V	
	3. 2020 Statement of internal control system.	V	
	4. 2021 CPAs Independence Evaluation.	V	
	Opinions of Independent Director: None.		
	Treatment of the opinions of Independent Directors by the company: None.		
	Resolution results: Passed by all attending directors		
6th Meeting of the 7th Term 2021.05.07	1. Provide endorsements and guarantees for MA-tek Japan.	V	
	Opinions of Independent Director: None.		
	Treatment of the opinions of Independent Directors by the company: None.		
	Resolution results: Passed by all attending directors		
7th Meeting of the 7th Term 2021.08.06	1. Amendments to partial articles of the Company's Labor and Wage Cycle, and Research and development (R&D) Cycle.	V	
	2. Provide endorsements and guarantees for MA-tek Shanghai and MA-tek Xiamen subsidiaries.	V	

8th Meeting of the 7th Term 2021.11.05	3. MA-tek (Shanghai) lending of funds to MA-tek (Xiamen).	V	
	Opinions of Independent Director: None.		
	Treatment of the opinions of Independent Directors by the company: None.		
	Resolution results: Passed by all attending directors		
	1. Provide endorsements and guarantees for MA-tek Shanghai and MA-tek Japan subsidiaries.	V	
	2. The proposal for changing CPAs in cooperation with the internal rotation change of the CPA firm.	V	
Opinions of Independent Director: None.			
Treatment of the opinions of Independent Directors by the company: None.			
Resolution results: Passed by all attending directors			

(II) Other than the above-mentioned matters, the matters resolved in the meetings of the Board with dissents or qualified opinions, which are recorded or declared in writing: None.

II. When there is recusal due to conflicts of interest by a director, the name of that director, the involved proposal(s), the cause(s) of the recusal due to conflicts of interest, and the participation in voting of that director shall be specified: None.

III. Implementation status of the Company's board self-evaluation:

The Company has established the board performance evaluation system. The board has passed the board performance regulations in November 2019. Each year, the self-evaluation questionnaires are established on a regular basis, and the evaluations are added to the discussion results for reporting to the board and for release on the company website.

The 2021 self-evaluation questionnaire had been completed in February 2022. On February 18, 2022, the self-evaluation results had been reported to the board and disclosed on the company website.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Each year	2021.01.01–2021.12.31	Include the Board of Directors, individual board member, functional committee performance evaluation	Internal board self-evaluation	<p>The Board of Directors' performance assessment: The involvement in the Company's operation, enhancement of the quality of decision making by the Board, organization structure of the Board, the election of directors, plus continuing training and internal control, etc.</p> <p>Individual board member's performance assessment: The objective of the Company and tasks in charge, awareness of director's duties, involvement in the Company's operation, internal relation management and communication, expertise and continuing training of director, and internal control, etc.</p> <p>Functional Committee's performance assessment: The involvement in the Company's operation, awareness of functional committee's duties, enhancement of quality of decision making by the functional committee, organization of the functional committee and election of its member, and internal control, etc.</p>

IV. The goals for enhancing the functions of Board of Directors of the year and the latest year (e.g. establishment of the Audit Committee, or improvement of transparency for information) and the assessment to the implementation:

1. The Company's Procedures for Election of Directors clearly states that it is mandatory to consider the background and skills of the individual director for the election of the director. Thus, the Company's board members composition meets the diversity policy and possess professional skills in business, law, finance, accounting and other expertise as needed by the business achieving complementary effects.
2. There are currently seven directors inclusive of three independent directors. The Company has appointed three seats of independent directors which is more than the legal requirement. The board member composition is of diverse background, including coming from different industries, and with professional backgrounds such as academic,

finance management, and law. The board members possesses a wealth of company management experiences, and there is one female director.

Name	Gender	Age					Years of Service as an Independent Director	Concurrently serve as employees in the Company	1 Operational Judgment Skills	2 Management Skills	3 Crisis Management Skills	4 Understanding of the Global Market	5 Leadership Skills	6 Professional Skills	7 Knowledge of the Industry
		40 to 50	60 to 70	71 to 75	3 years and below	3 to 9 years									
Yong-Fen Hsieh	Female		V				V		V	V	V	V		Semiconductor	Technology
NG BENG SOON	Male		V					V	V	V	V	V		Corporate management	Technology
Chun Kuan	Male		V					V	V	V	V	V		Finance and accounting	Technology
Scott Allen	Male	V						V	V	V	V	V		Corporate management	Technology
Ching- Hsiang Hsu	Male		V			V		V	V	V	V	V		Semiconductor	Technology
Neng-Hsien Tsai	Male		V		V			V	V	V	V	V		Semiconductor	Technology
Juine Kai Tsang	Male			V	V			V	V	V	V	V		Corporate management	Technology/ Finance

- The Company has for each year continued to purchase liability insurances for the directors, supervisors and managerial officers. The matter has been reported to the Board on August 6, 2021 enabling the directors to fully exercise their duties on monitoring and supervision of the company and its governance.
- After the Company appointed the Audit Committee in 2020 and with the aim to improve its information transparency, it has held a total of four Audit Committee meetings on March 19, May 7, August 6, and November 5 in 2021 to discuss the financial statements, internal control system effectiveness evaluation, independent auditors' evaluation, business report, appropriation of earnings and audit plan, and has submitted them to the board for approval.
- A total of two Remuneration Committee meetings have been held on March 19 and August 6 in 2021. Based on the "Remuneration Committee Charter" which regulated that "The committee member shall apply the due care of a good administrator and exercise the following duties and bring forward the suggestions to Board of Directors for discussion: (1) Setting up and making regular reviews on the remuneration policy, system, standards and structure for the Board of Directors and top executives. (2) Regular reviews and final decision on the remuneration of managerial officers." After full discussions on the performance evaluation of the individual director and managerial officer, the case is proposed to the board for approval.

(II) State of operation of the Audit Committee or of the supervisors' participation in the board: The Company has at the Annual General Meeting of Shareholders on June 18, 2020 conducted the re-election of directors, and has appointed the Audit Committee to replace the supervisor system.

1. Work highlights of the Company's Audit Committee in 2021:

- Review the fair presentation of the financial statements
- 2021 CPAs Appointment and Independence Evaluation
- Evaluation of effectiveness of internal control system
- Review the necessity of the endorsements and guarantees limit for subsidiaries

2. The Company's Audit Committee had held meetings 4 times in 2021. The state of operation is as follows:

- March 19, 2021:

Discuss (1) The 2020 Business Report and Financial Report.

(2) 2020 Statement of internal control system.

(3) 2021 CPAs Independence Evaluation.

(4) The endorsements and guarantees for subsidiaries.

- May 7, 2021:  
Discuss (1) 2021 Q1 Financial Statements.  
(2) The endorsements and guarantees for subsidiaries.
- August 6, 2021:  
Discuss (1) 2021 Q2 Financial Statements.  
(2) Amendments to the Company's Labor and Wage Cycle, Research and development (R&D) Cycle, and partial articles.  
(3) The endorsements and guarantees for subsidiaries.  
(4) MA-tek (Shanghai) lending of funds to MA-tek (Xiamen).
- November 5, 2021:  
Discuss (1) 2021 Q3 Financial Statements.  
(2) The endorsements and guarantees for subsidiaries.

The proposal was reviewed or passed by the Audit Committee and there were no dissenting opinions by the Independent Directors.

The 2021 Audit Committee meetings were held four times. The attendance of the Independent Directors is as follows:

Position	Name	Actual Number of Attendances (Non-voting Attendances) B	Number of Entrusted Attendances	Percentage of Actual Number of Attendances (Non-voting Attendances) (%) [B/A]	Remarks
Independent Director	Ching-Hsiang Hsu	3	1	75	Should attend 4 times in 2021
Independent Director	Neng-Hsien Tsai	4	0	100	Should attend 4 times in 2021
Independent Director	Juine-Kai Tsang	2	0	50	Should attend 4 times in 2021
Other matters that require reporting:					
I. For any of the following situation during the operation of the Audit Committee, the date of meeting of the board, terms, description of proposal, resolution results of the Audit Committee and the treatment of such opinions by the company shall be specified.					
(I) Issues specified in Article 14-5, Securities and Exchange Act.					
Meeting date	Proposal	Resolution results of the Audit Committee		Treatment of the Audit Committee opinions by the company	
March 19, 2021	(1) Discuss the 2021 Business Report and Financial Report. (2) Discuss the 2020 Statement of internal control system effectiveness evaluation and the statement. (3) Discuss the 2021 CPAs Independence Evaluation. (4) Discuss the endorsements and guarantees for subsidiaries.	The cases were approved by the Audit Committee and submitted to the board for resolution.		None	
May 7, 2021	(1) Discuss the 2021 Q1 Financial Statements. (2) Discuss the endorsements and guarantees for subsidiaries.	The cases were approved by the Audit Committee and submitted to the board for resolution.		None	

August 6, 2021	(1) Discuss the 2021 Q2 Financial Statements. (2) Discuss amendments to the Company's Labor and Wage Cycle, Research and development (R&D) Cycle, and partial articles. (3) Discuss the endorsements and guarantees for subsidiaries. (4) Discuss MA-tek (Shanghai) lending of funds to MA-tek (Xiamen).	The cases were approved by the Audit Committee and submitted to the board for resolution.	None
November 5, 2021	(1) Discuss the 2021 Q3 Financial Statements. (2) Discuss the endorsements and guarantees for subsidiaries.	The cases were approved by the Audit Committee and submitted to the board for resolution.	None

(II) Other than the above-mentioned issues, the matters failed to be passed by the Audit Committee, but resolved with consents of more than two third of all directors:

None.

II. When there is recusal due to conflicts of interest by an independent director, the name of that independent director, the involved proposal(s), the cause(s) of the recusal due to conflicts of interest, and the participation in voting of that director shall be specified:

The Company's Independent Directors convened the Audit Committee meetings a total of four times in 2021. Each proposal does not involve interests of the Independent Directors. Thus, no recusal was needed. Each Audit Committee member sufficiently expressed their opinions during the meetings. The proposal was passed by all Independent Directors without dissenting opinions.

III. Communication between independent directors and internal auditors and CPAs (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

(I) The Independent Directors and internal audit officer communicate with each other via email, telephone, or in-person meetings during normal times depending on the needs. Where there are significant abnormal events, ad hoc meetings are then held. There are diverse and smooth communication channels between them. The internal audit officer will for every month submit the audit report of the previous month or the follow-up report to every Independent Director for review. The Independent Directors will make responses or opinions where necessary for the reports. In 2021, the audit results did not show significant abnormal events, and there were no dissenting opinions by the Independent Directors. The communication situations for this year are summarized as follows:

Date	Communication method	Communication matter	Communication outcome
November 13, 2021	Email delivery	Reported the December 2021 Audit Report	No dissenting opinions by the Independent Directors on the Audit Report for the current period
February 17, 2021	Email delivery	Reported the November 2021 Audit Report	
March 18, 2021	Board of Directors	Report on the State of Execution for Audits between October 2020 to December 2020	No dissenting opinions by Independent Directors for the Report on the State of Execution for Audits
March 30, 2021	Email delivery	Reported the February 2021 Audit Report	No dissenting opinions by the Independent Directors on the Audit Report for the current period
April 13, 2021	Email delivery	Reported the March 2021 Audit Report	
May 7, 2021	Board of Directors	Report on the State of Execution for Audits between January 2021 to March 2021	No dissenting opinions by Independent Directors for the Report on the State of Execution for Audits
May 21, 2021	Email delivery	Reported the April 2021 Audit Report	No dissenting opinions by the Independent Directors on the Audit Report for the current period
June 21, 2021	Email delivery	Reported the May 2021 Audit Report	
July 15, 2021	Email delivery	Reported the June 2021 Audit Report	
August 6, 2021	Board of Directors	Report on the State of Execution for Audits between April 2021 to June 2021	No dissenting opinions by Independent Directors for the Report on the State of Execution for Audits
August 25, 2021	Email delivery	Reported the July 2021 Audit Report	No dissenting opinions by the Independent Directors on the Audit Report for the current period
September 27, 2021	Email delivery	Reported the August 2021 Audit Report	
October 25, 2021	Email delivery	Reported the September 2021 Audit Report	
November 5, 2021	Board of Directors	Report on the State of Execution for Audits between July 2021 to September 2021	No dissenting opinions by Independent Directors for the Report on the State of



			Execution for Audits
November 22, 2021	Email delivery	Reported the October 2021 Audit Report	No dissenting opinions by the Independent Directors on the Audit Report for the current period
December 23, 2021	Email delivery	Reported the November 2021 Audit Report	

(II) Quarterly regular meetings between Independent Directors and the Accountants: The accountant reports to the independent directors on the state of the Company's financial position, the finance for domestic and overseas subsidiaries and overall state of operation and internal audit, and conducts sufficient communications on whether there are major adjusted entries or effects from legal amendments to the entries. In the event of material abnormal events, ad hoc meetings are held. The independent directors offer opinions on the financial statements audited by the appointed CPA firm and the independent auditor report issued. The state of communications for this fiscal year is as summarized below:

Date	Communication method	Communication matter	Communication outcome
March 18, 2021	Audit Committee	2020 Financial Statements Explanation and Discussion	No dissenting opinions by independent directors on the accountant's explanation
May 7, 2021	Audit Committee	2021 Q1 Consolidated Financial Statements Explanation and Discussion	
August 6, 2021	Audit Committee	2021 Q2 Consolidated Financial Statements Explanation and Discussion	
November 5, 2021	Audit Committee	2021 Q3 Consolidated Financial Statements Explanation and Discussion	

(III) Corporate Governance Implementation as Required under the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, Differences and Reasons, if Any:

Evaluation item	State of operation			Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary 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 established the Corporate Governance Best-Practice Principles governing aspects on protecting shareholders rights and interests, enhancement of board duties, respect stakeholder rights and interests, and enhancement of transparency. The Principles is available on the company website ( <a href="https://www.ma-tek.com">https://www.ma-tek.com</a> ).	None
<p>II. The shareholding structure of the Company and shareholders’ rights and interests</p> <p>(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?</p> <p>(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?</p> <p>(III) Does the Company create and implement risk control and firewall mechanism with the related companies?</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>(I) The Company has appointed the stock affairs unit, spokesperson and deputy spokesperson system to handle shareholder suggestions, questions and dispute matters and to make proper responses in the handling. If the disputes involve litigation problems, they will be handled by the legal consultants. The Company’s website has a section for stakeholder communications providing a channel for shareholders and investors to raise any suggestions or questions.</p> <p>(II) The Company’s stock affairs personnel and the professional shareholder services agent, Fubon Securities, conducts regular disclosure on the list of major shareholders and their ultimate controllers according to the laws, and maintain contacts at all times.</p> <p>(III) The property, finance and accounting between the Company and subsidiaries are of independent operations, subjected to established regulations. They are processed according to the Company’s internal control system and related laws. Risk control and firewall mechanism are of actual implementation.</p> <p>(IV) The Company has established the “Procedures for Handling Material Inside Information and Prevention of Insider Trading”. Related personnel executes and regularly promotes the regulations according to the Procedures for prevention of the occurrence of insider trading.</p>	None
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors stipulate and implement a diverse</p>	V		(I) According to the Company’s “Corporate Governance Best-Practice	None

Evaluation item	State of operation										Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																																																																															
	Yes	No	Summary description																																																																																																																																							
policy regarding the composition of the board members?			<p>Principles”, the board members formation shall consider diversity. Directors who concurrently serve as the Company’s managers do not exceed one third of the number of directors. The formulation of the operations, operation pattern and development requirements also adopt the diversity guideline.</p> <p>Diversity policy goals:</p> <ul style="list-style-type: none"><li>Professional skills: Possess professionalism in business, legal, finance and accounting or other as needed by the business and industry knowledge achieving complementary effects in monitoring the company operations.</li><li>The number of seats for independent directors at two seats or more.</li></ul> <p>Execution outcomes for diversity:</p> <ul style="list-style-type: none"><li>The current seven directors possess professionalism in business, legal, finance and accounting or other as needed by the business, with better synergies for the company’s future development.</li><li>Three seats of independent directors now.</li></ul> <table><tr><th rowspan="2">Name</th><th rowspan="2">Gender</th><th colspan="3">Age</th><th colspan="2">Years of Service as an Independent Director</th><th rowspan="2">Concurrently serve as employees in the Company</th><th rowspan="2">1 Operational Judgment Skills</th><th rowspan="2">2 Management Skills</th><th rowspan="2">3 Crisis Management Skills</th><th rowspan="2">4 Understanding of the Global Market</th><th rowspan="2">5 Leadership Skills</th><th rowspan="2">6 Professional Skills</th><th rowspan="2">7 Knowledge of the Industry</th></tr><tr><th>40 to 50</th><th>60 to 70</th><th>71 to 75</th><th>3 years and below</th><th>3 to 9 years</th></tr><tr><td>Yong- Fen Hsieh</td><td>Female</td><td></td><td>V</td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Semiconductor</td><td>Technology</td></tr><tr><td>NG BENG SOON</td><td>Male</td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Corporate management</td><td>Technology</td></tr><tr><td>Chun Kuan</td><td>Male</td><td></td><td>V</td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Finance and accounting</td><td>Technology</td></tr><tr><td>Scott Allen</td><td>Male</td><td>V</td><td></td><td></td><td></td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Corporate management</td><td>Technology</td></tr><tr><td>Ching- Hsiang Hsu</td><td>Male</td><td></td><td>V</td><td></td><td></td><td>V</td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Semiconductor</td><td>Technology</td></tr><tr><td>Nun- Sian Tsai</td><td>Male</td><td></td><td>V</td><td></td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Semiconductor</td><td>Technology</td></tr><tr><td>Juine Kai Tsang</td><td>Male</td><td></td><td></td><td>V</td><td>V</td><td></td><td></td><td>V</td><td>V</td><td>V</td><td>V</td><td>V</td><td>Corporate management</td><td>Technology/ Finance</td></tr></table>										Name	Gender	Age			Years of Service as an Independent Director		Concurrently serve as employees in the Company	1 Operational Judgment Skills	2 Management Skills	3 Crisis Management Skills	4 Understanding of the Global Market	5 Leadership Skills	6 Professional Skills	7 Knowledge of the Industry	40 to 50	60 to 70	71 to 75	3 years and below	3 to 9 years	Yong- Fen Hsieh	Female		V				V	V	V	V	V	V	Semiconductor	Technology	NG BENG SOON	Male		V					V	V	V	V	V	Corporate management	Technology	Chun Kuan	Male		V					V	V	V	V	V	Finance and accounting	Technology	Scott Allen	Male	V						V	V	V	V	V	Corporate management	Technology	Ching- Hsiang Hsu	Male		V			V		V	V	V	V	V	Semiconductor	Technology	Nun- Sian Tsai	Male		V		V			V	V	V	V	V	Semiconductor	Technology	Juine Kai Tsang	Male			V	V			V	V	V	V	V	Corporate management	Technology/ Finance	
Name	Gender	Age			Years of Service as an Independent Director		Concurrently serve as employees in the Company	1 Operational Judgment Skills	2 Management Skills	3 Crisis Management Skills	4 Understanding of the Global Market	5 Leadership Skills			6 Professional Skills	7 Knowledge of the Industry																																																																																																																										
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Juine Kai Tsang	Male			V	V			V	V	V	V	V	Corporate management	Technology/ Finance																																																																																																																												
(II) Other than the establishment of Remuneration Committee and Audit Committee which are required by law, does the Company plan to set up other functional committees?			(II) The Company has appointed the Remuneration Committee and Audit Committee according to law, and has not yet appointed other functional committees. Appointment will be carried out depending on future needs assessment.																																																																																																																																							

Evaluation item	State of operation			Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<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>(IV) Does the company regularly evaluate its certified public accountant's independence?</p>			<p>(III) The Company's board has in November 2019 passed the Board Performance Evaluation Regulations, and the performance evaluations have been conducted on a regular basis according to the regulations. The performance self-evaluation contents include board duties awareness, awareness of company goals and director's duties, involvement in the Company's operation, internal relation management and communication, expertise and continuing training of director, internal control, and so on key topics. The 2021 self-evaluation results were reported to the board on March 28, 2022 and announced on the official website. The average score for the latest board performance self-evaluation for 2021 was 92 points out of a 100-point full score.</p> <p>(IV) The Company's Finance Department regularly evaluates the independence of CPAs and will obtain the CPAs' statement of independence each year for reporting to the board on the evaluation results. The latest independence evaluation had been passed by the Audit Committee and Board of Directors meeting on February 18, 2022. Important evaluation procedures, such as: Obtain the CPAs' Statement of Independence, evaluate whether the CPAs hold shares of the Company or whether there are circumstances relating to lending of funds, evaluate whether the CPAs and the Company is engaged in joint investment or profit-sharing relationship, and whether the CPAs have provided the verification service for more than seven years in a row, etc.</p>	
IV. Does the company have qualified and sufficient corporate governance personnel, and does the company have a corporate governance officer to be responsible for matters regarding corporate governance (including but not limited to providing Directors and Supervisors with information required for the implementation of business operations, assisting Directors and Supervisors to comply with laws and regulations, preparing meeting-related matters and meeting minutes for the Board of Directors meeting, shareholders' meeting and so forth in	V		(I) The Company's Finance Department is responsible for the dedicated unit for Corporate Governance and has on March 19, 2021, appointed a corporate governance officer, to ensure the execution of related affairs. They include coordinating various departments for timely submission of information to the board, supporting the board members complying to the laws, process related matters to board and shareholders' meetings and to realize corporate governance work according to legal requirements, prepare meeting minutes for board and shareholders' meetings and support the arrangements on continuing education	None

Evaluation item	State of operation			Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																								
	Yes	No	Summary description																									
accordance with the laws and regulations)?			courses for directors and senior management.																									
V. Does the Company have channels for communications with the stakeholders, and has it set up a section for stakeholders on the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	V		(I) The Company has appointed the spokesperson and deputy spokesperson system, related contact information has been announced on the MOPS according to regulations. At the same time, the relevant information to finance and stock affairs is announced on the company website. It is a goal to build good communication channels with the investors.  (II) The company website follows the legal requirements as amended by the competent authority to place the texts of “Investors Section” at an obvious place on the homepage of the company website to allow stakeholders to find the Section easily for access to understand the contact channels of various topics and to obtain proper responses.  <table><tr><th>Main topics of concerns</th><th>Main stakeholders (part)</th><th>Communication channels (part)</th></tr><tr><td>Environmental regulations compliance</td><td>Customers</td><td>Direct communications, customer satisfaction surveys</td></tr><tr><td>Social regulations compliance</td><td>Shareholders</td><td>Annual report/financial report, MOPS website</td></tr><tr><td>Patent</td><td>Banks</td><td>Direct communications, MOPS website</td></tr><tr><td>Labor relations</td><td>Suppliers</td><td>Direct communications, supplier evaluation report</td></tr><tr><td>Customer privacy</td><td>Government Agencies</td><td>Official letters/documents exchanges</td></tr><tr><td>Economic Performance</td><td>Employees/Management level</td><td>Direct communications, communication and coordination meetings, business report meetings</td></tr><tr><td>Occupational health and safety</td><td></td><td></td></tr></table>	Main topics of concerns	Main stakeholders (part)	Communication channels (part)	Environmental regulations compliance	Customers	Direct communications, customer satisfaction surveys	Social regulations compliance	Shareholders	Annual report/financial report, MOPS website	Patent	Banks	Direct communications, MOPS website	Labor relations	Suppliers	Direct communications, supplier evaluation report	Customer privacy	Government Agencies	Official letters/documents exchanges	Economic Performance	Employees/Management level	Direct communications, communication and coordination meetings, business report meetings	Occupational health and safety			None
Main topics of concerns	Main stakeholders (part)	Communication channels (part)																										
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Customer privacy	Government Agencies	Official letters/documents exchanges																										
Economic Performance	Employees/Management level	Direct communications, communication and coordination meetings, business report meetings																										
Occupational health and safety																												
VI. Has the company contracted a professional stock affairs agency to handle the shareholders’ meeting related affairs?	V		The Company entrusted Fubon Securities Co., Ltd. to handle the shareholders’ meetings matters. It is a professional stock affairs agency.	None																								
VII. Disclosure of Information (I) Does the Company create a website to disclose information	V		(I) The Company has set up the company website	None																								

Evaluation item	State of operation			Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>regarding its finance, business operations and corporate governance?</p> <p>(II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company's information, implementing the spokesperson system, and uploading videos of the investor conferences on the company's website)?</p> <p>(III) Does the Company announce and declare the annual financial statements within two months after the end of the fiscal year and announce and declare the financial reports of the first, second and third quarter as well as the monthly operating report before the deadline?</p>			<p>(https://www.ma-tek.com) with links to the MOPS. Related information on the Company's finance, business and corporate governance has been disclosed on the company website in addition to disclosure on MOPS conforming to legal requirements.</p> <p>(II) The Company also discloses corporate governance information on MOPS (mops.twse.com.tw).</p> <p>(III) Although the Company had not made public announcement and regulatory filing within two months at the end of the fiscal year, but it had made advance announcement and filing of the 2021 Q1 to Q3 financial statements and monthly operation status within the legally prescribed timeframe. The disclosure of the above-mentioned information is updated on the company website simultaneously.</p>	
VIII. Does the Company have other important information that can help in gaining a better understanding about 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)?	V		<p>(I) Employee rights and worker care: For the Company's employee right protection measures, please refer to page 63–66 of this annual report. The Company emphasizes a clean and comfortable employee work environment and employee rights. Efforts are placed in building a good relationship with the employees based on mutual trust and reliance by securing the welfare benefits of employees' living.</p> <p>(II) Investor relationship: The Company has a spokesperson and deputy spokesperson system and has appointed a dedicated investor relationship department and personnel, set up the official website in Mandarin and English languages, contact information, made regular announcements of performance and so on, committed to sustaining investor relationship.</p> <p>(III) State of execution on supplier relationship and customer policy: The Company has for over the long course signed contracts with its customers and suppliers to protect the rights and obligations of both parties and has maintained good relationships. The Company is</p>	None

Evaluation item	State of operation			Differences and reasons to the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>committed to the philosophy of ethical corporate management and upheld the principles of impartiality and mutual respect, prohibits its employees from using their position for direct or indirect acceptance of gifts, in maintaining ethical management in the dealings between the company and suppliers.</p> <p>(IV) Rights of stakeholders: Stakeholders can communicate and make suggestions to the company via mail, telephone, email, company website and so on methods in maintaining their legal rights.</p> <p>(V) State of continuing education for directors, supervisors and managerial officers: Please refer to the below table.</p> <p>(VI) State of execution on risk management policy and risk measurement standard: The Company uses multi-layer responsibilities model for the job duties and integrated responsibilities of the President's Office. Where there are special circumstances, report would be made to the Board of Directors at any time. Related work execution has been in good status.</p> <p>(VII) Status of purchase of liability insurance for the company's directors and supervisors: In ensuring the protection of the responsibilities of the directors and supervisors, keeping the assets and risks within the scope of control and dispersion, the Company has continued to purchase liability insurance for the directors. Each year the state of insurance purchase is reported to the board. This allows the directors to exercise their responsibility and authority without worries on the monitoring and governance of the company.</p>	
<p>IX. Please explain the improvement status of the corporate governance assessment results issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year and propose improvement measures for those matters that have not been improved.</p> <p>Each year the company will update the internal organization, system and information according to the corporate governance evaluation index or related regulations. The Company will continue to evaluate and consider possible improvement plans for items that have not attained any scores.</p>				

State of continuing education of the directors in 2021

Continuing Studies Date	Position	Name	Organizing Unit	Course Title	Continuing Studies Hours	If it meets the regulations
2021/11/23	Chairperson	Yong-Fen Hsieh	Accounting Research and Development Foundation	New Sustainable Development Policy – On Climate Governance and Low Carbon Management	6	Yes
2021/10/20	Director	Chun Kuan	Taiwan Corporate Governance Association	Key Analysis of the New Version Corporate Governance Roadmap and Legal Compliance	3	Yes
2021/10/20	Director	Chun Kuan	Taiwan Corporate Governance Association	How Can the Directors and Supervisors Monitor the Company to Perform Well on Corporate Risk Management and Crisis Handling	3	Yes
2021/10/29	Director	NG BENG SOON	Corporate Organization Association	Operation of Corporate Governance, Board of Directors and Remuneration Committee – Practice and Case Studies	3	Yes
2021/11/10	Director	NG BENG SOON	Securities and Futures Institute	Corporate Mergers and Acquisitions Practice – Centered on Hostile Merge	3	Yes
2021/10/27	Director	Scott Allen	Securities and Futures Institute	Human Resource in the Corporate Mergers and Acquisition Process and Acquisition Integration Topics Discussion	3	Yes
2021/10/28	Director	Scott Allen	Securities and Futures Institute	Discussions on Legal Responsibilities of Directors and Supervisors for Misstatements in Financial Statements	3	Yes
2021/3/17	Independent Director	Ching-Hsiang Hsu	Taiwan Corporate Governance Association	Analysis of Post-Pandemic Economy and State of the Industries	1.5	Yes
2021/5/5	Independent Director	Ching-Hsiang Hsu	Taiwan Corporate Governance Association	Ransomware and Corporate Management Risk Management	1.5	Yes
2021/7/2	Independent Director	Ching-Hsiang Hsu	Securities and Futures Institute	Seminar on Corporate Governance and Securities Regulations	3	Yes
2021/11/3	Independent Director	Ching-Hsiang Hsu	Taiwan Corporate Governance Association	State of Current Domestic and International Economy and Outlook for 2022	1.5	Yes
2021/10/18	Independent Director	Neng-Hsien Tsai	Taipei Exchange	Insider Shareholding Promotional Conference for Listed and Emerging Companies	3	Yes
2021/10/29	Independent Director	Neng-Hsien Tsai	Corporate Organization Association	Operation of Corporate Governance, Board of Directors and Remuneration Committee – Practice and Case Studies	3	Yes



2021/4/16	Independent Director	Juine-Kai Tsang	Taiwan Corporate Governance Association	The only two insurances directly refer to corporate governance - information security insurance	3	Yes
2021/4/23	Independent Director	Juine-Kai Tsang	Taiwan Corporate Governance Association	Discuss Taiwanese Business Management and M&A Strategies from Global Political and Economic Situations	3	Yes

**Continuing Education and Training Related to Corporate Governance Attended by Managerial officers**

Position	Name	Date onboard	Time (Start/ End)	Organizer	Course Title	Continuing Studies Hours
President	Yong-Fen Hsieh	20020416	20211123	Accounting Research and Development Foundation	New Sustainable Development Policy – On Climate Governance and Low Carbon Management	6
Financial Officer and Corporate Governance Officer	Sam Lee	20180912	20211119	Securities and Futures Institute	Practical Case Analysis for Breach of Trust and Special Breach of Trust by Directors and Supervisors	3
			20211119	Securities and Futures Institute	Discussion of Practice for Combating Money Laundering and Financing of Terrorism	3
			20211123	Accounting Research and Development Foundation	New Sustainable Development Policy – On Climate Governance and Low Carbon Management	6
			20211223	Securities and Futures Institute	How Can Directors Analyze Financial Statements and Focus on Corporate Risk Management	3
			20211223	Securities and Futures Institute	Discuss Corporate Tax Governance and Tax Technology Solutions From ESG Trends and Pandemic Environment	3
Accounting Officer	Yu-Li Lin	20151029	20210826–20210827	Accounting Research and Development Foundation	Continuing Education for Accounting Supervisors of Securities Issuers, Securities Firms, and Securities Exchanges	12

(IV) For companies that have a Remuneration Committee, its composition, rights and responsibilities, and operational status should be disclosed:

The Company's Remuneration Committee operates according to the Remuneration Committee Charter convening meetings at least twice a year. Its duties are mainly to support the board in the execution and assessment of the overall company remuneration system and remuneration of the managerial officers.

1. Remuneration Committee member profile

Identity	Criteria Name	Professional qualifications and experiences	Independence status	Serving concurrently as a Remuneration Committee member on other public companies in total
Independent Director	Ching-Hsiang Hsu	The composition of the Company's Compensation Committee consists of three independent directors. Please refer to Page 9–12 of this Annual Report on their professional qualifications and experiences.	All members of the Compensation Committee meet the circumstances as stated below: 1. Fulfilled the (note) related regulations in Article 14-6 of the "Securities and Exchange Act" and "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is listed on the Taiwan Stock Exchange of the Taipei Exchange" of the FSC. 2. Themselves (or under the name of another person) or spouses or minor children thereof, held none of the Company's shares. 3. There has been no compensation amount from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent two years.	0
Independent Director	Neng-Hsien Tsai			0
Independent Director	Juine-Kai Tsang			1

Note: None of the below stated circumstances have occurred in the period of two years prior to the assumption of office and within the term of office:

- (1) Is an employee of the company or its affiliates.
- (2) Is a director or supervisor of the company or any of its affiliates.
- (3) Holding more than 1% of the outstanding shares issued by the company or among the top ten natural person shareholders by the person or his/her spouse or underage children, or in the name of a third party.
- (4) Is a manager as specified in (1) or a spouse, a blood relative at the second degree of kinship under the Civil Code, or a blood relative at the third degree of kinship under the Civil Code as specified in (2) and (3).
- (5) Is a director, supervisor, or employee shareholder that directly holds 5% or more of the total number of issued shares of the company, or that designates its representative to serve as a director or supervisor of the company under Article 27 of the company Act.
- (6) Is someone who controls more than half of a company's directors or voting shares in any other company.
- (7) The chairperson, general manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses who is a director (or governor), supervisor, or employee of that other company or institution.
- (8) Is a director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (9) Is a professional individual, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting, or related services to the company or any affiliate of the company for which the provider has received cumulative compensation not exceeding NT\$500,000 in the past two years, nor a spouse thereof. For those who is acting as a member of the Company's Compensation Committee are not included.

2. State of operation of the Remuneration Committee

- (1) The Company's Remuneration Committee is formed by independent directors with 3 member seats.
- (2) Tenure of the committee members for current term: From the period between June 18, 2020 to June 17, 2023, a total of two meetings (A) were held by the Remuneration Committee. The committee member attendance are as follows:

Title	Name	Actual Number of Attendances (B)	Number of Entrusted Attendances	In-person attendance rate (%) (B/A) (Note)	Remarks
Convener	Ching-Hsiang Hsu	1	1	50%	Should attend 2 times in 2021
Committee Member	Neng-Hsien Tsai	2	0	100%	Should attend 2 times in 2021
Committee Member	Juine-Kai Tsang	1	0	50%	Should attend 2 times in 2021
<p>Other matters that require reporting:</p> <p>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 handing of the opinions of the Remuneration Committee shall be stated: None.</p> <p>II. When there are objections or qualified opinions for the records or with written statements of Remuneration Committee members to committee resolutions, state the date and session of the committee meeting, the proposal, and the settlement of the opinions for and against the resolution: None.</p>					

- (3) Other matters that require reporting: Discussion matters and resolution results by the Remuneration Committee

Remuneration Committee	Proposal contents	Resolution results	Treatment of the Remuneration Committee opinions by the company
4th Term 2nd Time 2021.03.19	<ul style="list-style-type: none"> <li>Formulate the 2021 director and supervisor and employee remuneration allocation proportion.</li> <li>2020 director and supervisor and employee remuneration appropriation.</li> <li>Formulate the 2020 employee remuneration distribution principles.</li> <li>Salaries Adjustment for the Managerial Officers.</li> <li>Formulate the 2021 salary adjustment proportion range.</li> </ul>	Passed by all committee members	None
4th Term 3rd Time 2021.08.06	<ul style="list-style-type: none"> <li>2020 director and supervisor remuneration appropriation.</li> <li>2020 Managerial officers remuneration appropriation.</li> <li>The Company's 2021 salaries adjustment.</li> <li>Transfer of treasury stock to employees.</li> </ul>	Passed by all committee members	None

(V) Implementation status of promoting sustainable development and discrepancies with the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Does the Company have a governance structure for sustainability development and a dedicated (or ad hoc) sustainable development unit with Board of Directors authorization for senior management, which is supervised by the Board of Directors?	V		The Corporate Sustainability Promotion Working Group is composed of the “Corporate Governance Team”, “Customer Relations and Technology Development Team”, “Environment Sustainability Team”, and “Employee Care and Social Participation Team”. Each of the teams is led by responsible personnel to formulate sustainability strategies and processes covering governance, environment and social aspects (i.e. ESG). The company strives to achieve corporate sustainable development and fulfilling its corporate citizen responsibilities through its efforts for sound corporate governance, environmental protection, participation in social care and its commitments to the various stakeholders. Each year, the Working Group will make regular report to the Board of Directors. The last report to the board was made on May 10, 2022 on the company’s 2021 execution outcomes and highlights relating to sustainable development.	None
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		The Company has established the “Sustainable Development Best-Practice Principles” to guide its business management in actively meeting the international sustainable development trend balancing environment, social and corporate governance development. The risk management policy is developed based on the company’s entire operation guideline to define the various types of risks, building and early identification, accurate measurement, effective monitoring and strict control of risk management mechanism. The purpose is to prevent possible losses within the scope of bearable risks, and make continuous adjustments and improvements to the best risk management practices as the internal and external environment changes. It is a goal to protect the profits of employees, shareholders, partners and customers, and to achieve the principle of optimality in the company’s resource allocation. The risk management implementation outcomes and details have	None

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			been disclosed in the MA-tek 2021 Sustainability Report.	
<b>III. Environmental topics</b> (I) Has the Company set up an Environmental management system suitable to industry characteristics?  (II) Is the Company committed to enhancing the energy efficiency and using renewable materials that have low impact on the environment? (III) Does the Company assess potential risks and opportunities associated with climate change and undertake measures in response to climate issues?  (IV) Does the Company maintain statistics on greenhouse gas emission, water usage and waste volume, as well as developing carbon reduction, water reduction or waste management policies?	V  V  V  V		(I) The Company maintains the work and natural environments in accordance with the Public Security Building Act, fire services regulations, labor health and safety regulations, and Waste Disposal Act. (II) The Company has contracted a licensed waste clearance service provider to collect related raw materials generated to collect the materials for reuse and recycling. (III) The Company pays close attention to the topics and issues relating to climate change, actively identifies risks, constructs adaptation capability, commits to promoting energy management, energy-saving and carbon management, water resource management, and waste management. We continue to communicate with our stakeholders with the release of our sustainability report and concurrently inspect our own company's development history in constructing sustainable operation capability. (IV) The Company regularly compiles statistics of the volume of wastes produced, utilizing statistical analysis to identify waste reduction strategies in order to reduce the amount of waste generated. Related information has been disclosed in the MA-tek 2021 sustainability report.	None
<b>IV. Social issues</b> (I) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(I) The Company respects human rights and supports diversity and equality philosophy, and complies with the various internationally recognized human right regulations, such as the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, United Nations Global Compact. We are committed to promoting harmony, inclusiveness and fair corporate operating environment with our customers, suppliers and so on partners. The Company has also established the Employee Work Rules	None

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Does the Company stipulate and implement reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflect business performance or outcome in employees' compensations?	V		<p>according to the Labor Standards Act and related laws. We do not hire illegal labor or child labor in violations of the labor-related laws and regulations. We support the hiring of persons with disabilities. The Company regularly convenes labor-management meetings to protect employee rights and interests.</p> <p>(I) The Company has established the Remuneration Committee according to the laws. If there are profits made for the fiscal year, the company shall allocate more than 1% or more as employee remuneration, which will be distributed in stock or cash by board resolution. The parties for the employee stock or bonus distribution are based on related laws and qualified employees of controlling or subordinate companies are also included in the payment. The board shall determine the qualifications. The employee remunerations allocated in the recent two years are more than 15%. The allocations are made each year to the employees. Employees also enjoy coverage for labor insurance, group insurance, end-of-year bonus, three festivals cash gifts, quarter cash gifts, wedding, funeral and celebratory subsidies, yearly health checkups, high amount travel subsidies, and educational training, and so on employee benefits.</p> <p><u>Leave system</u></p> <p>(1) Offered based on the laws and regulations: Conform to the Labor Standards Act and Act of Gender Equality in Employment in establishing the Attendance and Leave Management Procedures. The regulations cover annual leave, maternity leave, miscarriage leave, parental leave, menstrual leave, family care leave and so on. The principles for taking leave that conforms to gender equality: Employees applying for leaves would not affect their rights to performance, rewards and remuneration and promotion.</p> <p>(2) Flexible work hours: Regulated office hours are from 09:00–17:00. Flexible work</p>	

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies					
	Yes	No	Summary description						
(III) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		<p>system is designed for employees considering traffic problems in commuting to work, the times for getting to and off work, are from 08:00–09:30 and 17:00–18:30.</p> <p><u>Retirement system</u> Allocate monthly 6% for the new pension system to the labor’s dedicated account with the Ministry of Labor. For employees reporting to work before July 2005, monthly allocation for 2% of the employees’ salary is transferred to the Bank of Taiwan. Each year an actuary is appointed to provide an actuarial report.</p> <p>(III) In principle, employees are the company’s most important assets. It is the company’s responsibility to protect its employees and to provide a safe work environment for them. There is also commitments to provide safe work environment and training to lower hazardous risk factors, building a comprehensive and transparent risk communication mechanism. Although the Occupational Safety and Health Management System has not yet been introduced at present, we still actively implement occupational safety and health management projects and strictly comply with the requirements specified in the Occupational Safety and Health Act and other regulatory requirements to establish a safe and secure working life without worries, improve the environment for employee safety, and maintain a foundation for stable long-term corporate operations.</p> <p>The Company has established labor safety and health work rules. Each year, there are the employee health checkups and the health educational promotion conducted.</p> <table><tr><th colspan="3">2021 Environmental Safety and Health Education and Training</th></tr><tr><td>Training items</td><td>Number of People</td><td>Total training hours (single time training hours * single time number of person trained)</td></tr></table>	2021 Environmental Safety and Health Education and Training			Training items	Number of People	Total training hours (single time training hours * single time number of person trained)
2021 Environmental Safety and Health Education and Training									
Training items	Number of People	Total training hours (single time training hours * single time number of person trained)							

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies		
	Yes	No	Summary description			
(IV) Has the Company established effective career development training plans?	V		Occupational Safety and Health Education and Training	188	752	
			Hazardous substances educational training	145	435	
			Radiation operators – Initial training	19	342	
			Radiation operators – Retraining	27	81	
			Emergency rescue personnel – Initial training	2	36	
			Occupational safety officer – Initial training	1	42	
			Toxic and Concerned Chemical Substances Emergency Responders Training	5	40	
			Class 1 pressure vessel operator	2	70	
			Fire safety training	17	136	
			Total	406	1934	
			(IV) MA-tek values the cultivation and development of its talents. To enable employees to have solid professional skills, and to continue the advancement of their professional capabilities, we have provided many training courses and arrangements. They are mainly categorized into “General Knowledge Training”, “Professional Skills Training”, “Management Training”, and “Environment and Safety Training”. Every employee can access these courses at MA-tek.			
(V) Does the Company comply with relevant laws and international principles with regards to issues of customers’	V		<ul style="list-style-type: none"><li>● Provide a complete and robust new hire training, internal professional technical training, and continue to enhance professional skills of employees.</li><li>● Encourage employees to participate in external professional technical training. Full subsidies for designated training and approved internal and external courses.</li><li>● Smooth promotion channel and overseas development opportunities and provide excellent relocation benefits.</li></ul>			
			(V) The Company is engaged in testing and analysis service. The work quality has passed the ISO 9001 and IECQ certifications.			



Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
<p>health, safety and privacy and marketing and labeling of products and services and stipulate relevant consumer or customer protection policies and complaint procedures?</p> <p>(VI) Does the Company implement a supplier management policy that requires suppliers to comply with policies with respect to environmental protection, occupational safety and health or workers'/human rights issues, and what is the implementation status?</p>	V		<p>On customer privacy, MA-tek continues to strengthen the protection of its customers' confidentiality, and establishes the information security policy to protect the company and customer confidentiality from leaks.</p> <p>(VI) The Company currently has established the "Procedures on Supply Chain Management", and "Procedures for Procurement Management".</p> <p>To build and maintain good collaborative relationships with the suppliers, MA-tek makes 100% requests to its suppliers to sign the "Integrity Declaration" and the "Confidentiality Affidavit". The suppliers shall not engage in any conducts violating integrity and shall strictly abide by the integrity-related laws (including but not limited to the laws of the Republic of China) and confidentiality obligations.</p> <p>The suppliers are to abide by the related regulations on environment, occupational safety and health or labor rights and so on topics in achieving the purpose of the company and suppliers committed to work together in enhancing corporate social responsibilities. MA-tek places efforts in environmental sustainability by continuing to increase the ratio of local procurement in the hope to lower transport cost and to reduce environmental impacts. On the US-made equipment parts which are of the largest procurement amount, the procurement was originally sourced directly with the original factory in the USA which was time consuming. After the entry of the Taiwan dealer, MA-tek turns to procurement from the local dealer, with an annual procurement amount of NTD3,273,128, which saves the cost of NTD608,650 at 15.68%.</p>	
<p>V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Does the preceding report obtain verification or opinions from a third-party authentication unit?</p>	V		<p>This report is based on the GRI Sustainability Reporting Standards (GRI Standards) of the Global Reporting Initiative (GRI) and the SASB – Professional &amp; Commercial Services as a supplement. The Core Option was adopted as the disclosure principle for the GRI report preparation.</p> <p>The report engages Deloitte Taiwan to conduct verification on the</p>	None

Promotion item	State of operation			Differences and reasons to the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			report to confirm the report conforms to the principles of the GRI Core Option disclosure, and to obtain the assurance statement. The statement is attached to the report for reference.	
VI. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences: The Company has established the “Codes of Ethical Conduct”, “Ethical Corporate Management Best-Practice Principles”, and the “Sustainable Development Best-Practice Principles”, upholding the spirit of corporate sustainable development in its execution. There have been no differences between the state of operation and the established rules.				
VII. Other important information that helps in understanding the implementation status of promoting sustainable development: To ensure the implementation of sustainable development, the sustainability promotion working group of MA-tek is driving and managing related sustainability issues via the four major teams formed by the various business departments based on their work functions. The teams are the “Corporate Governance Team”, “Customer Relations and Technology Development Team”, “Environment Sustainability Team”, and” Employee Care and Social Participation Team”. The outcomes of the sustainability issues driven by each team is collected and compiled by the report preparation team, and presented in the MA-tek sustainability report. These outcomes and report will be reported to the board.				

(VI) Implementation of ethical management and the differences with the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies and reasons:

Evaluation item	State of operation			Differences and reasons to the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
<p>I. Establishment of Business Conduct and Ethics Policy and Implementation Measures</p> <p>(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its business conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the senior management team?</p> <p>(II) Does the Company implement a risk assessment system of misconduct, regularly identify and assess business activities that present high risks of misconduct, and adopt preventive measures for misconduct that cover the preventive measures for the misconduct specified in the second paragraph of Article 7 in the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”?</p> <p>(III) Does the company establish relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) To make progress on the corporate sustainable development course, the Company has established the “Ethical Corporate Management Best-Practice Principles” to guide its implementation, and to prevent and prohibit unethical conducts from occurrence. The Company has established internal audit training, various management regulations and the “Codes of Ethical Conduct” to eliminate any malpractices. On the recusal of interests by directors and managerial officers, they cannot participate in the decision-makings where there are conflicts of interests in any decision-making or transactions.</p> <p>(II) The Company engages in its business activities based on principles of fairness and integrity. To implement the integrity management policy, and actively prevent unethical conducts, the rules are announced on the bulletin boards for the employees’ knowledge, and there are also irregular promotion of these rules and regulations.</p> <p>(III) When there is occurrence of unethical behaviors by the Company’s directors, independent directors, and managerial officers, the company shall handle the matter based on the disciplinary measures stipulated in the Codes of Ethical Conduct. Immediate disclosure shall be made on the MOPS website releasing information of the personnel in violation’s title, name, the date and details of the violation, and the actions taken in response. The company has set up related complaint system, providing remedies to the violation conducts.</p>	None
<p>II. Implementing Ethical Corporate Management</p> <p>(I) Does the company assess the ethics records of whom it has business relationship with and include business conduct and</p>	V		<p>(I) Before forming a commercial relationship with another party, the Company will assess the legitimacy of the party, and ascertain</p>	None

Evaluation item	State of operation			Differences and reasons to the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
ethics related clauses in the business contracts?			whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request to offer, or to take bribes.	
(II) Does the Company create a dedicated unit under the board of directors to promote corporate ethical management and regularly (at least once a year) report to the board of directors about the ethical management policy and implementation status of the prevention plan for misconduct ?	V		(II) To fulfill the monitoring responsibilities of ethical corporate management, the company's directors build various organizations and channels, such as the Audit Committee, Remuneration Committee, and internal audits, which the Ethical Corporate Management Working Group of the Corporate Sustainable Development Committee undertakes the responsibilities in realizing legal compliance, ethical and anti-corruption and establishment of regulations on governance structure and execution practices.	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(III) The Company's directors uphold high level of self-discipline. When the directors themselves or the juristic person they represent have a stake in the proposal for discussion, which may harm the company's profits, the directors would not join in the discussions and voting by recusing themselves. They would also not act as proxy exercising one's voting rights on behalf of other directors. The directors shall among themselves maintain the self-discipline and shall not engage in improper mutual support.	
(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		(IV) The Company has always focused on the correctness and completeness of its financial report procedures and its control, and designs related internal control system for process procedures with potential and higher risks of unethical conducts. Internal audits are conducted following the annual audit plans formulated based on the risks assessment outcomes. The audit outcomes and continuous improvement plans are reported to the Audit Committee, Board of Directors and all management levels in realizing audit effectiveness.	
(V) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(V) The Company irregularly promotes to the directors, managerial officers, employees, assignees, and substantial controllers to enable them to fully understand the determination of the	

Evaluation item	State of operation			Differences and reasons to the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
			company in ethical management and the prevention plans, and the consequences of the violations engaging in unethical conducts.	
III. Operation status of company reporting system (I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (II) Does the company stipulate the standard operating procedures, the follow-up measures that should be taken after the investigation and relevant confidentiality mechanism for the reported matters? (III) Does the company adopt proper measures to prevent a whistleblower from retaliation for his/her reporting?	V  V  V		(I) There are the employee opinion mailboxes and email installed enabling employees to submit complaints through telephone or letters on unethical conducts. Appropriate rewards and punishments will be given. (II) Classifications of the complaint matters and the investigation standard procedures have been established. The receipt and acceptance of the compliant cases, their investigation processes, outcomes, and related document preparations are well documented and preserved properly. When the complaint matter involves directors or senior management, it shall be reported to independent directors. If upon investigation it is discovered to be a significant violation matter or to cause significant damages to the company, a report shall be prepared about the case, and submitted for reporting in written form to the independent directors. (III) The complaint procedures of the Company are protective of the complainant, keeping their identity confidential, who should not be subjected to improper treatment.	None
IV. Strengthening information disclosure (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?	V		(I) The Company's Ethical Corporate Management Best-Practice Principles has been disclosed under the investor section of the company website. In the future, ethical corporate management related information shall be enhanced and updated and its state of execution shall be disclosed in the sustainability report.	None
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: No differences.				
VI. Other important information to facilitate better understanding of the company's business conduct and ethics compliance practices: (e.g. review the company's business conduct and ethics policy) To enhance all of the employees' work ethics and professional capabilities, the "Ethical Corporate Management Best-Practice Principles" and the "Codes of Ethical Conduct"				

Evaluation item	State of operation			Differences and reasons to the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary description	
have been established. These regulations cover the important responsibilities of all directors, managerial officers and all employees which shall be adhered to. The Company abides by the Company Act, Securities and Exchange Act, Business Entity Accounting Act, related charters for listed companies, or laws related to other business conducts, as a basis for implementing ethical management.				

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, it shall disclose how these are to be searched:  
Related charters have been uploaded onto the company website for inquiry search.

1. The Company has established the below charters and regulations according to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”:

- (1) Articles of Incorporation
- (2) Rules of Procedure for Shareholders’ Meetings
- (3) Procedures for Election of Directors
- (4) Rules of Procedure for Board of Directors Meetings
- (5) Remuneration Committee Charter
- (6) Procedures for the Acquisition or Disposal of Assets
- (7) Procedures for Lending Funds to Other Parties
- (8) Procedures for Endorsements and Guarantees
- (9) Code of Ethics and Business Conduct
- (10) Procedures for Handling Material Inside Information and Prevention of Insider Trading
- (11) Ethical Corporate Management Best-Practice Principles
- (12) Codes of Ethical Conduct

2. Method of inquiry:

Information on the company’s financial business and corporate governance is disclosed under the investor section of the Company’s website

<http://www.ma-tek.com/tw/>.

(VIII) Other material information that would increase understanding of the corporate governance, could also be disclosed as well:

The Company continues to enhance its corporate governance operations, and make various information available for reference by its investors, such as corporate governance related charters, material information and important board resolutions, on the investor section of the company’s website.

(IX) Implementation status of internal control system. The following shall be disclosed.

1. Statement of internal control system:

**Materials Analysis Technology Inc.**

**Statement of internal control system**

Date: March 18, 2022

The internal control system of the Company in 2021, the declaration based on the results of self-assessment is as below:

- I. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the board and managers and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, and asset security), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. Therefore, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the efficacy of the internal control system. However, internal control system of the Company features a self-monitoring mechanism that enables immediate rectification of deficiencies upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter referred to as “The Governing Principles”) to determine whether or not the existing policies continue to be effective. Assessment criteria introduced by “The Governing Principles” consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to “The Governing Principles” for further detail.
- IV. The Company has adopted the above-mentioned criteria to validate the efficacy of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2021. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company’s operational results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company’s annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 18, 2022, with zero of the seven attending directors expressing dissenting



opinions, and the remainder all affirming the content of this Statement.

Materials Analysis Technology Inc.

Chairperson and CEO: Yong-Fen Hsieh

Signature

2. For those who entrust a certified accountant to review the internal control system, the audit report by the accountant shall be disclosed: Not applicable.

(X) Punishments, major defects, and improvements in the previous year and by the date of report publication of the company or its personnel by the law or for violation of the regulations of the internal control system: None of such situation.

(XI) Important resolutions made by the general meeting of shareholders and board meetings in the previous year and by the date of report publication:

Meeting time	Category	Important resolutions	Resolution results
August 24, 2021	Shareholders Annual General Meeting	<p>Report Matters</p> <ol style="list-style-type: none"> <li>2020 State of the Business Report</li> <li>Audit Committee audit on the 2020 End-of-Year settlement statements.</li> <li>2020 Employee, and director and supervisor remuneration distribution.</li> <li>State of external endorsements and guarantees by the Company.</li> <li>Buyback of the Company's shares – its resolution and execution status report.</li> <li>Amendments to partial articles of the "Regulations on Transfer of Share Buyback to Employees".</li> </ol> <p>Discussion Matters</p> <ol style="list-style-type: none"> <li>Passed the amendments to partial articles of the "Company Articles of Incorporation".</li> </ol>	Resolution passed
February 5, 2021	Board of Directors	<ol style="list-style-type: none"> <li>Passed the buyback of company shares for transfer to employees.</li> </ol>	Passed by all attending directors
March 19, 2021	Board of Directors	<ol style="list-style-type: none"> <li>Passed the 2021 business plan.</li> <li>Passed the 2020 Employee, and director and supervisor remuneration distribution.</li> <li>Passed the 2020 Business Report and Financial Report.</li> <li>Passed the 2020 Appropriation of Earnings.</li> <li>Passed the 2020 Statement of Internal Control System.</li> <li>Passed the 2021 CPAs Independence Evaluation.</li> <li>Passed the Salaries Adjustment for the Managerial Officers.</li> <li>Passed the amendments to partial articles of the "Regulations on Transfer of Share Buyback to Employees".</li> <li>Passed the amendments to partial articles of the "Company Articles of Incorporation".</li> <li>Passed the Company and subsidiaries bank loan limits application and renewal.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> <li>Passed the related matters to the convening of the 2021 shareholders annual general meeting.</li> <li>Passed the shareholder proposal acceptance period and processing office for the 2021 shareholders annual general meeting.</li> <li>Passed the appointment of the corporate governance officer.</li> <li>Passed the reinvestment of Workflow Enhancement Technology Inc.</li> </ol>	Passed by all attending directors
May 7, 2021	Board of Directors	<ol style="list-style-type: none"> <li>Passed the Company and subsidiaries bank loan limits application and renewal.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> </ol>	Passed by all attending directors
August 5, 2021	Board of Directors	<ol style="list-style-type: none"> <li>Passed the 2020 Director and supervisor, and employee remuneration distribution.</li> <li>Passed the Company's 2021 salaries adjustment.</li> <li>Passed the amendments to partial articles of the</li> </ol>	Passed by all attending directors

Meeting time	Category	Important resolutions	Resolution results
		<p>Company's "Labor and Wage Cycle", and "Research and development (R&amp;D) Cycle".</p> <ol style="list-style-type: none"> <li>Passed the amendments to partial articles of the Company's "Regulations on Transfer of Share Buyback to Employees".</li> <li>Passed the transfer of treasury stock to employees.</li> <li>Passed the subsidiaries' bank loan limits application.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> <li>Passed the MA-tek (Shanghai) lending of funds to MA-tek (Xiamen).</li> <li>Passed the re-establishment of the dates and handling office for the convening of the shareholders annual general meeting.</li> </ol>	
November 5, 2021	Board of Directors	<ol style="list-style-type: none"> <li>Passed the Company's 2022 Internal Audit Process Audit Plan.</li> <li>Passed the appointment of the Vice President for the business development group.</li> <li>Passed the subsidiaries' bank loan limits application.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> <li>Passed the proposal for changing CPAs in cooperation with the internal rotation change of the CPA firm.</li> </ol>	Passed by all attending directors
February 18, 2022	Board of Directors	<ol style="list-style-type: none"> <li>Passed the 2022 business plan.</li> <li>Passed the amendments to partial articles of the "Labor and Wage Cycle" of internal control.</li> <li>Passed the Company's 2022 CPAs Independence Evaluation.</li> <li>Passed the Company and subsidiaries bank loan limits application.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> <li>Passed the managerial officer salaries and appointments.</li> <li>Passed the acquisition of right-of-use assets.</li> <li>Passed the amendments to the name and partial articles of the "Corporate Social Responsibilities Best-Practice Principles".</li> </ol>	Passed by all attending directors
March 18, 2022	Board of Directors	<ol style="list-style-type: none"> <li>Passed the 2021 Director and employee remuneration distribution.</li> <li>Passed the 2021 Business Report and Financial Report.</li> <li>Passed the 2021 Appropriation of Earnings.</li> <li>Passed the Company's capital surplus distribution in cash dividend.</li> <li>Passed the 2021 Statement of Internal Control System.</li> <li>Passed the Company and subsidiaries bank loan limits application and renewal.</li> <li>Passed the endorsement and guarantee for subsidiaries.</li> <li>Passed the amendments to partial articles of the "Purchase and Payment Cycle" of internal control.</li> <li>Passed the amendments to partial articles of the "Company Articles of Incorporation".</li> <li>Passed the amendments to partial articles of the "Procedures for the Acquisition or Disposal of Assets".</li> <li>Passed the amendments to partial articles of the "Rules of Procedure for Shareholders' Meetings".</li> <li>Passed the related matters to the convening of the 2022 shareholders annual general meeting.</li> <li>Passed the shareholder proposal acceptance period and processing office for the 2022 shareholders annual general meeting.</li> </ol>	Passed by all attending directors

(XII) Contents of the objections for the records or with written statements of directors

or supervisors to important Board resolutions in the previous year and by the date of report publication: None of such situation.

(XIII) In the most recent year and as of the annual report publication date, the resignation and dismissal status of related persons in the financial statements (including the chairperson, president, accounting officer, financial officer, internal audit officer, and R&D officer): None.

(XIV) Review discussions on the execution status of the convening of the 2021 shareholders' meeting resolution:

Date of convening	2021 Annual General Meeting of Shareholders
2021.08.24	<ol style="list-style-type: none"> <li>1. The 2020 Business Report and Financial Report for ratification. State of execution: Related statements have been submitted to the competent authorities for future reference and for public announcement and regulatory filing according to the Company Act and related laws and regulations.</li> <li>2. The 2020 Appropriation of Earnings for ratification. State of execution: September 21, 2021 has been set as the ex-dividend date and October 15, 2021 as the cash dividend distribution date. (Cash dividends distributed at NT\$4.5 per share)</li> <li>3. The amendments to partial articles of the Company Articles of Incorporation. State of execution: It has already begun operations based on the amended regulations.</li> </ol>

#### IV. Information on CPA's professional fees:

Unit: NTD in thousand

Name of CPA firm	Name of CPA	CPA audit period	Audit fee	Non-audit fee	Total	Note
Deloitte Taiwan	Cheng-Chih Lin	20210101–	3,560	745	4,305	Internal rotation of the CPA firm
	Ming-Yuan Chung	20210930				
	Tung-Hui Yeh	20211001–				
	Mei-Chen Tsai	20211231				

Note 1: Non-audit fee include business registration of NTD45 thousand, transfer pricing of NTD300 thousand verification fee, cross-strait procedures taxation consultation NTD400 thousand.

- (I) If the non-professional audit fee paid to the certified accountant, the firm of the certified accountant and its affiliated institution is more than a quarter of the professional audit fee, the amount of professional audit fee and non-professional audit fee as well as the content of non-audit services shall be disclosed: None.
- (II) If the audit fee of the year is less than that of the previous years after changing CPA firm, then the fees before and after the change, the ratio, and the reason for change shall be disclosed: None.
- (III) If the audit fee of the year is lesser by 15% or more than that of the previous year, then the fees before and after the change, the ratio, and the reason for change must be disclosed: None.

#### V. Information on change of CPAs: None.

#### VI. The facts about the company chairman, president, managerial officer in charge of financial or accounting affairs having served with the CPA firm or the affiliation thereof over the past year: None.

#### VII. Any equity transfer or change in equity pledge by a director, supervisor, managerial officer, or shareholder with 10% stake or more from the most recent year up to the date of publication of the annual report:

- (I) Net change in shareholding by directors, supervisors, management, and major shareholders:

Unit: Share

Position	Name	2021		2022, as of April 30	
		Number of shares held Increase (decrease) amount	Number of pledged shares Increase (decrease) amount	Number of shares held Increase (decrease) amount	Number of pledged shares Increase (decrease) amount
Director	ARQ Consulting Company	-	-	-	-
Director	Chun Kuan	61,321	-	-	-
Director	ERP Investment Corp.	(232,000)	-	(27,000)	-
Director	SHIN MING Corp	-	-	-	-

Position	Name	2021		2022, as of April 30	
		Number of shares held Increase (decrease) amount	Number of pledged shares Increase (decrease) amount	Number of shares held Increase (decrease) amount	Number of pledged shares Increase (decrease) amount
Independent Director	Ching-Hsiang Hsu	-	-	-	-
Independent Director	Neng-Hsien Tsai	-	-	-	-
Independent Director	Juine- Kai Tsang	-	-	-	-
President	Yong-Fen Hsieh	-	-	-	-
Vice President	Ming-Chih Sun (Note 1)	-	-	-	-
Vice President	Ming-Ching Huang (Note 2)	-	-	-	-
Vice President and Financial Officer	Sam Lee	-	-	-	-
Accounting Officer	Yu-Li Lin	-	-	-	-

Note 1: 2021/11 newly appointed Note 2: 2022/01 promoted.

(II) The counterparty in any such transfer is a related party: None.

(III) The counterparty in any such pledge of equity interests is a related party: None.

**VIII. Information of top ten shareholders with mutual relationship of related parties or spouse, or relatives in the 2nd degree:**

April 17, 2022, Unit: Share

Name	Shares held by the person		Shares held by spouse & minors		Total shares held in the name of others		Information of top ten shareholders with mutual relationship of related parties or spouse, or relatives in the 2nd degree, their titles or names and relationship. (Note 1)		Remarks
	Number of shares	Shareholding Percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name (or full name)	Relationship	
ERP Investment Corp.	6,243,119	10.02%	-	-	-	-	-	-	
ERP Investment Corp. Representative Fu-Hua Chang	-	-	-	-	-	-	ERP Investment Corp.	Chairperson of this company	
ARQ Ltd.	4,725,526	7.58%	-	-	-	-	-	-	
Representative of ARQ Consulting Company: Yong-Fen Hsieh	133,129	0.21%	-	-	-	-	ARQ Ltd.	Chairperson of this company	
Shin Pei Industrial Co., Ltd.	2,190,384	3.52%	-	-	-	-	-	-	
Hui-Chu Wu Chen, Representative of Shin Pei Industrial Co., Ltd.	-	-	-	-	-	-	Representative of SHIN MING CORP.: Tung-Ming Wu	Spouse	
SHIN MING Corp	2,035,688	3.27%	-	-	-	-	-	-	
SHIN MING Corp Representative	-	-	-	-	-	-	Representative of SHIN MING	Spouse	

Name	Shares held by the person		Shares held by spouse & minors		Total shares held in the name of others		Information of top ten shareholders with mutual relationship of related parties or spouse, or relatives in the 2nd degree, their titles or names and relationship. (Note 1)		Remarks
	Number of shares	Shareholding Percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name (or full name)	Relationship	
Tung-Ming Wu							CORP.: Hui-Chu Wu Chen		
Taishin Life Insurance entrusted Taishin Securities Investment Trust Company Limited for discretionary stock investment second phase	1,351,000	2.17%	-	-	-	-	-	-	
Taiwan Life Insurance Co., Ltd.	982,,381	1.58%	-	-	-	-	-	-	
Ssu-Kuo Huang, Representative, Taiwan Life Insurance Co., Ltd.	-	-	-	-	-	-	Taiwan Life Insurance Co., Ltd.	Chairperson of this company	
Chang-Sen Ma	966,000	1.55%	-	-	-	-	-	-	
Trust Account of Yong-Fen Hsieh in custody of Hua Nan Commercial Bank, Ltd. (Note 2)	900,000	1.44%	-	-	-	-	Yong-Fen Hsieh	Note 2	
Wei-Chieh Huang	851,836	1.37%	-	-	-	-	-	-	
Chin-Pu Tsai	850,000	1.36%	-	-	-	-	-	-	

Note 1: The relationship of previously listed shareholders of either institutional and natural person, their relationships shall be disclosed.

Note 2: Holder of the trust account.

**IX. Investments jointly held by the company, the company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the company, with shareholding disclosed in aggregate of the said parties:**

December 31, 2021, Unit: Thousand shares

Reinvestment business	The Company's investment		Investment by directors, supervisors, managerial officers and companies of direct or indirect control		Comprehensive investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Ma-tek International Inc.	-	100%	-	-	-	100%
MA-tek (Shanghai) Ltd.	-	-	-	100%	-	100%
MA-tek (Xiamen) Ltd.	-	-	-	100%	-	100%
MA-tek Educational Consulting (Xiamen) Co., Ltd.	-	-	-	100%	-	100%
Ma-tek Japan Inc.	2	100%	-	-	2	100%
Ma-tek USA	-	100%	-	-	-	100%
Workflow Enhancement Technology Inc.	3,500,000	70%	-	-	-	70%

## Four. Capital Overview

### I. Capital and shares

#### (I) Source of capital stock

##### 1. Formation of capital

Unit: NTD in thousand; thousand shares

Year/ Month	Issued price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Subscriptions paid with property other than cash	Others
2002/05	10	2,400	24,000	2,400	24,000	Establishment	-	2002.05.14 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09132117790
2002/08	10	20,000	200,000	6,800	68,000	Cash capital increase NTD33,800 thousand	Capital increase by technical shares NTD10,200 thousand	2002.08.12 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09132550840
2004/03	10	20,000	200,000	9,800	98,000	Cash capital increase NTD30,000 thousand	-	2004.03.02 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09331740500
2005/09	10	20,000	200,000	10,538	105,380	Capitalization of earnings NTD7,380 thousand	-	2005.09.20 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09432853570
2005/11	10	20,000	200,000	13,188	131,884	Cash capital increase NTD20,000 thousand	Capital increase by technical shares NTD6,504 thousand	2005.11.11 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09433150020
2006/04	10	20,000	200,000	14,068	140,684	Acquired in a business combination NTD8,800 thousand	-	2006.04.10 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09531980930
2006/07	10	20,000	200,000	17,517	175,170	Capitalization of earnings NTD34,486 thousand	-	2006.07.26 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09532567660
2006/09	10	30,000	300,000	20,517	205,170	Cash capital increase NTD24,586 thousand	Capital increase by technical shares NTD5,414 thousand	2006.09.11 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09532786880



Year/ Month	Issued price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Subscriptions paid with property other than cash	Others
2007/05	10	30,000	300,000	24,717	247,170	Cash capital increase NTD42,000 thousand	-	2007.05.01 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09632041930
2007/08	10	40,000	400,000	29,817	298,176	Capitalization of earnings NTD51,006 thousand	-	2007.08.24 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09632656020
2008/07	10	40,000	400,000	33,714	337,135	Capitalization of earnings NTD38,918 thousand and employee stock option certificate execution of transfer at NTD40 thousand	-	2008.07.04 Financial Supervisory Commission (FSC) issued official letter Jin-Guan-Yi-Zi No. 0970033408
2009/07	10	40,000	400,000	36,928	369,275	Cash capital increase of NTD32,140 thousand	-	2009.07.17 Financial Supervisory Commission (FSC) issued official letter Jin-Guan-Zheng-Fa-Zi No. 0980035800
2009/09	10	40,000	400,000	39,389	393,894	Capitalization of earnings NTD23,599 thousand and employee stock option certificate execution of transfer at NTD1,020 thousand	-	2009.09.08 Financial Supervisory Commission (FSC) issued official letter Jin-Guan-Zheng-Fa-Zi No. 0980045715
2010/07	10	40,000	400,000	39,409	394,095	Employee stock option certificate execution of transfer at NTD200 thousand	-	2010.07.21 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09932329110
2010/10	10	40,000	400,000	39,501	395,014	Employee stock option certificate execution of transfer at NTD920 thousand	-	2010.10.15 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 09932709810
2011/01	10	40,000	400,000	39,616	396,165	Employee stock option certificate execution of transfer at NTD1,150 thousand	-	2011.01.14 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 100031549340
2011/03	10	50,000	500,000	40,135	401,355	Employee stock option certificate execution of transfer at NTD5,190	-	2011.03.16 Ministry of Economic Affairs (MOEA) issued official letter

Year/ Month	Issued price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital stock	Subscriptions paid with property other than cash	Others
						thousand		Jing-Shou-Zhong-Zi No. 10031753150
2011/09	10	50,000	500,000	43,113	431,131	Capitalization of earnings NTD23,777 thousand and employee stock option certificate execution of transfer at NTD6,000 thousand	-	2011.09.13 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 10032503510
2014/02	10	50,000	500,000	46,313	463,131	Cash capital increase NTD32,000 thousand	-	2014.02.17 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 10333102770
2016/12	10	70,000	700,000	53,313	533,131	Cash capital increase NTD70,000 thousand	-	2016.12.20 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Zhong-Zi No. 10501282110
2017/12	10	70,000	700,000	62,313	623,131	Cash capital increase NTD90,000 thousand	-	2017.12.29 Ministry of Economic Affairs (MOEA) issued official letter Jing-Shou-Shang-Zi No. 10601174480

## 2. Type of Shares

April 17, 2022; Unit: Share

Type of Shares	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered stock	62,313,157	7,686,843	70,000,000	

## (II) Composition of shareholders

April 17, 2022

Composition of shareholders Volume	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign institutions and foreigners	Total
Number of shareholders (person/s)	—	—	92	7,746	51	7,889
Number of shares held (share/s)	—	—	25,009,135	35,386,820	1,917,202	62,313,157
Shareholding ratio (%)	—	—	40.14%	56.79%	3.08%	100.00%

(III) Distribution of Shareholding

1. Common stock

April 17, 2022; Unit: Share; %

Level of shareholding	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	2,122	223,572	0.36%
1,000 to 5,000	4,717	8,458,886	13.58%
5,001 to 10,000	504	3,924,173	6.30%
10,001 to 15,000	141	1,821,613	2.92%
15,001 to 20,000	114	2,103,962	3.38%
20,001 to 30,000	85	2,149,978	3.45%
30,001 to 50,000	79	3,191,495	5.12%
50,001 to 100,000	52	3,651,565	5.86%
100,001 to 200,000	37	5,010,085	8.04%
200,001 to 400,000	18	4,904,590	7.87%
400,001 to 600,000	6	3,157,528	5.07%
600,001 to 800,000	4	2,619,776	4.20%
800,001 to 1,000,000	5	4,550,217	7.30%
1,000,001 and above	5	16,545,717	26.55%
Total	7,889	62,313,157	100.00%

2. Preferred shares: Not applicable.

(IV) Major shareholders name list, with names, number of shares held and percentage of shares for shareholders with share equity ratio at 5% and more or share equity proportion at top ten

April 17, 2022

Names of major shareholders	Shares	Number of shares held	Shareholding percentage (%)
ERP Investment Corp.		6,243,119	10.02%
ARQ Consulting Company		4,725,526	7.58%
Shin Pei Industrial Co., Ltd.		2,190,384	3.52%
SHIN MING Corp		2,035,688	3.27%
Taishin Life Insurance entrusted Taishin Securities Investment Trust Company Limited for discretionary stock investment second phase		1,351,000	2.17%
Taiwan Life Insurance Co., Ltd.		982,381	1.58%
Chang-Sen Ma		966,000	1.55%
Trust Account of Yong-Fen Hsieh in custody of Hua Nan Commercial Bank, Ltd.		900,000	1.44%
Wei-Chieh Huang		851,836	1.37%
Chin-Pu Tsai		850,000	1.36%

(V) Information Regarding Market Price, Net Value, Earnings, Dividend Per Share and Others for the Most Recent Two Years:

Unit: NTD/Thousand shares

Item \ Year		2020	2021	Current year as of March 31, 2022 (Note 9)
Market price per share (Note 1)	Highest	102.5	168.00	158.50
	Lowest	46.05	84.70	136.50
	Average	79.76	130.74	145.33
Net worth per share (Note 2)	Before distribution	47.27	52.34	50.63
	After distribution	42.77	—	—
Earnings per share	Weighted average number of shares (thousand shares)	62,313	61,903	62,313
	Earnings per share (before retroactive)	6.18	9.48	2.04
	Earnings per share (after retroactive)	—	—	—
Dividends per share	Cash dividend	4.5	5.0(Note 8)	—
	Free-Gratis Dividends	Stock dividend from retained earnings	—	—
		Dividends from capital surplus	—	—
	Accumulated unappropriated dividends (Note 4)		—	—
Return on Investment Analysis	Price-earnings ratio (Note 5)		12.91	13.79
	Price-dividend ratio (Note 6)		17.72	26.15
	Cash dividend yield (Note 7)		5.64%	3.82%

\*After a capital increase or stock grant with retained earnings or capital reserve, disclose information regarding the reversely adjusted market price and cash dividends based on the number of shares granted.

Note 1: Disclose the highest and lowest market prices of ordinary shares in each year and calculate the average market price based on the transaction value and transaction volume in each year.

Note 2: Please fill in according to the issued number of shares at the end of the year and resolution for distribution by the following year's shareholders' meeting.

Note 3: If there is a retroactive adjustment due to stock dividends, etc., the earnings per share before and after the adjustment should be shown.

Note 4: When the accumulation of undistributed dividends of the year until the year when there is profit for distribution is a condition for the issue of equity securities, disclose the undistributed dividends by the year of report publication.

Note 5: Price to earnings ratio = average closing price per share for the year / earnings per share.

Note 6: Price to dividends ratio = average closing price per share for the year / cash dividend per share.

Note 7: Cash dividends yield = dividend per share / average closing price per share for the year.

Note 8: 2021 cash dividend distribution completed on 2022/5/20. Appropriation of retained earnings distributed at NTD2.0 per share, capital surplus distributed at NTD3.0 per share.

Note 9: 2022 Q1 financial statements has been reviewed by the CPA.

## (VI) Dividends policy and implementation

### 1. Dividends policy established by the Company's Articles of Incorporation:

The current net income, if any, shall be applied to make up for the accumulated losses (including adjustment to the unappropriated amount), and appropriate 10% as legal reserve. However, where such legal reserve amounts to the total paid-in capital of the Company, this provision shall not apply. The special reserve shall be appropriated or reversed according to the law and regulations. For the balance amount, if any, and the cumulative unappropriated earnings, the board of directors shall draft an earnings distribution proposal to be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's dividend policy takes into consideration the current and future development plan, investment environment, funding requirement and domestic and overseas competition. It also takes into consideration factors such as shareholder interest. The yearly distributable earnings may be paid in cash or stock. In principle, the cash dividends stand the total dividends at between 30% to 100%, and the percentage for stock dividends is between 0% to 70%.

The Company may distribute all or part of the dividends and bonuses, legal reserve and paid-in capital in the form of cash and report to the shareholders' meeting, after such matter has been approved by at least half of the directors in attendance in a board meeting attended by no less than two-thirds of all board members, and the provisions of this Charter relating to resolution by the shareholders' meeting shall not apply.

Specific dividend policy: The dividend distribution status for the most recent 5 years is detailed in the table below. The percentage of the earnings allocated for distribution depends on various factors for that year, such as actual profits made, capital expenditure and funds situation for adjustments to be made. The related matters are processed according to regulations.

Dividend year	Cash dividend	Stock dividend	Total dividends	Shareholders' meeting date	Ex-dividend date
2021	5.0	0	5.0	-	2022/4/21
2020	4.5	0	4.5	2021/6/17	2021/9/21
2019	3.0	0	3.0	2020/6/18	2020/7/13
2018	3.0	0	3.0	2019/6/20	2019/7/5
2017	2.5	0	2.5	2018/6/13	2018/7/16

### 2. State of execution: Status of the dividend distribution proposed to this Shareholders' Meeting

The Company's proposed allocations for the 2021 distributable earnings are to allocate NTD124,626,314 as the shareholders cash dividends and to

distribute cash dividends from capital surplus for NTD186,939,471, total allocated cash dividend of NTD5.00 per share. It is to be processed according to Article 18-2 of the company's Articles of Incorporation. The Company may distribute all or part of the dividends and bonuses, legal reserve and paid-in capital in the form of cash and report to the shareholders' meeting, after such matter has been approved by at least half of the directors in attendance in a board meeting attended by no less than two-thirds of all board members, and the provisions of this Articles of Incorporation requiring resolution by the shareholders' meeting shall not apply.

This cash dividend distribution was completed on 2022/5/20.

3. Expected change in future dividend policy

The Company anticipates that the dividend policy does not have major changes. At least 50% of the distributable earnings are to be allocated as the shareholder dividends. The distribution ratio of the preceding paragraph's earnings shall depend on the actual profits for the current year, and adjusted based on related factors such as operation plan, capital expenditures and fund situation. It shall be processed after resolution by Shareholders' Meeting.

(VII) Impacts of the stock grants proposed by the current Annual General Meeting

(AGM) of shareholders on the Company's operations and earnings per share:

Not applicable, there has been no proposal for stock grants at this shareholders' meeting.

(VIII) Remuneration for the employees, directors, and supervisors

1. The remuneration amount and scope for the employees, directors and supervisors as indicated in the Company's Articles of Incorporation:

If there are profits made for the fiscal year, the company shall allocate more than 1% or more as employee remuneration, which will be distributed in stock or cash by board resolution. The parties for the employee stock or bonus distribution are based on related laws and qualified employees of subordinate companies are also included in the payment. The board shall determine the qualifications.

The Company's board may resolve to allocate 5% or lesser of the above-mentioned profit amount as the directors remuneration.

The employee and director remuneration distribution shall be reported to the Shareholders' Meeting.

However, when there are accumulated losses, the profits shall be set aside to cover these losses first before allocating the profits for employee and director remuneration based on the preceding ratio.

2. The current period estimation basis for estimating the remuneration amount for the employees, directors and supervisors, the basis for calculating number

of shares for distribution of share bonus, and the accounting procedures for discrepancy between the actual distribution and the estimated amount:

The Company's board has on March 18, 2022 passed the distribution of the Company's 2021 employee and director remuneration amount using estimation of a certain percentage based on the current year's profit situation. If the actual distribution amount differs from the estimated amount, the difference is treated as a change in accounting estimate. The shareholders' meeting will resolve the annual adjustment for entry.

3. Information on the remuneration distribution passed by the board:
  - (1) Remuneration amount for the employees, directors, and supervisors distributed in cash or stock. If the recognized expenses are different to the estimated amount, their differences, causes and treatment shall be disclosed:
    - A. The Company's 2021 employee, director and supervisor remuneration amount was resolved by the Board of Directors on March 18, 2022. Distribution for employee remuneration was at NTD111,643,221 and director remuneration was at NTD16,048,713, in the form of cash.
    - B. The differences in amount, causes, and treatment: There were no differences between the amount for the Company's employee and director remuneration and the recognized expenses for the year.
  - (2) The proportion of amount equivalent to the stock distributed as rewards for employees in the earnings after tax in the parent company only financial report of the period and the total amount of compensation for employees: The Company's 2021 employee remuneration was approved by the Board to be distributed in the form of cash. Hence, there was no stock distribution.
4. When there is a difference in the actual status of reward (including number of shares, amount, and stock price) distributed to employees, directors, and supervisors in the previous year in 2020, state the amount, causes, and treatment of such difference:

The 2020 appropriation of earnings had been approved by the annual general meeting of shareholders on August 24, 2021. The distribution amount for employee remuneration was NTD77,673,600 and NTD11,165,580 for director and supervisor remuneration. There were no differences to the estimated amount indicated in the 2020 financial statements.

(IX) Buyback of common stock:

1. Buyback of common stock (for those who have completed the buyback)

Terms of repurchase		2nd time
Board resolution on the term		7th Term 4th Time Board of Directors Meeting, February 5, 2021
Purpose of repurchase		Shares for transfer to employees
Repurchase period		2021.02.08 – 2021.04.07
Actual repurchase period		2021.03.05 – 2021.04.07
Price range of the shares to be repurchased		NTD75 to NTD150 per share
Type of repurchased shares		Common stock
Number of repurchased shares	Estimated	1,000,000 shares
	Actual	855,000 shares
Total price of repurchased shares		NTD100,061,847
Average repurchase price per share		117.03
Reason for the implementation yet to complete		Considering the market mechanism and maintaining shareholders rights and interests, the Company buyback the stocks in batches depending on the stock changes. Thus, the treasury stocks could not be completed this time.
State of execution	Approval date and document no. by the competent authority:	Approval letter from FSC, Jin-Guan-Cheng-Jiao-Zi No. 1100339598, April 26, 2021
	Completed transfer of shares to employees or cancellation of shares	855,000 shares
	Have not yet processed the cancellation or transfer of shares	0 share
	Date of transfer of shares to employees or cancellation of shares	Transferred all of the amount to employees on 2021/9/10

2. Buyback of common stock (those under execution)

Terms of repurchase		3rd time
Board resolution on the term		7th Term 11th Time Board of Directors Meeting, May 10, 2022
Purpose of repurchase		Shares for transfer to employees
Repurchase period		2022.05.11 – 2022.07.10
Actual repurchase period		Under execution
Price range of the shares to be repurchased		NTD85 to NTD150 per share
Type of repurchased shares		Common stock
Number of repurchased shares	Estimated	1,000,000 shares
	Actual	Under execution
Total price of repurchased shares		Under execution
Average repurchase price per share		Under execution
Reason for the implementation yet to complete		Under execution
State of execution	Approval date and document no. by the competent authority:	NA
	Completed transfer of shares to employees or cancellation of shares	NA
	Have not yet processed the cancellation or transfer of shares	NA
	Date of transfer of shares to employees or cancellation of shares	NA



**II. Issuance of corporate bonds: None.**

**III. Preferred shares: None.**

**IV. Issuance of depository receipt: None.**

**V. Status of issuance of employee stock options and restricted stock awards (RSA):**

- (I) As of the annual report publication date, status of employee stock options that have not reached maturity yet and effects to the shareholder equity: None.
- (II) Accrued up to the annual report publication date, names of executive officers receiving warrants and names of Top 10 employees in entitlement, and status of exercise and subscription: None.
- (III) As of the annual report publication date, status of all restricted stock awards (RSA) that have not yet met the vesting conditions and its effect to the shareholders rights: The Company has not yet issued RSA, thus, not applicable.
- (IV) Accumulated up till the annual report publication date, the Company's managerial officers who have obtained the restricted stock awards (RSA) and the names of the top ten employees holding the shares and status of obtaining: Not applicable.

**VI. Merger or acquisition, issue of new shares in connection with the acquisition of shares of another company:**

- (I) In the most recent year and as of the annual report publication date, the status of the completed mergers and acquisitions or transfer of newly issued shares from other companies: None of such situation.
- (II) In the most recent year and as of the annual report publication date, the status of the mergers and acquisitions or transfer of newly issued shares from other companies that were already approved by board resolution: None of such situation.

**VII. Capital utilization plan:**

- (I) As of the previous quarter of the annual report publication date, issuance of securities beforehand, or private placement securities that have not yet completed or have been achieved within the most recent three years, of which the benefits of the plan have not shown yet. State the plan contents: None of such situation.
- (II) As of the previous quarter of the annual report publication date, issuance of securities beforehand, or private placement securities that have not yet completed or have been achieved within the most recent three years, of which the benefits of the plan have not shown yet. State the plan execution status: None of such situation.

## Five. Operation Overview

### I. Business activities:

#### (I) Business scope

##### 1. The principal business of the Company:

The Company's principal business engages in research and development (R&D) and intellectual property services required by the upstream, midstream and downstream materials and components manufacturers of the high-tech industry in integrated circuit, flat panel display , optoelectronics, testing and packaging, and nano components and materials industries.

##### 2. Proportion of the company's current businesses to operations:

Unit: NTD in thousand

Product category	2020		2021	
	Amount	%	Amount	%
Testing service revenue	3,061,573	100.00	3,361,082	100.00
Total	3,061,573	100.00	3,361,082	100.00

##### 3. Current products and services items:

The Company currently engages in principal service items providing laboratory services in the areas of reliability testing (RA), failure analysis (FA), and materials analysis (MA) that is required in new product development and quality improvement of mass production by different industries. For example, on the electrical and physical properties testing relating to electric components and materials, the Company offers its expertise from R&D service to intellectual property service, reverse engineering, and third-party technical appraisal reports .

##### 4. New products and services under development plan:

- A. Single-sided thinning K-kit product development.
- B. The carrying device of liquid cell (K-kit) for Transmission Electron Microscope (TEM).
- C. Develop HTGB / HTRB / H3TRB machineries.
- D. Develop MCC Independent Temperature Control Circuit.
- E. Develop an acrylic model of GAA structure.
- F. Unilateral thinning K-kit product technological development.
- G. Rapid large-area deep trench etching FIB sample preparation technique.
- H. Quantum dot accurate positioning and structural characteristic analysis technology.
- I. Remote collaboration with mixed reality and educational training system.

## (II) Industry overview

### 1. Current state of the industry and development

The Company is an independent laboratory that offers analytical services required by the semiconductor industry in product R&D, manufacturing and quality management. Our principal business is assisting IC design industry in analytical verification on problems that arise during product design, and to provide problem analysis of related manufacturing to midstream and downstream IC manufacturers and packaging and testing industries based on our professional analytical capabilities for IC materials and structures. Such work enhances product yield and quality. Hence, the Company belongs to the engineering service industry for semiconductor product industry. The following is an overview of the semiconductor industry and a description of the operational risks in our industry:

#### ① Current status of the semiconductor industry in Taiwan

According to a report by the Taiwan Semiconductor Industry Association (TSIA), the 2021 Taiwan semiconductor industry value has reached NTD4.08 trillion, with growth as high as 26.7%, which was higher than the global growth at 26.2%. Even though the momentum for goods shipment of smart mobiles, laptops, and desktops have been slowed down due to supply chain material shortage problems, the AI-related demands for automotive and industrial use have exploded and the demands for digital transformation of 5G and High Performance Computing (HPC) have increased. It was projected that the 2022 Taiwan semiconductor industry value will reach NTD4.81 trillion, an annual growth of 17.7%. It is expected that the overall performance is near equivalent to the average standard of the global semiconductor industry.

#### ② Current state of global semiconductor industry

A report by the Semiconductor Industry Association (SIA) in the USA indicates that the global semiconductor sales market scale has in 2021 reached USD555.9 billion, with an annual growth of 26.2%. According to a survey by SIA, even though the 2022 semiconductor industry value growth has slowed down, the demands remain strong. It is projected to grow by 8.8%. The various fields in IC design, foundry, and assembly and testing will have relatively good performance.

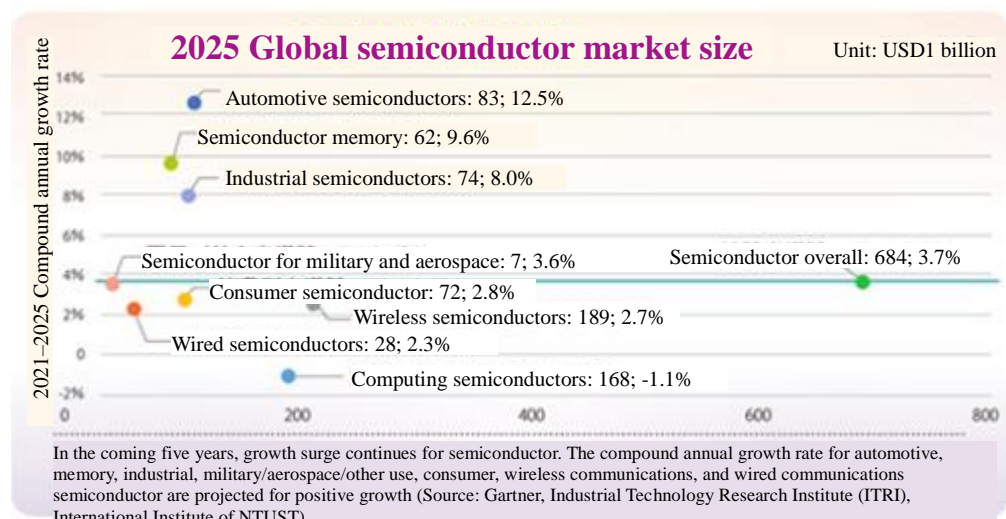
#### ③ The recent global semiconductor application market

The semiconductor industry has reached new heights since 2020. Many people have commented that the pandemic has driven the demands for contactless economy and digital transformation. However, as a matter of fact, it is the new technologies and applications gradually maturing and converging until now the time is ripe. The International Industry Research

Institute of the Industrial Technology Research Institute (ITRI) indicated that the global semiconductor underwent full capacity in 2021. After such state of demand higher than supply, it was projected that the supply–demand trend would gradually come to a balance in 2022. The categories and volumes of terminal electronic products would also become a support for the semiconductor sector. The estimates for the compound annual growth rate of the global semiconductor market between 2021 to 2025 was at 3.7%.

Predicting the semiconductor applications based on terminal products: Firstly, the high growth categories in the coming 5 years are mainly those of automotive, memory, and industrial use semiconductor. The wireless communication was predicted to be the main application of semiconductor in 2022, and it would surpass consumer semiconductor by 2024. Secondly, Intel has developed the neuromorphic computing chip adopting the 7 nm EUV technology, creating a totally new function for “sense of touch and smell.” Lastly, vehicle electrification has driven demands for vehicle use High Performance Computing (HPC). Between 2021 to 2025, the compound annual growth rate for vehicle use HPC semiconductor would reach as high as 212.4%, demonstrating explosive growth.

Under such recovery trend, as the Western countries are restricting wafer manufacturing in Mainland China resulting in shortages of chips, this has increased the world’s dependence on Taiwan, and supported the development of the Taiwan semiconductor industry. Projection based on such continuing state shows that when the United States, Europe, Japan and Korea, the main regions of semiconductor declare self-design and manufacturing, the industry will evolve to become a state of competition and cooperation in the future. Analytical demands extended from R&D and mass production will also grow day by day.



#### ④ State of industry of MA-tek

With the arrival of 5G era, it drives the booming development for industries such as automotive, AI, Internet-of-Things and data center, leading to the increase in demands from major international advanced process companies for 7 nm and 5 nm processing. TSMC, which already has a secured leading position, is in full action progressing to the next generation 2 nm processing. The nimbus of TSMC has created a clustering effect, attracting foreign companies willing to make huge investments in Taiwan. They have established R&D centers. Examples are IC design company, Qualcomm, EUV equipment company, ASML, and material company, Merck. Other terminal products, such as self-driving electric vehicle and 5G mobile markets have made their dominance and propel the vigorous development of other semiconductor fields. Examples are Win Semiconductors and Winbond Electronics successively making the announcements of expanding investments in southern part of Taiwan. The meaning of the above industry upgrade represents that the demands for R&D and mass production by manufacturers have increased. It is necessary to expand the analytical and testing industry.

MA-tek has in recent years established laboratories in Xiamen, China and Nagoya, Japan successively. Large amounts were also spent on purchasing equipment and scale expansion for these original labs. The Company have its own high quality professional team. With the upgrade in our processing technologies accumulated over the past ten to twenty years and product improvements in the high-tech electronic industry, with the advanced electron microscopy observation and components test equipment, MA-tek has in 2021 became the first choice R&D partner of the high-tech industry, such as IC design, foundry and packaging and testing. Bearing the role in product design, production processing and product quality upgrades in the high-tech industry, MA-tek offers speedy and precise service which shortens the product verification timeframe, ensuring competition advantages for the products of the high-tech industry in Taiwan. The scope of service covers quick debug and physical verification of the electronic product during design phase, and accurate positioning of fault area for micro and nano product components, structure observation, material composition and other static and dynamic analysis. The Company offers high-tech industry quality counter strategy in technological advancement with our professional analytical service, assisting and ensuring the market competitiveness of the products of these companies.

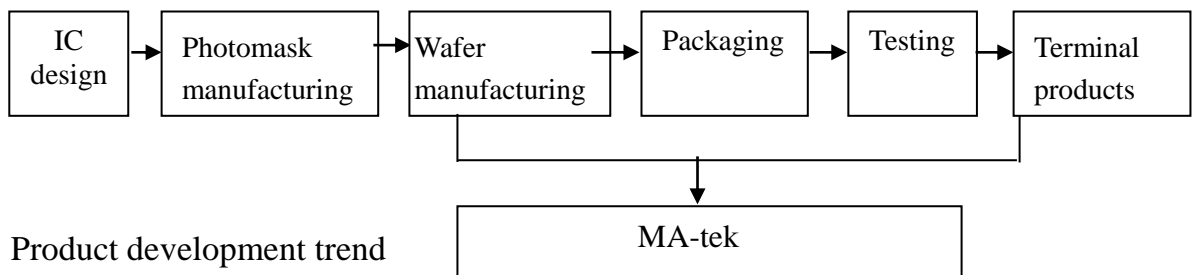
The Company's verification and analytical service moves towards integrating the analytical capacity of electrical, physical and chemical

properties. With a more precise and high resolution analytical quality combining with customer quality improvements methods, such as Failure Mode and Effects Analysis (FMEA), expediting the R&D for microelectronic products, improving product yield and upgrading product reliability, MA-tek can enhance the absolute competitiveness of the products with high quality and low cost.

In summary of the above, the Taiwan semiconductor industry presented slight growth dynamic each year during the recent past five years which is a fairly good performance. Recently, the Taiwan foundries have been active in making huge investments in R&D. As the China government provides policy subsidies and supporting semiconductor industry, this has led to booming developments in the semiconductor design and IC manufacturing industry. However, the Taiwan companies have been actively seeking alliances and research and development in new technologies to maintain their industry competitiveness. The vigorous development of the semiconductor industry in Mainland China and Taiwan further advances R&D activities and product analysis demands of related technology industries. This situation benefits market expansion plans of MA-tek in its verification and analytical service.

## 2. The relationship between upstream, midstream and downstream of the industry

The Company's principal business is supporting IC design industry in analytical verification for the problems arising during product design. Based on our professional analytic skills on IC material and structure, we have offered downstream IC manufacturers and packaging and testing industries related manufacturing problem analysis. This enables the enhancement of product yield and quality.



## 3. Product development trend

### (1) Capital intensive

Under the trend of more precise IC electronic product process and product functions that are becoming more complex, it is necessary for capital intensive investing in next generation analytical equipment.

### (2) Regionalism

In response to the characteristics of short cycle time for high-tech electronic products, in the pursuit of R&D efficiency and speedy product

time-to-market, the verification analysis is mostly based on providing 24-hour local service for total solutions getting close to the customers.

(3) Technical quality

Technical quality involves equipment of excellent functions and excellent preparation technologies for analyzing samples, an experienced engineering personnel is also one of the key factors to success. In the product design phase, the number of samples are little and precious. Only by providing a speedy analytical service in identifying the problems in design under the condition of limited number of samples, one can have the competitive advantage.

4. State of competition

MA-tek has an experienced elite team coming from various high-tech industries, and owns the various professional analytical technologies developed. The Company has led related industries in this field to shift towards high quality knowledge-oriented service. All sizes of analytical service by MA-tek can be traced back to the standard piece of the National Institute of Standards and Technology (NIST) of the USA. Therefore, the Company has the following key advantages in the competition:

- Since the establishment of the Company, it has furbished close collaboration relationship with leading companies in the high-tech industries in Taiwan, providing customers with diverse and instant local services to shorten the timeframe from R&D to mass production.
- The Company has been responding to the constantly improving semiconductor process capacity. It has strategically imported the most advanced precision analytical equipment from overseas, continually developing analytical technologies to provide customers high quality service.
- The Company possesses research in semiconductor, TFT-LCD, optical communications, and nano technologies. We also have experienced personnel in solar power batteries. Aside from finding product problems rapidly, we can offer customers intellectual property strategy service of higher added value.

(III) State of technology and R&D:

MA-tek is relentless in R&D investments. Apart from leading in the industry and developing new type of analytical technologies, it has also formed industry-academia collaborations cultivating R&D technologies. Each year, NTD20 million expenses are invested to offer national universities to conduct related R&D expenditures. These research outcomes and Intellectual Property (IP) can be shared with the customers in ensuring MA-tek maintains its leading R&D

technology position.

1. R&D expenses in the most recent year and as of the annual report publication date:

Unit: NTD in thousand

Item	2021	2022, as of March 31
R&D expenses	124,562	64,616

2. Technologies or products that have been successfully developed in the most recent three years and as of the annual report publication date:

Year	Name of the analytical technique
2019	<ol style="list-style-type: none"> <li>1. Develop application of the EBIC technique to the fault localization of optoelectronic devices.</li> <li>2. Build PCB Conformal Coating product verification plan.</li> <li>3. Enhance Backside illumination CMOS image sensor (BSI-CIS) Failure Analysis Technologies, non-destructive removal of silicon substrate, to benefit subsequent fault location and analysis.</li> <li>4. YAG detector application for the interlayer defect search in fault analysis.</li> <li>5. K-kit application for image enhancement of low contrast liquid samples.</li> <li>6. Develop FIB circuit editing method for OLED components characteristic extraction.</li> <li>7. Selection of aperture grids for the specimen preparation for Transmission Electron Microscope (TEM).</li> <li>8. Develop panel driver IC chip extraction technology.</li> <li>9. Develop software for the dimension measurement of Transmission Electron Microscopy (TEM) image.</li> <li>10. Total verification solutions, Reliability Analysis (RA), Fault Analysis (FA), Materials Analysis (MA), for third generation semiconductor GaN, SiC.</li> <li>11. Material properties DSC, TGA, TMA, DMA analyzer application, providing material characteristic verification and paste solidification analysis.</li> </ol>
2020	<ol style="list-style-type: none"> <li>1. PIPS application for TEM image quality enhancement solutions of compound semiconductor.</li> <li>2. Develop FIB needle repair technology.</li> <li>3. Establishment of Contact leakage failure analysis procedures.</li> <li>4. Establishment of VCSEL analysis procedures.</li> <li>5. Develop HTGB / HTRB / H3TRB machineries.</li> <li>6. Develop MCC Independent Temperature Control Circuit.</li> <li>7. Establishment of TEM copper grid copper engraving procedures.</li> <li>8. Establishment of technical procedures for technological archaeological analysis.</li> <li>9. Test plan for high power HTOL HPB-5.</li> </ol>



Year	Name of the analytical technique
	10. Test plan for memory DI HTOL. 11. Develop FinFET full delayering technology. 12. Backside FIB-CKT technology enhancement and advance application. 13. Establishment of OmniProbe200 technology for preparing inverted cut specimens. 14. ImageJ automatic calculation of defects, lattice, and stains.
2021	1. Establishment of 16nm SRAM FA flow. 2. Building of TOF-SIMS analytical technique. 3. 7nm FinFET fabrication process research. 4. Negative staining technology of K-kit for TEM image quality enhancement. 5. Atomic Layer Deposition (ALD) technology for the organic structure protection of the TEM specimen. 6. EBSD analytical technique and procedures establishment. 7. COB needle planting process automated aligning machine. 8. Optical positioning arm swing type drop ball tester. 9. LED array chip fault localization analytical system. 10. The Heating De-Cap system for MEMS chip packages. 11. FIB sample stage for full-wafer sample. 12. Establishment of FIB-CKT analytical technique and procedures for Wafer-level Chip Scale Package (WLCSP).
2022, as of April 30	1. SIMS curve swarm intelligence alignment algorithm and software. 2. TEM folding grid of liquid cell (K-kit) carrying device. 3. TEM imaging technology for liposomes samples in liquid. 4. GAAFET structure analysis technology and procedure establishment. 5. PN Junction chemical staining analysis technology.

(IV) Long and short term business development plans:

1. Short term plan

- (1) With the Company's expertise in materials analysis and failure analysis, acts as a collaborative partner of the customers in R&D, mass production, quality management and sales phases, becoming a virtual lab for the customers.
- (2) Enhance talents cultivation and employees training, recruit industry talents, building a technical expert team.
- (3) Collaborate with leading academic research institutions in Taiwan and overseas, enhancing technical level of analytical service, vertical integration of materials analysis, failure analysis and reliability analysis fields, and gradually expand the customer application fields into organic materials and biochemical medicine fields.
- (4) Become a market leader with precise, accurate, efficient and effective

technical service, enhance development of new customers to increase market share.

2. Long term plan

- (1) On the materials analysis field, the Company is using its advantages in techniques and cost to pursue the Europe, US, and Japan markets, framing various supplier channels, continue to expand international business, and elevating market share.
- (2) For failure analysis, the Company shall shift closer to the market by building various site branches where the industries are, offering customers total solutions and instant and rapid analytical services.
- (3) In response to the needs of company expansions, fully utilize the capital market to lower capital cost and exert the greatest efficiency of utilization of funds. Flexibly utilize mergers and acquisitions strategies in the expectation to integrate strategic partners of same industry and cross-sector alliance opportunities.
- (4) Get hold of the market and industrial development trends, gradually integrate key business of the analytical service field, establish as an Engineering Service Provider in the materials analysis, failure analysis, testing, packaging, wire bonding, and reliability test that are required before mass production for the IC, TFT-LCD, LED, Nano components and solar cell semiconductor supply chain.

## II. Overview of the market, production, and sales:

### (I) Market analysis:

#### 1. Sales or delivery region of main products or services

Unit: NTD in thousand

Sales region \ Year		2020		2021	
		Sales amount	%	Sales amount	%
Domestic sales		1,299,711	42.45	1,415,395	42.11
Overseas sales	Asia	1,631,758	53.30	1,790,539	53.27
	Europe	15,869	0.52	25,639	0.76
	Americas	114,235	3.73	129,509	3.86
Total		3,061,573	100.00	3,361,082	100.00

#### 2. Market share and state of supply and demand of the future market and growth

##### (1) Market share

The principal service items of the Company are Materials Analysis, Failure Analysis, and Reliability Analysis. In Europe, USA, Japan and so on countries, the types of units engaging in such kind of business are mostly academic research units or the internal labs of major semiconductor companies. Internationally, there is not one specialized market survey research institution for statistics on market data and market share of companies. The technical levels in the analytical field are divided into:

##### A. Materials Analysis

Materials analysis is considered as the highest of all technical levels in the laboratory analysis field, and it is the core competition of the Company. Our main technical team possesses more than 10 to 20 years of experiences in the material analysis field and with work experiences in international grade laboratories and semiconductor plants. After securing the operation foundation through materials analysis, failure analysis and reliability testing were gradually developed. At the current, there are more than 2,000 companies for domestic and overseas customer group. We have become one of the leading international companies in material analysis.

##### B. Failure Analysis

Failure Analysis is one of the service items under full effort development in recent years. We help to solve the problems that the customers have encountered during R&D design through precise, accurate and efficient technical service. We have won the trust of the customers with our solid technical services and have established long-term partnerships. As of current, the customer revenues generated from this field is steady and growing rapidly.

##### C. Reliability Analysis

After establishing the operation foundation for the Materials

Analysis and Failure Analysis, the Company made vertical integration crossing into the field of reliability testing, providing customers integrated analytical service.

(2) State of supply and demand of the future market and growth

With the rise in companies of global economies declaring for self-owned R&D and manufacturing in the midst of the trade war between USA and China and the growing IC semiconductor related industry value, demands for analytical testing are also making significant increase. Explanations are as follows:

A. Materials Analysis

In the past, Materials Analysis was the research service item of academic research institutions and internal labs of major semiconductor companies. The establishment of the Company makes it the first professional and independent lab for materials analysis in Taiwan. During the time when the vertical division of work in the semiconductor industry became significant, the Company positioned itself as an independent lab with technologies, professionalism and services, gradually gaining orders from international semiconductor companies becoming their best R&D partner.

On future business growth, apart from having obtained orders from domestic semiconductor companies, through cost optimization, product package, technical advantages and automation management, and orders from major overseas companies and equipment companies, these have become part of the growth momentum.

B. Failure Analysis

Failure Analysis is the most required service item during the product development engineering and mass production phases for the foundries, IC design and packaging and testing industries. Its market scale and total value of IC industry is closely related.

Even though the momentum for goods shipment of smart mobiles, laptops, and desktops have been slowed down due to supply chain material shortage problems, the AI-related demands for automotive and industrial use have exploded and the demands for digital transformation of 5G and High Performance Computing (HPC) have increased. The 2022 global semiconductor industry value continues to grow with the 2021 momentum sustained. The force of growth derives from contributions from advanced process and packaging, compound semiconductor and consumer electronics. The global semiconductor industry value for 2022 was at USD606.5 billion, with an annual growth of 10.1%.

In recent years, the Company places its efforts in the cultivating the Mainland China market, and has established operating locations in

Shanghai and Xiamen to service customers at nearby. Owing to the self-owned R&D chips, the establishment of IC design companies and foundries remain the direction in the coming years. The business of the Company is expected for steady growth.

C. Reliability Analysis

Reliability Analysis is the required test for reliability, safety and design aspects before mass production of the electronic products. Within the testing field, it can be categorized into device reliability, component reliability, and system reliability test. Considering core competitiveness and business synergies, and future growth in Taiwan and Mainland China which is looking good, the Company actively crosses into the reliability testing field, recruiting professional reliability technical talents in the industry and procuring precision instrument and testing equipment. It is our goal to provide customers total solutions in reliability testing service. In addition, the Mainland China automobile market size has already reached the standard close to 30 million vehicles. It is also anticipated that the booming development in automotive electronics will lead to more demands for reliability verification for related automotive electronic products. There are expectations that it will bring another wave of revenue growth for the Company.

3. Advantageous and disadvantageous factors of competitive niche and development vision, and countermeasures:

(1) Competitive niche

A. A strong professional technical team

The members of the Company's technical team possess an average years of industry experiences for more than ten years coming from international grade laboratories or semiconductor companies. They can sufficiently understand customers' requirements. With their excellent professional and implementation skills, MA-tek has up till now became a leading service provider in materials analysis in Taiwan.

B. Comprehensive analytical service items

In terms of the company's development strategy, materials analysis is the core competition. The company is gradually expanding into other analytical fields to provide our customers comprehensive service items. Through the construction of these integrated analytical services, we intend to widen the technical gap with our industry competitors forming technical entry barrier.

C. Excellent international business growth

In 2021, the Company's overseas business accounts for the overall revenue at 57.89%. The Company's technical skills have earned

recognition by overseas customers. This demonstrates excellent growth momentum for future business growth and expansion.

(2) Advantageous factors

A. Competitiveness in professional technologies

The Company's core competitiveness is based on materials analysis, combining with surface analysis, failure analysis, reliability analysis and so on analytical fields to provide customers a professional and integrated service, forming long-term partnerships through problem analysis, consultation and problem-solving for the customers. The Company's professional technologies are well received and acknowledged by the customers. It has become a dominant leading supplier in the domestic materials analysis field.

B. Industry development trends

Amidst the global semiconductor market competition, the distinctive feature of the Taiwan semiconductor industry development is that it possesses a good and professional division of work and a complete supply chain, with many downstream terminal application vendors. Such industry cluster effects allow the domestic semiconductor industry to exert its synergies to the fullest, comparable to that of USA, Japan and Korea.

Under the government support of the Mainland China region semiconductor industry, it has grown rapidly in recent years driving the opportunities for testing and analysis laboratories. The place of strategic importance for semiconductor manufacturing has shifted from Europe, USA and Japan to Taiwan and Mainland China. It has shaped the trend of many advanced process works being based in Taiwan and more mature process being based in Mainland China. The automotive and consumer product brands are also gradually increasing their emphasis on product quality. In particular, the Mainland China brand market share and influence has increased greatly. The development trends of these two major industries have driven huge demands for testing and verification services.

C. A sound financial structure

The Company's management adopts the conservative and sound principles. With rapid growth and capital expenditures over the past years, the financing plans have been completed a few times enabling the financial structure to be controlled in an optimal state of low liabilities ratio. The management can deliver sufficient funds for the capital expenditures required by continuous growth into the future.

(3) Disadvantageous factors and countermeasures

A. Talent cultivation

Countermeasures:

Solidify the company's technical capacity by inheriting experiences and recruiting specialized technical talents. Furthermore, the Company has built the business group profit center to establish the reward and punishment system, providing outstanding teams excellent and attractive welfare and benefits. The purpose is to allow company talents to continue to work in a positive cycle and to retain outstanding talents.

B. Industry competition

Countermeasures:

Continue to strengthen technical depth, and offer customers better and more thoughtful services with various types of integrated product lines. Expand businesses from domestic customers to Europe, USA, Japan and so on, for gaining the long-term growth momentum and maintaining high profit rate for the company.

C. Protection of technical information and technical inheritance

Countermeasures:

a. Protection of technical information

Since the Company belongs to the professional service sector, it thus places a high importance in protection of technical information. It has to manage from the legal and system aspects as a two-way protection method.

From the legal aspect, all employees of the Company shall sign the confidentiality agreement since day one of reporting to work. Besides conforming to the agreement during the tenure period, there are also clauses prohibiting competition within the two years after resigning from the job.

From the system aspect, the Company is divided into departments based on the service items. The professional fields of each department are different. On the principles of hiring employees, talents with backgrounds in materials, physics and chemical engineers are prioritized in the hiring for materials analysis. Talents with electronic, electrical engineering and chemical backgrounds are prioritized in the hiring for failure analysis. As for reliability analysis, ESD testing and IC testing, talents with electronic background are priority. Every field has its area of expertise, and it is not possible for general personnel to cross into different fields concurrently learning all aspects.

In terms of protection for customer confidential data, the Company fully implements the following programs:

- (a) Notify the customers do not provide information of process parameters, material characteristics or special formulas that is

not related to the analysis technique to the analytical personnel of the Company.

- (b) After completing the analysis, all of the documents and test samples provided by the customers shall be returned to them (unless customers request for our custody).
- (c) The Company's internal data are stored in and retrieved from the computers. Only the analytical personnel involved in the execution of the case can have access to the data. After the unit's manager review and approved the quality of the analytical data, the information can then be sent to the customer.
- (d) PCs in laboratories do not have any internet accessibility. After the dedicated personnel completed the analytical work, the materials can then be sent to the customers using general PC.
- (e) The Company has in September 2015 passed the ISO 27001 Information Security Certification, and will continue to strengthen information security protection ensuring every piece of customer data are well protected.

In summary of the above, the Company's employees do not have complete access to customer information nor the technical secrets of the company's analytical field.

b. Technical inheritance

The business of the Company mainly relies on the experience of the technical personnel in the analysis. The Company implements the following four measures to ensure technical experiences are passed on in order to prevent risks in technical leaks or gaps due to loss of personnel.

- (a) Implementing new personnel guidance and substitute system: The company will arrange a senior employee to help the new hire in familiarizing with the work. Besides the passing on of professional knowledge, the senior personnel will also assist the newcomer in understanding the company culture and related process mechanism for smooth work transition into the new environment in a quick and happy way. In addition, to implement the substitute system, it is necessary to have two or more employees capable of delivering all of the testing and analytical work so as to avoid circumstances of not able to provide the service when an employee goes on leave or resign.
- (b) Arrange comprehensive educational training: Arrange for company's engineering employees to take on professional and general educational training (including internal and external training) from time to time to enhance technical analysis



quality and for self-enrichment. In addition, actively nurture internal lecturers to pass on and accumulate professional knowledge database.

- (c) Encourage employees for on-the-job training: The Company encourage employees for continuing education and offers cash bonus or salary adjustments as rewards for employees who have obtained further degrees.
- (d) Build a comprehensive internal R&D control: The Company has completed building internal R&D control, and made proper preservation of technical documents. Thus, there would not be difficult circumstances in accepting cases as a result of changes of personnel.

Overall, the Company's technical inheritance is in good state. There have been no risks of technical leaks or gaps due to the loss of personnel.

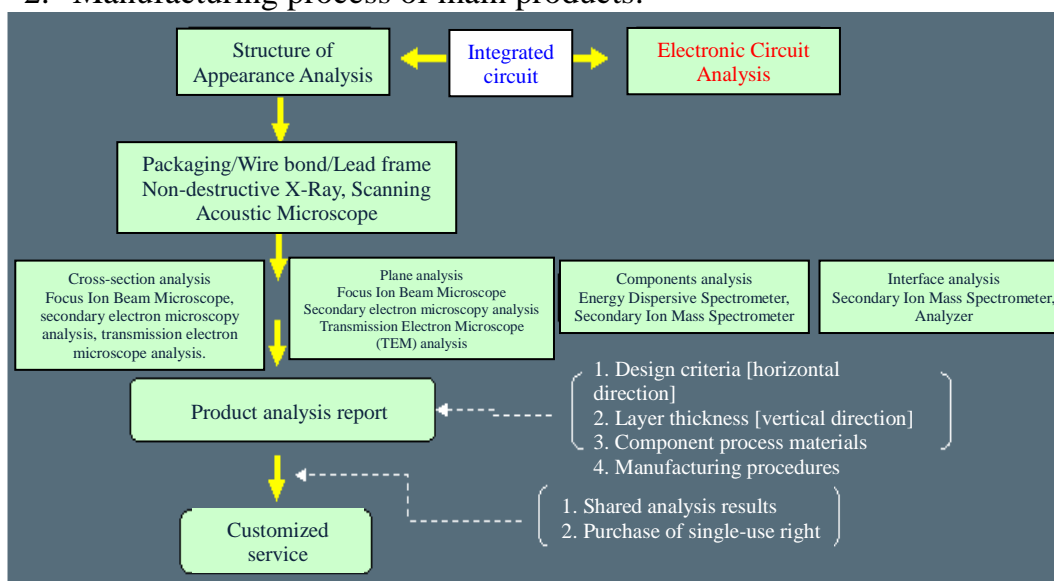
(II) Important use of main products and the manufacturing process:

1. Use of main products

Product or commodity item	Important use or function
Materials Analysis	<ol style="list-style-type: none"> <li>1. Specimen preparation</li> <li>2. Scanning Electron Microscope (SEM) analysis</li> <li>3. Transmission Electron Microscope (TEM) analysis</li> <li>4. Focus Ion Beam Microscope (FIB) analysis</li> <li>5. Secondary Ion Mass Spectroscopy (SIMS) analysis</li> <li>6. X-ray Photoelectron Spectroscopy (XPS)</li> <li>7. Optical interferometer</li> <li>8. Analysis of material structure in the product</li> </ol>
Failure Analysis	<ol style="list-style-type: none"> <li>1. Decap IC package</li> <li>2. IC delayer</li> <li>3. X-ray detector</li> <li>4. Ultrasonic inspection</li> <li>5. Photon microscopy</li> <li>6. Optical Beam Induced Resistance Change (OBIRCH)</li> <li>7. Passive voltage contrast</li> <li>8. Current Voltage Characteristic Test</li> </ol>
Reliability Analysis	<ol style="list-style-type: none"> <li>1. Bias Life Test</li> <li>2. High/Low Temperature Storage Test</li> <li>3. Temperature/Humidity Storage Test</li> <li>4. Temperature Humidity Bias Test</li> <li>5. Temperature Humidity Cycling Test</li> <li>6. High Accelerated Stress Test</li> <li>7. Highly Accelerated Life Testing</li> <li>8. Thermal Shock Test</li> <li>9. Temperature Cycling Test</li> <li>10. High/Low Temperature Operating Life Test</li> <li>11. Preconditioning Test</li> <li>12. Mechanical Shock Test</li> <li>13. Vibration Test</li> <li>14. Drop test</li> <li>15. Salt Spray test</li> </ol>

Product or commodity item	Important use or function
	16. Reflow Test 17. Ditest 18. Low Temperature Bias Life Test 19. High Temperature Reverse Bias Test 20. High Temperature Gate Bias Test 21. Thermal Resistance Test 22. Hot Carrier Injection Test 23. Integrating Sphere Measurement 24. Power Temperature Cycling Test 25. Change of Temperature Test 26. Insulation Deterioration Evaluation Test 27. Conductor Resistances Evaluation Test 28. Push/Pull Test 29. Bending Test 30. High Temperature and High Humidity Reverse Bias Test
Others	1. Project plan 2. Intellectual Property Service 3. Third Party Technical Appraisal Report

## 2. Manufacturing process of main products:



## (III) State of supply of main materials:

Name of main material	Key Supplier	State of supply
Consumables	A 、 B	Stable quality and source of goods, long term collaboration, good supply situation.

Note: The Company is not in the manufacturing sector. The above-mentioned supplier provides various consumables needed during the testing service process.

(IV) Names of suppliers or customers contributing to at least 10% of the total procurement or sales in any of the year within the past two years:

1. Suppliers accounting for at least 10% of the total procurement

Unit: NTD in thousand: %

Item	2020				2021				2022 Quarter 1			
	Name	Amount	Percentage of the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	Percentage of the 2022 Quarter 1 net procurement amount (%)	Relationship with the issuer
1	B	135,429	27.46	None					D	6,862	12.07	None
2	A	109,435	22.19	None								
3	C	57,086	11.58	None								
												-
	Others	191,,193	38.77	None	Others	299,868	100.00	None	Others	50,005	87.93	None
	Procurement - Net	493,143	100.00	-	Procurement - Net	299,868	100.00	-	Net procurement	56,867	100.00	-

Change description: The Company's procurement items are mainly the various types of consumables required in the process of providing testing services. The Company's relationship with various suppliers changes due to considerations in the technical service items. Thus, such change with the suppliers is considered to be reasonable.

2. Customers accounting for at least 10% of the total sales

Unit: NTD in thousand: %

Item	2020				2021				2022 Quarter 1			
	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales amount (%)	Relationship with the issuer	Name	Amount	Percentage of the 2022 Quarter 1 net sales amount (%)	Relationship with the issuer
1	A	648,980	21.20	None	A	354,940	10.56	None				
	Others	2,412,593	78.80	None	Others	3,006,142	89.44	None	Others	894,038	100.00	None
	Net sales	3,061,573	100.00	-	Net sales	3,361,082	100.00	-	Sales - Net	894,038	100.00	-

(V) The production volume and value in the most recent two years:

Unit: NTD in thousand

Production volume and value Main products	Year	2020			2021		
		Capacity	Volume	Value	Capacity	Volume	Value
Testing costs		Note 1	Note 2	2,154,546	Note 1	Note 2	2,155,093
Total				2,154,546			2,155,093

Note 1: The Company is in the service industry. Its production capacity is affected by the range of machinery and service items. Furthermore, due to its method of service, not all amounts are calculated by volume. Hence, not able to provide a reasonable production capacity.

Note 2: Due to its method of fee calculation, not all amounts are calculated by volume. Hence, not able to provide its volume.

(VI) The sales volume and value in the most recent two years:

Unit: NTD in thousand

Production volume and value Main products	Year	2020				2021			
		Domestic sales		Overseas sales		Domestic sales		Overseas sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Testing Revenue		Note	1,299,711	Note	1,761,862	Note	1,415,395	Note	1,945,687
Total			1,299,711		1,761,862		1,415,395		1,945,687

Note: Due to the method of fee calculation, not all amounts are calculated by volume. Hence, not able to provide its volume.

### III. Information of employees in the most recent two years and as of the annual report publication date

Unit: Person; Year; %

Year		2020	2021	April 30, 2022
Number of employees	Direct employees	-	-	-
	Indirect employees	805	950	1,025
	Total	805	950	1,025
Average years of age		34.02	33.19	34.19
Average years of service		3.95	3.37	2.57
Percentage distribution of education background (%)	Ph.D.	1.86	1.15	1.37
	Master's	18.88	17.89	17.66
	College and University	74.29	73.26	76.20
	Senior High School	4.97	4.00	4.77
	Senior High School and below	0	3.7	0

Note: The above-mentioned number of employees is the number of employees for the Group.

### IV. Information on environmental protection expenditures

Losses and punishment amount incurred as a result of environmental pollution in the most recent year and as of the annual report publication date, including compensations and environmental regulations violations based upon the findings of environmental protection audits, these matters should be listed with punishment date, reference number, articles of regulations violated, article contents and punishment details and disclose estimation of expenditure as occurred up to present and future possible occurrences and countermeasures. If unable to give a reasonable estimation, the Company must provide an explanation of the facts for not being able to provide a reasonable estimation:

- (I) The total amount for losses and punishment due to polluting the environment in the most recent year: None.
- (II) Future countermeasures, including improvement measures, and possible expenditures, covering possible incurrence of losses due to countermeasures not taken, estimated amounts for punishment and compensation. If unable to make reasonable estimation, must explain the facts for not able to make the estimation: The Company's principal business is testing and analysis service. During the process, promote environmental protection and safety and health work, and continuous improvement of the environmental problems and safety and health crisis that arise during the service process. Develop the entire response plan and comprehensive management system on prevention of damages, emergency

response, crisis management and post-disaster recovery for all possible emergency situations and hazards.

## **V. Labor relations**

- (I) Benefits and welfare, further education, training, and retirement system offered by the company, and their status of implementation, plus agreement between labor and management and measures to protect employees' rights:

1. Measures for employee benefits and state of implementation:

§ Work happily, and good "salary" mood

Offer competitive salaries and determine rewards and bonuses based on the company's operation performance, nature of job duties, team and individual performance.

- Fixed 14 months (including dragon boat and mid-autumn festivals and end-of-year bonuses)
- Shift allowance
- Annual salary adjustment (based on work performance)
- Monthly bonus (distributed based on individual output volume for technical personnel)
- Quarter bonus (distributed based on the company profit level, and goal achievement rate of departments)
- Annual employee profit-sharing (distributed based on the company profit level, nature of job duties, and team and individual performance)

§ Special system, and high bonuses and allowances for you

Point-based bonus: Each month an additional large point-based bonus will be given for completion of customer cases based on the number of completed cases.

Skill subsidies: The company offers educational training to enhance employee's skills. Once the employee passed the skill upgrade evaluation, subsidy is given for each level every month.

§ Happiness workplace, welfare enjoyment, is to provide comprehensive welfare measures for thoughtful care of the needs of every employee

- Apart from the legally required labor insurance and health insurance, the company offers employees free group insurance and various protection (including life insurance, accident insurance, medical insurance, and cancer insurance). Group insurance plan is also offered to the family members of the employees at a discount. Employees going on overseas work travels will also be entitled to travel safety insurance, adding the overall protection for employees. Employee pensions are also allocated in accordance with the laws to take care of the retirement lives of employees.
- Employees are entitled to special leaves since onboard date better than

the leaves as prescribed in the Standard Labor Act. In addition, there is the flexible leave system, employees can decide on their own for leave arrangements. The types of leaves are also offered according to the laws.

- Provide the “High amount recommendation reward” for encouraging employees to recommend others to join the company, welcoming outstanding talents to join MA-tek.
- Provide rent subsidies or transport subsidies to solve the troubles of employees coming from out of town.
- Monthly gatherings such as afternoon teas, quarterly department meals, night shift employee weekly surprise supper.
- Free stress release message for employees.
- The Welfare Committee offers employee travel subsidies, wedding, funeral, celebratory cash gifts, birthday vouchers, mid-autumn and dragon boat festivals and May 1st labor day gift voucher. Yearly private room cinema film watching, special contract shops discounts, end-of-year company dinner party.
- The company also offers the “High Value Employee Travel Subsidy.”
- Diverse club activities (such as: Board games club, yoga club, arts club, Japanese club), employees can have a balance work and leisure life.
- A wealth of employee activities: Family day, Christmas party, singing competition, hiking day, return to society day and so on charity activities.

#### § Diverse development, happy learning

Provide employees continuous growth and diverse learning channels

- Provide a complete and robust new hire training, internal professional technical training, and continue to enhance professional skills of employees.
- Encourage employees to participate in external professional technical training. Full subsidies for designated training and approved internal and external courses.
- Smooth promotion channel and overseas development opportunities and provide excellent relocation benefits.
- Set up Family opinion mailbox to offer unobstructed communication channel.

#### 2. Continuing education and training and implementation status:

MA-tek values the cultivation and development of its talents and constantly plans for comprehensive training courses. To enable employees to have solid professional skills, and to continue the advancement of their professional capabilities, we have provided many training courses and arrangements. They are mainly categorized into General Knowledge Training, Professional Skills Training, Management Training, and Environment and Safety Training. Every employee can access these courses at MA-tek:

- A complete and robust new hire training, internal professional technical

training, and continue to enhance professional skills of employees.

- Encourage employees to participate in external professional technical training. Full subsidies for designated training and approved internal and external courses.
- Smooth promotion channel and overseas development opportunities and provide excellent relocation benefits.

Statistics for the 2021 internal and external training hours and fees:

Type of course	Internal training/ Number of hours	External training/ Number of hours	Training fees/ NTD
General course	98	747	224,200
Professional technical course	184.5	30	8,000
Management course	7	72	28,800
Environmental and safety course	1,187	747	181,200
Total	1,476.5	1,596	415,200

3. Retirement system and implementation status:

Source of laws applicable to the pension system	Old system Labor Standards Act	New system Labor Pension Act
How to allocate	The pension is appropriated for an amount equivalent to 2% of the total monthly salary and deposited into a dedicated account with the Taiwan Bank in the name of the Company.	The pension is appropriated for an amount equivalent to 6% of the insured salary range and contributed to the personal account with the Bureau of Labor Insurance.
Allocation amount	The pension has accumulated to an amount of NTD309 thousand.	NTD26,659 thousand was appropriated in 2021.

4. The agreements between labor and management and labor rights protection:

The Company's labor and management relationship is in harmony. There has not been any occurrence of labor-management disputes. The Company respects employee opinions and convenes the labor-management coordination meeting each quarter. Through the meeting coordination method, communicate



the opinions and maintain a good labor–management relationship. The Company establishes complete management regulations with contents stipulating the employee rights obligations and welfare items for protection of employee rights.

5. Employee conduct or code of ethics

The Company has established the Employee conduct or code of ethics as a basis for all company employees to conform to and has placed the information on the public data area of the company website for employees' reference.

6. Work environment and protection measures of employee's personal safety:

MA-tek follow through the principle that employees are the company's most important assets. It is the company's responsibility to protect its employees and to provide a safe work environment for them. There is also commitments to provide safe work environment and training to lower hazardous risk factors, building a comprehensive and transparent risk communication mechanism. Although the Occupational Safety and Health Management System has not yet been introduced at present, we still actively implement occupational safety and health management projects and strictly comply with the requirements specified in the Occupational Safety and Health Act and other regulatory requirements to establish a safe and secure working life without worries, improve the environment for employee safety, and maintain a foundation for stable long-term corporate operations.

- (1) The company has appointed the Occupational Safety and Health Organization Committee. The Chairperson is acting as the convener, and the members are formed by 8 managers and 11 labor representatives from the Environmental Safety Division. Meetings are held once each quarter explaining the state of environmental safety and policy promotion of the company.
- (2) In 2021, MA-tek conducts evaluations for high risk processes of its laboratories. A total of six categories of hazardous risks have been evaluated, namely, X-Ray Operation, High Voltage Power Supply, Lab Work Area, Heating Plate Process, FIB-CKT Machine Operation, and TEM Equipment. Based on the MA-tek Hazard and Risk Identification Procedures, the evaluation scores of every item have not yet reached the unacceptable score threshold as of current. The responsible unit will conduct continuous monitoring and provide related equipment for radiation dosimeter, and to complete the personnel training for obtaining the operating qualifications certifications according to the laws and regulations. The Environmental Safety Committee regularly convenes quarterly meetings for reviews and optimization, supporting employees on effective monitoring of the safety of the operating environment.

- (3) Statistics of annual occupational hazards: Through various safety and health management plans, in 2021, there have been incidents of occupational diseases for employees. In 2021, the Frequency-Severity Indicator (FSI) was 0.
- (4) The statistics for number of persons participating in the safety and health educational training and practice drills, and the training hours are as follows:

<b>2021 Environmental Safety and Health Education and Training</b>		
Training items	Number of People	Total training hours (single time training hours * single time number of person trained)
Occupational Safety and Health Education and Training	188	752
Hazardous substances educational training	145	435
Radiation operators – Initial training	19	342
Radiation operators – Retraining	27	81
Emergency rescue personnel – Initial training	2	36
Occupational safety officer – Initial training	1	42
Toxic and Concerned Chemical Substances Emergency Responders Training	5	40
Class 1 pressure vessel operator	2	70
Fire safety training	17	136
Total	406	1,934

- (5) According to the Regulations of the Labor Health Protection, MA-tek has in March 2020, appointed one fulltime onsite occupational nurse for every 300–900 workers, and has established the Health Center to provide employees health education and care, assisting in the health checkup data analysis, and supporting employees in understanding their own health status.
- (6) The Company regularly organizes health checkups for all employees and provides other welfare benefit measures and subsidies. Labor insurance, national health insurance and group insurance are also provided to the employees complying with the laws. This is to secure the employees' personal safety and rights.
- (7) On implementing chemical substances management, the Hazard Communications Plan was established. There are checks conducted before personnel begins operations, regular conducts of equipment checks, the storage and placement in the chemicals area, and providing of personal protective equipment (PPE). There have been no occurrence of near-miss incidents in 2021.
- (8) On employees operating the restricted radiation equipment, training is required for them to obtain the operating qualification certifications and

each year they need regular re-training. The special operation health checkups are also provided to them each year according to the regulations. The radiation armbands are also distributed to the personnel for wearing.

(II) The company's losses due to disputes between labor and management in the previous year and by the date of annual report publication, are disclosed with the estimated amount that might incur currently and in the future, and the countermeasures. If unable to make reasonable estimation, shall explain the facts for not able to make the estimation:

1. As of current, there have been no occurrence of labor-management disputes for the Company. Both parties are in a harmonious state, and there have been no controversies. Therefore, there are no losses from labor and management disputes.

2. Possible current and future countermeasures:

The Company is committed to establishing a work environment of integrity and collaborative spirit on its business management. The purpose is to solve problems effectively through different communication channels.

3. Possible incurrence of loss amount for now and future:

The Company delivers a comprehensive training system enabling employees to have more learning opportunities and space for growth. This further stimulates harmony between labor and management. The Company continues to uphold the principle of labor and management harmony and with an attitude of taking care of the employees, in maintaining the current good relationship into the future. It would not result in any loss of amount.

## VI. Material Contract:

Type of contract	Parties involved	Commencement and expiration dates	Main contents	Restriction clause
Tenancy Agreement	Winsome Development Company Limited	2020.06–2023.06	Tenancy Agreement (Jubei Plant)	None
Tenancy Agreement	Hsinchu Science Park Bureau	2022.01–2022.12	Tenancy Agreement (Prosperity Plant)	None
Tenancy Agreement	Hsinchu Science Park Bureau	2022.01–2022.12	Land Agreement	None
Tenancy Agreement	Hsinchu Science Park Bureau	2022.01–2022.12	Tenancy Agreement (SoC Plant)	None
Tenancy Agreement	Hsinchu Science Park Bureau	2022.01–2022.12	Tenancy Agreement (Nanke Plant)	None
Tenancy Agreement	United Microelectronics Corporation	2021.01–2022.12	Tenancy Agreement (Jinshan Plant)	None
Tenancy	Shanghai Baijian Real Estate	2021.07–	Tenancy Agreement	None

Type of contract	Parties involved	Commencement and expiration dates	Main contents	Restriction clause
Agreement	Co., Ltd.	2026.06	(Shanghai)	
Tenancy Agreement	Shanghai Pudong Electrical Tools Co., Ltd.	2020.03–2023.02	Tenancy Agreement (Shanghai)	None
Tenancy Agreement	Zhong-Lian Automotive Electronics Co, Ltd.	2016.09–2026.09	Tenancy Agreement (Shanghai)	None
Tenancy Agreement	Shanghai Chilian Asset Management Co., Ltd.	2017.05–2026.05	Tenancy Agreement (Shanghai)	None
Tenancy Agreement	Xiamen Torch Group Co., Ltd.	2021.06–2024.05	Tenancy Agreement (Xiamen)	None
Tenancy Agreement	Kasho Transport Co., Ltd.	2019.02–2022.01	Tenancy Agreement (Japan)	None

## Six. Financial Overview

### I. Condensed balance sheet and statement of comprehensive income for the last five years

#### (I) Condensed balance sheet

##### 1. Standalone condensed balance sheet – adopting IFRS

Unit: NTD in thousand

Year Item		Financial information for the most recent five years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		1,601,305	1,362,981	1,562,135	1,195,596	1,262,991
Property, plant and equipment		1,055,300	1,057,376	1,055,166	1,011,569	1,168,554
Intangible assets		934	79	3,761	1,816	1,594
Other assets (Note 2)		26,821	44,949	65,665	86,117	148,470
Total Assets		3,216,458	3,587,036	3,862,791	3,796,039	4,658,771
Current liabilities	Before distribution	440,930	556,330	745,533	463,227	583,241
	After distribution	596,713	743,270	932,473	743,636	-
Non-current liabilities		151,395	324,431	396,531	387,017	813,871
Total Liabilities	Before distribution	592,325	880,761	1,142,064	850,244	1,397,112
	After distribution	748,108	1,067,701	1,329,004	1,130,653	-
Equity attributable to shareholders of the parent company		2,624,133	2,706,275	2,720,727	2,945,795	3,261,659
Capital stock		623,131	623,131	623,131	623,131	623,131
Capital surplus		1,518,856	1,520,575	1,520,575	1,521,219	1,541,253
Retained earnings	Before distribution	486,830	586,375	646,145	843,827	1,150,099
	After distribution	331,047	399,435	459,205	563,418	-
Other equity		(4,684)	(23,806)	(69,124)	(42,382)	(52,824)
Treasury stock		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total Equity	Before distribution	2,624,133	2,706,275	2,720,727	2,945,795	3,261,659
	After distribution	2,468,350	2,519,335	2,533,787	2,665,386	-

Note 1: The above-mentioned financial information have been audited and verified by an independent accountant.

Note 2: In response to the IFRS16 Leases becoming applicable starting from 2019, right-of-use assets are included in other assets starting from 2019.

## 2. Consolidated condensed balance sheet – adopting IFRS

Unit: NTD in thousand

Year Item		Financial information for the most recent five years (Note 1)					Financial information, current year as of March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Current assets		1,667,781	1,959,719	2,160,699	2,239,378	2,719,551	2,927,971
Property, plant and equipment		1,584,271	1,696,403	1,901,567	1,879,375	2,078,401	2,185,763
Intangible assets		6,241	3,187	4,868	6,081	6,723	6,334
Other assets (Note 2)		45,895	53,396	208,028	288,578	508,516	660,958
Total Assets		3,304,188	3,712,705	4,275,162	4,413,412	5,313,191	5,781,026
Current liabilities	Before distribution	503,644	673,830	956,442	752,144	980,753	1,412,295
	After distribution	659,427	860,770	1,143,382	1,032,553	-	-
Non-current liabilities		176,411	332,600	597,993	715,473	1,056,638	1,199,350
Total Liabilities	Before distribution	680,055	1,006,430	1,554,435	1,467,617	2,037,391	2,611,645
	After distribution	835,838	1,193,370	1,741,375	1,748,026	-	-
Equity attributable to shareholders of the parent company		2,624,133	2,706,275	2,720,727	2,945,795	3,261,659	3,155,022
Capital stock		623,131	623,131	623,131	623,131	623,131	623,131
Capital surplus		1,518,856	1,520,575	1,520,575	1,521,219	1,541,253	1,354,314
Retained earnings	Before distribution	486,830	586,375	646,145	843,827	1,150,099	1,152,465
	After distribution	331,047	399,435	459,205	563,418	-	-
Other equity		(4,684)	(23,806)	(69,124)	(42,382)	(52,824)	25,112
Treasury stock		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	14,141	14,359
Total Equity	Before distribution	2,624,133	2,706,275	2,720,727	2,945,795	3,275,800	3,169,381
	After distribution	2,468,350	2,519,335	2,533,787	2,665,386	-	-

Note 1: The 2017–2021 financial information have been audited and verified by an independent accountant. 2022 Q1 financial information has been reviewed by the CPA.

Note 2: In response to the IFRS16 Leases becoming applicable starting from 2019, right-of-use assets are included in other assets starting from 2019.

(II) Condensed statement of comprehensive income

1. Standalone condensed statement of comprehensive income – adopting IFRS

Unit: NTD in thousand

Item \ Year	Financial information for the most recent five years (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenue	1,392,957	1,592,901	1,743,878	1,913,114	1,978,390
Operating Gross Margin	463,328	496,032	451,148	366,196	368,217
Operating income (loss)	254,099	251,126	192,874	91,678	47,445
Non-operating Income and Expenses	(8,635)	55,331	78,719	311,379	551,729
Net Profit before Tax	245,464	306,457	271,593	403,057	599,174
Net income for the period from continuing operations	245,464	306,457	271,593	403,057	599,174
Loss from discontinued operations	-	-	-	-	-
Net income/loss	214,807	256,507	245,943	385,077	586,540
Other Comprehensive Income for the current period, Net of Income Tax	4,135	(20,301)	(44,551)	26,287	(10,301)
Total comprehensive income for the current period	218,942	236,206	201,392	411,364	576,239
Net income attributable to shareholders of the parent	214,807	256,507	245,943	385,077	586,540
Net income attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent	218,942	236,206	201,392	411,364	576,239
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share	4.04	4.13	3.95	6.18	9.48

Note 1: The above-mentioned financial information have been audited and verified by an independent accountant.

## 2. Consolidated condensed statement of comprehensive income – adopting IFRS

Unit: NTD in thousand

Item \ Year	Financial information for the most recent five years (Note 1)					Financial information, current year as of March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating Revenue	1,703,720	2,081,046	2,541,447	3,061,573	3,361,082	894,038
Operating Gross Margin	546,082	644,366	686,617	907,027	1,205,989	345,473
Operating income (loss)	275,087	314,018	325,284	443,466	669,752	149,271
Non-operating Income and Expenses	(11,958)	6,762	(15,636)	8,226	32,504	10,274
Net Profit before Tax	263,129	320,780	309,648	451,692	702,256	159,545
Net income for the period from continuing operations	263,129	320,780	309,648	451,692	702,256	159,545
Loss from discontinued operations	-	-	-	-	-	-
Net income/loss	214,807	256,507	245,943	385,077	585,681	127,210
Other Comprehensive Income for the current period, Net of Income Tax	4,135	(20,301)	(44,551)	26,287	(10,301)	77,936
Total comprehensive income for the current period	218,942	236,206	201,392	411,364	575,380	205,146
Net income attributable to shareholders of the parent	214,807	256,507	245,943	385,077	586,540	126,992
Net income attributable to non-controlling interest	-	-	-	-	(859)	218
Total comprehensive income attributable to shareholders of the parent	218,942	236,206	201,392	411,364	576,239	204,928
Total comprehensive income attributable to non-controlling interests	-	-	-	-	(859)	218
Earnings per share	4.04	4.13	3.95	6.18	9.48	2.04

Note 1: The 2017–2021 financial information have been audited and verified by an independent accountant. 2022 Q1 financial information has been reviewed by the CPA

### (III) Name of CPAs and Auditors' Opinions for the last five years

Year	CPA firm	Name of CPA	Auditors' opinions
2017	Deloitte Taiwan	Cheng-Chih Lin, Ming-Hui Chen	Unqualified opinion
2018	Deloitte Taiwan	Cheng-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2019	Deloitte Taiwan	Cheng-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2020	Deloitte Taiwan	Cheng-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2021	Deloitte Taiwan	Tung-Hui Yeh, Mei-Chen Tsai	Unqualified opinion



## II. Financial analysis for the most recent five years

### 1. Standalone financial analysis – adopting IFRS

Year Analysis item		Financial analysis for the most recent five years					Current year as of March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure (%)	Ratio of Liabilities to Assets	18.42	24.55	29.57	22.40	29.99	Not applicable
	Ratio of long-term fund to property, plant and equipment	263.01	286.63	295.43	329.47	348.77	
Solvency %	Current ratio	363.16	245.00	209.53	258.10	216.55	
	Quick ratio	292.76	204.45	150.23	219.66	167.06	
	Times interest earned ratio	74.10	69.33	34.64	70.48	93.18	
Operating ability	Average collection turnover (times)	2.85	3.07	3.16	3.51	3.56	
	Average days of collection	128	119	115	104	103	
	Average inventory turnover (times)	-	-	-	-	-	
	Average payables turnover (times)	14.07	14.78	11.29	13.26	21.90	
	Average days of sales	-	-	-	-	-	
	Property, plant, and equipment turnover (times)	1.48	1.51	1.65	1.85	1.81	
	Total assets turnover (times)	0.50	0.47	0.47	0.50	0.47	
Profitability	Return on assets (%)	7.81	7.65	6.78	10.18	14.00	
	Return on equity (%)	9.61	9.62	9.06	13.59	18.90	
	Pre-tax income to paid-in capital ratio (%)	39.39	49.18	43.59	64.68	96.16	
	Net margin (%)	15.42	16.10	14.10	20.13	29.65	
	Earnings per share (NTD)	4.04	4.13	3.95	6.18	9.48	
Cash flow	Cash flow ratio (%)	95.15	109.40	54.36	154.84	80.52	
	Cash flow adequacy ratio (%)	74.55	75.62	74.05	88.39	81.07	
	Cash flow reinvestment ratio (%)	5.42	9.35	4.22	9.32	2.82	
Leverage	Operating leverage	3.91	4.58	6.17	13.17	28.73	
	Financial leverage	1.01	1.02	1.04	1.07	1.16	

Please provide the reasons for changes in financial ratios in the most recent two years. (Analysis is not required if the change is less than 20%)

1. Ratio of Liabilities to Assets: Mainly due to the increase in long-term borrowings.
2. Quick ratio: Mainly due to the increase in current liabilities.
3. Times interest earned ratio: Mainly due to the increase in net profit before tax.
4. Average payables turnover: Mainly due to the increase in operating cost.
5. Return on assets (%) / Return on equity (%) / Net margin (%) / Earnings per share (NTD): Mainly due to the increase in net income.
6. Pre-tax income to paid-in capital ratio %: Mainly due to the increase in share of profits and losses of subsidiaries under the equity method.
7. Cash flow ratio (%) / Cash flow reinvestment ratio (%): Mainly due to the reduction of net cash inflow from operating activities.
8. Operating leverage: Mainly due to the reduction in operating income.

## 2. Consolidated financial analysis – adopting IFRS

Year Analysis item		Financial analysis for the most recent five years					Current year as of March 31, 2022 (Note 1)
		2017	2018	2019	2020	2021	
Financial structure (%)	Ratio of Liabilities to Assets	20.58	27.11	36.36	33.25	38.35	45.18
	Ratio of long-term fund to property, plant and equipment	176.77	179.14	174.53	194.81	207.77	199.22
Solvency %	Current ratio	331.14	290.83	225.91	297.73	277.29	207.32
	Quick ratio	292.99	274.88	194.46	270.03	254.63	188.72
	Times interest earned ratio	52.88	51.65	19.95	24.50	42.25	32.16
Operating ability	Average collection turnover (times)	3.59	3.79	3.76	3.77	3.93	4.00
	Average days of collection	102	96	97	97	93	91
	Average inventory turnover (times)	-	-	-	-	-	-
	Average payables turnover (times)	17.61	18.91	14.05	13.22	18.07	23.40
	Average days of sales	-	-	-	-	-	-
	Property, plant, and equipment turnover (times)	1.08	1.23	1.41	1.62	1.7	1.68
	Total assets turnover (times)	0.52	0.56	0.64	0.70	0.69	0.64
Profitability	Return on assets (%)	7.62	7.46	6.49	9.22	12.32	9.47
	Return on equity (%)	9.61	9.62	9.06	13.59	18.87	15.86
	Pre-tax income to paid-in capital ratio (%)	42.23	51.48	49.69	72.49	112.7	102.42
	Net margin (%)	12.61	12.33	9.68	12.58	17.43	14.23
	Earnings per share (NTD)	4.04	4.13	3.95	6.18	9.48	2.04
Cash flow	Cash flow ratio (%)	96.21	100.98	64.48	146.02	154.59	107.36
	Cash flow adequacy ratio (%)	72.05	68.37	65.37	81.12	92.59	96.23
	Cash flow reinvestment ratio (%)	6.45	9.94	7.03	12.88	14.81	14.06
Leverage	Operating leverage	4.36	4.72	5.19	4.49	3.80	4.49
	Financial leverage	1.02	1.02	1.05	1.05	1.03	1.04

Please provide the reasons for changes in financial ratios in the most recent two years. (Analysis is not required if the change is less than 20%)

1. Current ratio / Quick ratio: Mainly due to the increase in current liabilities.
2. Times interest earned ratio: Mainly due to the increase in net profit before tax.
3. Average payables turnover (times): Mainly due to the reduction in accounts payable.
4. Property, plant, and equipment turnover (times) / Pre-tax income to paid-in capital ratio (%): Mainly due to the increase in operating revenue.
5. Return on assets (%) / Return on equity (%) / Net margin (%) / Earnings per share (NTD): Mainly due to the increase in net income.
6. Cash flow ratio (%) / Cash flow adequacy ratio (%) / Cash flow reinvestment ratio (%): Mainly due to the increase in net cash inflow from operating activities.
7. Operating leverage: Mainly due to the increase in net operating profit.

Note 1: 2022 Q1 financial information has been reviewed by the CPA.

Note 2: The calculation formulas for the analysis are as below:

(1) Financial structure

- ① Debt ratio = Total Liabilities / Total Assets.
- ② Long-term Fund to Property, Plant, and Equipment Ratio = (Shareholders' Equity + Noncurrent 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 ability

- ① Average Collection Turnover = Net Sales / Average Trade Receivables (including Accounts Receivable and Notes Receivable originated from operation).
- ② Days Sales Outstanding = 365 / Average Collection Turnover.
- ③ Average Inventory Turnover = Cost of Sales / Average Inventory.
- ④ Average Payment Turnover = Cost of Sales / Average Trades Payable (including Accounts Payable and Notes Payable originated from operation).
- Average Inventory Turnover Days = 365 / Average Inventory Turnover.
- Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment.
- Total Assets Turnover = Net Sales / Average Total Assets.

(4) Profitability

- ① Return on Total Assets = (Profit and Loss after Tax + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets.
- ② Return on Equity = Profit and Loss after Tax / Average Equity.
- ③ Net Margin = Profit and Loss after Tax / Net Sales.
- ④ Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding. (Note 4)

(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). (Note 5)

(6) Leverage:

- ① Operating Leverage = (Net Sales - Variable Cost) / Income from Operations (Note 6).
- ② Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses).

Note 4: Special attention should be paid to the following when measuring earnings per share with the above equation:

- (1) The calculation shall be based on the weighted average of common shares rather than the outstanding shares at the end of year.
- (2) Where there is a cash capital increase or treasury stock transactions, the calculation of the weighted-average number of shares shall take into account the period of liquidity of the shares.
- (3) In the case of recapitalization from earnings or from capital surplus, the retroactive adjustment shall be made on a pro rata basis subject to the proportion of capital increase when calculating the EPS for the past years and for a half of the year, without taking the circulation period of the capital increase into consideration.
- (4) If the preferred shares are non-convertible cumulative preferred shares, the dividends for the year (whether distributed or not) shall be deducted from the net profit or added to the net loss. In the case of non-cumulative preferred stock, the preferred stock dividend shall be deducted from the net profit after tax, if any; notwithstanding, no adjustment is required, in the case of loss.

Note 5: When analyzing the cash flow, it shall be noted that:

- (1) Net operating cash flow refers to the net cash inflow generated from operating activities in the statement of cash flows.
- (2) Capital expenditure refers to the cash outflow out of capital investment each year.
- (3) Increases in inventories are counted only if the ending balance is greater than the opening balance. If inventories decrease at the end of the year, it shall be marked as zero.
- (4) Cash dividends refer to cash dividends to common shares and preferred shares.
- (5) Gross property, plant and equipment refers to the total property, plant and equipment prior to deducting the accumulated depreciation.

Note 6: The issuer shall divide the operating costs and expenses in to fixed or variable by their nature. If any estimates or subjective judgments are involved, pay attention to their rationale and consistency.

Note 7: Where the Company's stock does not have a par value or the par value is not NT\$10 per share, the calculation of the aforementioned ratios of paid-in capital shall be replaced by ratios of equity attributable to shareholders of the Parent company.

- III. Audit Committee’s review report for the 2021 financial statements:** Please refer to page 75 of the annual report.
- IV. 2021 Financial Statements audited and verified by the CPAs:** Please refer to Attachment I.
- V. 2021 Company Standalone Financial Statements audited and verified by the CPAs:** Please refer to Attachment II.
- VI. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company’s financial position in the past year and as of the publication date of the annual report:** None.

**Materials Analysis Technology Inc.  
Audit Committee Report**

The board of directors prepared the Company’s 2021 business report, financial statements, and profit distribution proposal, of which the financial statements were audited by CPA Tung-Hui Yeh and CPA Mei-Chen Tsai of Deloitte Taiwan with an audit report issued.

The Audit Committee had the aforementioned business report, financial statements, and profit distribution proposal checked without any inconsistency found; therefore, the Audit Committee Report was issued in accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for review.

To:

The Company’s 2022 Annual Meeting of Shareholders

Materials Analysis Technology Inc.

Convener of the audit committee: Ching-Hsiang Hsu

March 18, 2022

## Seven. Review Analysis of Financial Position and Performance and Risk Matters

### I. Financial position

Unit: NTD in thousand: %

Item \ Year	2020	2021	Differences	
			Amount	%
Current assets	2,239,378	2,719,551	480,173	21.44
Property, plant and equipment	1,879,375	2,078,401	199,026	10.59
Intangible assets	6,081	6,723	642	10.56
Other assets	288,578	508,516	219,938	76.21
<b>Total Assets</b>	<b>4,413,412</b>	<b>5,313,191</b>	<b>899,779</b>	<b>20.39</b>
Current liabilities	752,144	980,753	228,609	30.39
Non-current liabilities	715,473	1,056,638	341,165	47.68
<b>Total Liabilities</b>	<b>1,467,617</b>	<b>2,037,391</b>	<b>569,774</b>	<b>38.82</b>
Capital stock	623,131	623,131	-	-
Capital surplus	1,521,219	1,541,253	20,034	1.32
Retained earnings	843,827	1,150,099	306,272	36.30
Other equity	(42,382)	(52,824)	(10,442)	24.64
<b>Total shareholder equity</b>	<b>2,945,795</b>	<b>3,261,659</b>	<b>315,864</b>	<b>10.72</b>

(I) Analysis of the increase or decrease of change in ratio for the most recent two years:

1. Increase in current assets: Mainly due to the increase in cash and cash equivalents.
2. Increase in other assets: Mainly due to the increase in use-of-rights assets and advance payment of equipment.
3. Increase in current liabilities: Mainly due to the increase in other accounts payable.
4. Increase in non-current liabilities: Mainly due to the increase in long-term borrowings and lease liabilities – non-current.
4. Increase in retained earnings: Mainly due to the increase in current net income.
5. Other equity change: Mainly due to the exchange differences on the translation of financial statements of foreign operation.

(III) Future countermeasure plans: Not applicable.

### II. Financial performance

(I) Comparative analysis table for operation outcomes

Unit: NTD in thousand: %

Item \ Year	2020	2021	Increase (decrease) amount	Change in Percentage
Net Operating Revenue	3,061,573	3,361,082	299,509	9.78
Operating Cost	2,154,546	2,155,093	547	0.03
Operating Gross Margin	907,027	1,205,989	298,962	32.96
Operating Expenses	463,561	536,237	72,676	15.68
Operating Income	443,466	669,752	226,286	51.03

Item \ Year	2020	2021	Increase (decrease) amount	Change in Percentage
Non-operating Income and Expenses	8,226	32,504	24,278	295.14
Net profit before tax from continuing operations	451,692	702,256	250,564	55.47
Income tax (expense) gain	(66,615)	(116,575)	(49,960)	75.00
Income from continuing operations	385,077	585,681	200,604	52.09
Cumulative effect of changes in accounting principles	--	--	--	--
Current net income	385,077	585,681	200,604	52.09
Other comprehensive income for the current period	26,287	(10,301)	(36,588)	(139.19)
Total comprehensive income for the current period	411,364	575,380	164,016	39.87
Net income attributable to shareholders of the parent	385,077	586,540	201,463	52.32
Net income attributable to non-controlling interest	--	(859)	(859)	--

1. Analysis of the increase or decrease of change in ratio for the most recent two years:
  - (1) Operating Gross Margin: Mainly due to the increase in operating revenue.
  - (2) Operating Income: Mainly due to the increase in operating gross margin.
  - (3) Non-operating Income and Expenses: Mainly due to the increase in share of profits and losses of affiliates under the equity method.
  - (4) Net profit before tax from continuing operations: Mainly due to the increase in operating revenue.
  - (5) Income tax (expense) gain: Mainly due to the increase in operating revenue leading to significant increase in profits and the relative increase in income tax expense.
  - (6) Current net income: Mainly due to the increase in operating revenue.
  - (7) Other comprehensive income for the current period: Mainly due to the exchange differences on the cumulative translation of financial statements of foreign operations.
  - (8) Total comprehensive income for the current period: Mainly due to the increase in operating revenue.
2. The expected sales volume and its basis for the coming one year and the company's expected sales volume, the factors contributing to continuous growth: It is based on the customers' operating situation and the current status of orders received by the Company, and with reference to the Company's equipment providing service capacity scale assessment. Stable growth is

expected for the coming one year for the Company's sales volume.

### III. Cash flow

#### (I) Cash flow analysis for the most recent year:

Unit: NTD in thousand

At the beginning of the period Cash balance	Net Cash Flow from the Year's Operation	Cash Outflow for the Entire Year	Effects of exchange rate changes on cash and cash equivalents	Cash surplus amount	Remedy for cash shortage	
(1)	(2)	(3)	(4)	(1)+(2)-(3)+(4)	Investment plan	Finance plan
1,195,067	1,516,139	1,025,479	450	1,686,177	\$ -	\$ -
<p>1. Analysis of cash flows changes for current period:</p> <p>(1) Operating activities: The net cash inflow of operating activities for the entire year was about NTD1,516,139 thousand. Mainly due to the increase in operating revenue leading to the net cash inflow.</p> <p>(2) Investment activities: The net cash outflow of investment activities for the entire year was about NTD961,445 thousand. Mainly due to the purchase of fixed assets.</p> <p>(3) Financing activities: The net cash outflow of financing activities for the entire year was about NTD64,034 thousand. Mainly due to the proceeds from debt and cash dividends distribution.</p> <p>2. Contingency Plans for Projected Insufficient Cash Position and Liquidity Analysis: None of such situation.</p>						

#### (II) Cash liquidity analysis for the coming one year:

Unit: NTD in thousand

At the beginning of the period Cash balance	Net Cash Flow from the Year's Operation	Cash Outflow for the Entire Year	Cash surplus amount	Remedy for cash shortage	
(1)	(2)	(3)	(1)+(2)-(3)	Investment plan	Finance plan
1,686,177	1,516,204	1,338,236	1,864,145	\$ -	\$ -
<p>1. Analysis of estimated cash flows changes for 2022:</p> <p>(1) Operating activities: The net cash inflow from operating activities for the entire year was about NTD1,516,204 thousand. Mainly due to the increase in operating revenue.</p> <p>(2) Investment activities: The net cash outflow of investment activities for the entire year was about NTD1,545,687 thousand. Mainly due to the expected purchase of fixed assets.</p> <p>(3) Financing activities: The net cash inflow of financing activities for the entire year was about NTD207,451 thousand. Mainly due to the increase in proceeds from debt and the distribution of cash dividends.</p> <p>2. Contingency Plans for Projected Insufficient Cash Position and Liquidity Analysis: Not applicable.</p>					

**IV. Effects of major capital expenditures during the most recent fiscal year on financial and business:**

(I) Major Capital Expenditures – Its Use and Source of Capital:

Unit: NTD in thousand

Project items	Actual or Planned Source of Capital	Actual or Planned Date of Completion	The Required Funds Amount	Actual or Planned Source of Capital
				2021
<u>Fixed assets</u>				
Procurement of machinery equipment	Cash flow generated from operations	December 2021	989,062	989,062

(II) Expected Benefits

Purchasing of machinery equipment: The purchasing of new equipment is to increase the company's capacity. Advanced and high level technology machineries are introduced from overseas subsequently in order to provide customers total solution and satisfactory services.

**V. The policy, main reason for profit or loss, and improvement plan of reinvestment in the most recent fiscal year and investment plan for the coming one year:**

(I) Recent reinvestment policy: The reinvestment policy of the Company is to establish analytical laboratories in Mainland China area through reinvestment from a third location and direct investment in Japan to establish analytical laboratories. The purpose is to expand local services and to build comprehensive testing and analysis service locations, providing speedy and complete service to satisfy the unique requirements of different regional markets. This is also to develop potential new customer groups in creating better operation performance.

(II) The main reason for profit or loss, and improvement plan of reinvestment in the most recent fiscal year and investment plan for the coming one year:

Description Item	Investment amount	Policy	Main reason for profit or loss	Improvement plan	Other future investment plans
Ma-tek International Inc.	USD31,001 thousand	Investment holding company established for reinvestment purpose in Mainland China region	100% recognized as the profit and loss of mainland invested company	Actively delegate personnel to support mainland market expansion	Make appropriate investments in response to expansion needs from overseas subsidiaries
MA-tek (Shanghai) Ltd.	USD23,500 thousand	Providing testing and analysis services to the mainland	Increase of 2020 orders received and stable profits	Actively delegate personnel to support mainland	Make appropriate investments in response to expansion



Description Item	Investment amount	Policy	Main reason for profit or loss	Improvement plan	Other future investment plans
		region		market expansion	needs from overseas subsidiaries
MA-tek (Xiamen) Ltd.	USD7,500 thousand	Providing testing and analysis services to the mainland region	Increase of orders received and improved profits	Continue to enhance our advantage in technology and market expansion	Make appropriate investments in response to expansion needs from overseas subsidiaries
MA-tek Educational Consulting (Xiamen) Co., Ltd.	-	Provide mainland region educational consultation service	-	-	-
Ma-tek Japan Inc.	JPY95,000 thousand	Expand Japan market	Increase of orders received and improved profits	Understand the technical requirements in Japan market and develop the required technology of customers	Make appropriate investments in response to expansion needs from overseas subsidiaries
Ma-tek USA.	-	Expansion of US market	-	-	-

## VI. Analysis and assessment of risk matters

- (I) Influence on the income from changes in the interest rate and exchange rate volatility and inflation, and future countermeasures:

Unit: NTD in thousand

Item	2020	2021
Interest expense	13,967	9,700
Gain (Loss) on foreign exchange	12,433	(17,292)
Net Operating Revenue	3,061,573	3,361,082

Source of information: Financial statements audited and verified by independent auditors.

### 1. Changes in the interest rate

Loans are generated due to the payment of the testing instruments by the Company. In 2020 and 2021, the interest payments were NTD13,967 thousand and NTD9,700 thousand respectively, which account for the operating revenue of each period at 0.4562% and 0.2886% respectively, a fairly low percentage. The company's financial department is paying attention at all times to the market interest rate changes, and has built close interactions with the financial

institutions to seek for the most suitable interest rates in a timely manner and to use it with the short-, medium- and long-term loan commitments. Hence, fluctuations of interest rates have limited effects to the Company.

## 2. Changes in the exchange rate

The Company adopts the natural hedge accounting method to balance the exposure position of foreign currency assets and liabilities. There have been regular collection of the exchange rate changes information and timely adoption of appropriate response measures. We strive to lower the risks generated from exchange rates fluctuations. Thus, the effects of the exchange rate changes to the company's profit and loss is not high.

## 3. State of inflation

The effects from inflation to the raw materials required by the Company's production are not significant. In the future, the company will continue to pay close observations to the price index changes for making responses.

## (II) Policies, main reason(s) for profits or losses, and future countermeasures for engaging in high-risk and high leverage investments, lending, offering guarantees and endorsements, and derivatives investments:

1. In 2021, the Company and subsidiaries focus on the management of their principal business. The financial policy adopts a more conservative and stable principle, prohibiting engagement in high risk and high leverage investments. Every investment needs to be prudently evaluated before execution begins.
2. When the Company and subsidiaries engage in loaning funds to others, and making endorsements and guarantees, the management regulations and related regulations of the competent authority and the Company shall be adhered to in the processing. Regular audits need to be done and announcement and filings to be carried out according to the legal requirements. The details are as below:
  - (1) Lending of funds to others: As of 2022/3/31, the state of lending funds are as below:

Unit: NTD in thousand

Financing company	Counterparty	The highest balance, accumulated up till current month (2022/3/31)	Current quarter increase (decrease) amount for individual subsidiary		Balance at end of period	Actual amount drawn	Interest range
			Transaction Amount	Short-term financing facility			
MA-tek (Shanghai) Ltd.	MA-TEK Japan Inc.	225,300	0	0	225,300		
MA-tek (Shanghai) Ltd.	MA-tek (Xiamen) Ltd.	225,300	0	0	225,300	112,650	3.85%

(2) Endorsement and guarantee: As of 2022/3/31, its state is as below

Unit: NTD in thousand

Party being endorsed/ guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum balance of endorsements/ guarantees for the current period	Balance of endorsements/ guarantees at the end of the period	Amount of endorsements/ guarantees secured by property	Cumulative amount of endorsements/ guarantees as a percentage of the net worth as stated in the latest financial statement	Ceiling on the total amount of endorsements/ guarantees provided
Company name	Relationship						
MA-TEK JAPAN Inc.	Subsidiary of the Company	1,141,581	470,600	470,600	70,590	14.43%	2,283,161
MA-tek (Shanghai) Ltd.	Subsidiary of the Company	1,141,581	337,950	337,950	-	10.36%	2,283,161
MA-tek (Xiamen) Ltd.	Subsidiary of the Company	1,141,581	81,108	81,108	-	2.49%	2,283,161

Note: The Company has established the Procedures for Endorsements and Guarantees. Where the endorsements and guarantees for a subsidiary shows necessary for operations based on evaluations, it is to be processed according to the Procedures without exceeding the limits and to be submitted for approval by board resolution.

(3) Policy for derivative product trading, main causes of profit or loss and future countermeasures: The Company does not engage in derivative financial product trading. The future derivative financial trading policy for the company would be based on avoiding risks of exchange rate variations for foreign currency assets or liabilities, and the company shall not engage in derivative product trading for the purpose of trading.

(III) Future R&D plan and expected R&D expenses to be invested:

The Company's new technology development is in line with the demands of customers and market, and we pay close attention to the future industry trend and development, R&D for technologies with market growth and potential. The new technologies actively developed by the Company are listed as follows:

1. Unilateral thinning K-kit product technological development.

2. Liquid sample pool carrying device of Transmission Electron Microscope (TEM).
3. Develop HTGB / HTRB / H3TRB machineries.
4. Develop MCC Individual Temperature Control Circuit.
5. GAA structural model preparation.

The Company's 2021 invested R&D funds account for 3.71% of the operating revenue. The projected 2022 invested R&D funds account for 5% to 10% of the operating revenue.

(IV) Influence of major policies and legal changes at home or abroad on finance, operations, and countermeasures:

Various aspects of the Company's financial business are processed in accordance with the laws and regulations of competent authorities. In the most recent year, there have not been events of change in domestic and overseas major policies and laws that cast an impact to the company's finance and business. In the future, the management of the company will make close observations of any such changes domestically and overseas so as to come up with countermeasures in a timely manner.

(V) Influence of changes in technology and the industry on finance, operations, and countermeasures:

In recent years, the emphasis for electronic products was light-weight and small size. Thus, suppliers are constantly developing new products to satisfy consumer demands. At the same time, this has raised the demands for high level process. The evolution of these technologies in turn elevate the demands from industries on testing and verification analysis services. The Company continues to strengthen its verification analysis capacity and technical team matrix for delivering better services in becoming the pushing hand of technology upgrade.

(VI) The impact of changes in corporate image on corporate crisis management and the countermeasures:

Since the Company's establishment, it has worked tirelessly on enhancing its company's internal management and shaping the company's core values, and worked eagerly on servicing the society. It has built a good corporate image and up till now there have not been events of corporate crisis due to corporate image. The Company will continue to abide strictly to every item requirement of corporate governance into the future to lower the chance of corporate crisis from impact of changes in corporate image.

(VII) Expected benefits and potential risks of mergers and acquisitions, and

countermeasures:

In the most recent year and as of the annual report publication date, the Company has not engaged in mergers and acquisitions plan. Should there be engagement relating to the aforementioned plans in the future involving assessment and execution, the case shall be proceeded with in accordance with the Company's related regulations and relevant laws and regulations.

(VIII) Expected benefits and potential risks of factory expansion and countermeasures:  
The Company has no plans for factory expansion at this moment.

(IX) Risks associated with any centralized sales and procurement and the countermeasures:

1. Risk of concentrated purchase

The Company engages in the R&D service sector on testing and verification analysis, which is considered as professional service and purchase of materials is not necessary. During the process of service providing, only a small amount of materials are consumed, and materials procurement is not limited to one single supplier source. Hence, the Company does not have risk in concentrated purchasing.

2. Risk of concentrated sales

The major customers of the Company stretch across the IC design, foundry, and optoelectronics industries, providing them engineering sample testing and analysis services. With many and varied customers, the Company is not under risk of concentrated sales.

(X) Influence and potential risks of the massive transaction or conversion of shares by Directors, Supervisors, or dominant shareholders holding over 10% of the stake of the Company and countermeasures:

There have been no massive transfer of equity in recent year and as of the annual report publication date by the Company's directors, supervisors or dominant shareholders with more than 10% take. The management right of the company is relatively stable.

(XI) Impacts from the change of ownership on the Company and its risk and corresponding measures:

The Company has a sound operation and is making good profits. The company directors have been eagerly participating in the company operations. There have been no massive transfer of management right in recent year and as of the annual report publication date. The management right of the company is relatively stable.

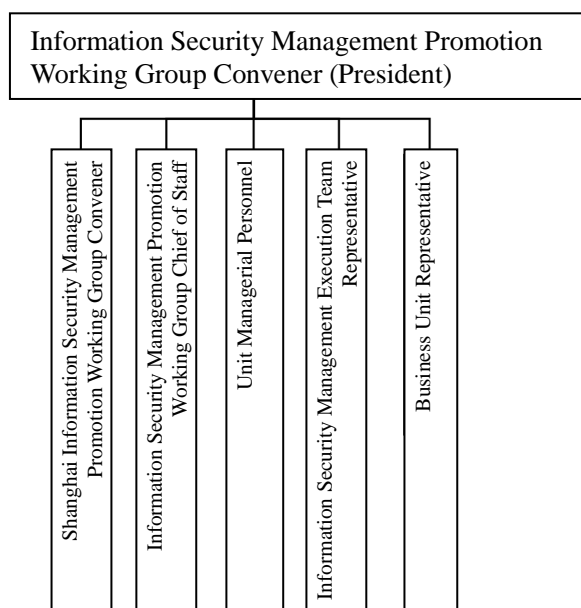
(XII) Major litigious events, non-litigious events, or administrative remedies with confirmed verdicts in recent years and by the date of report publication or in progress by the date of report publication of Directors, Supervisors, General Manager, actual principals, and shareholders holding over 10% of the stake of the Company, subsidiaries, or affiliates, with results that may cause significant impact to the rights and interests of shareholders or the stock price, then their fact in dispute, contract value, trial start date, parties concerned, and the status as of the date of the annual report publication must be stated: None of such situation.

(XIII) Other material risks and countermeasures:

1. Information security risk and countermeasures:

(1) Information security management system

For the purpose of maintaining information security management for the organization and customers, the Materials Analysis Technology Inc. (hereinafter referred to as the Company) has in 2015 established the “Information Security Management Promotion Working Group” to be responsible for formulating organization information security policy and related process regulations. The President acts as the convener and appoints the Chief of Staff to be responsible for the information management business. The Working Group also has set up an execution team to be responsible for planning the execution of various information security measures, information security events notification system operation and material information security event response handling.



The Company's Information Security Management Promotion Working Group reviews the information security management related matters and reviews its policy execution status in monthly meetings. At the beginning of each year, the CEO will hold the Management Review Meeting to review the information security policy annual execution report, and to confirm that the execution has been duly carried out. The audit office will conduct audits on the information security management process and report to the board meeting on the audit outcomes.

(2) Information security policy

The company follows the ISO 27001 Information Security Management System (ISMS) as a basis in the promotion of its information security management system. According to the Plan, Do, Check, Action (PDCA) procedure model, upholding the spirit of precision and accuracy, efficiency and effective to ensure the effectiveness and continuity of the information security business operation of the Company. This helps to maintain the confidentiality, completeness and usability of the Company's information assets.

(3) Specific management plan for information security

In compliance with the ISO 27001 system framework, the Company adopts the following countermeasures to ensure information security:

- A. Information security policy promotion: Through the Information Security Management Promotion Working Group operation and information security policy execution, the Company can get hold of the latest topic and event alert information of the internal and external organization environment. Alert information can be released to related employees of the Company in a timely manner and to research and formulate prevention measures. The steps are taken to ensure operation continuity and security of various information service of the Company.
- B. Physical and environment management: On the protection of information security, the Company implements various prevention measures, such as security zone segmentation, network segmentation, antivirus software, endpoint protection and system patch management. Regular vulnerability assessment is conducted for network equipment and server equipment. Patch process is then applied to the discovered vulnerabilities for lowering the overall information security risk.
- C. Email management: To maintain and ensure a secure information environment, the Company conducts category management on the email accounts. There is the spam mail filter and virus scan protection for the host computer end, in ensuring the security of email use

environment.

- D. Access control management: In ensuring the information engine room and information system environment operates normally, the engine room adopts a two-factor certification, CCTV, Motion detector and whole day monitoring from central room. The Company proceeds with effective authorization and control management for the user access, application system use, network and information databased access rights.
- E. Network security management: The corporate level network firewall is installed at the connection from portal to external systems to obstruct illegal invasion from hackers. The webpage black- and whitelist filtering system is also set up, controlling the access on internet. It can block visits to website addresses or contents that are harmful or which is prohibited by policy. These can strengthen network operation security and prevent improper occupation of bandwidth resources.
- F. Continuous management of operation: In ensuring the uninterrupted operation of the company's information system, the Company has set up the system backup mechanism and important information equipment backup mechanism. The disaster recovery plan is also established with regular recovery practice drills carried out. This to check that the backup mechanism is of normal operation.
- G. Information security awareness promotion and educational training: Request employees to regularly changes their system passwords to maintain security of the use account. Provide new employees and in-service employees information security awareness educational training, to enhance their awareness.

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



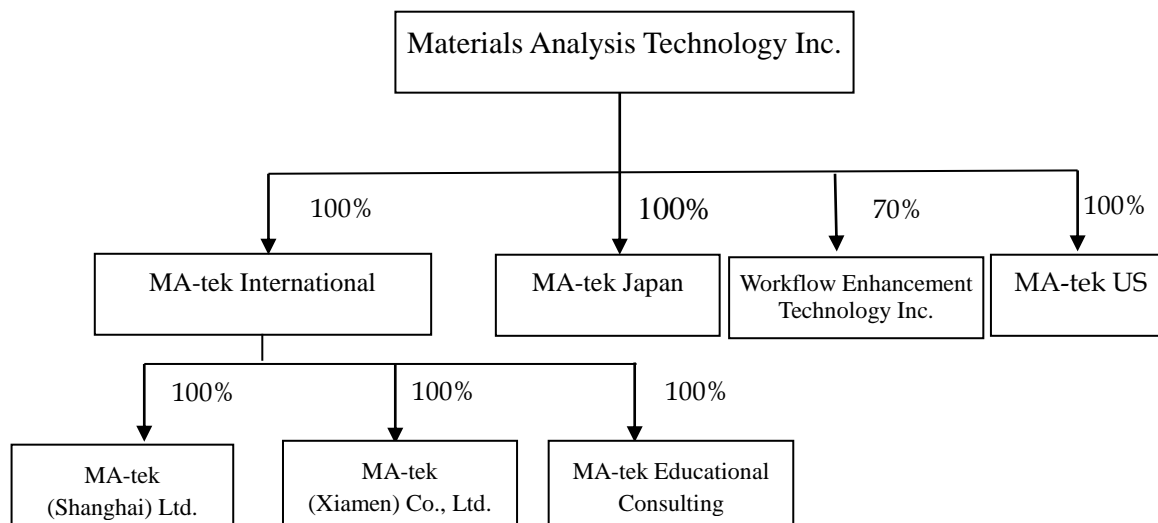
## **Eight. Special Disclosure**

### **I. Related information for affiliated companies**

#### **(I) Consolidated business report for affiliated companies**

##### **1. Organization overview for affiliated companies**

##### **(1) Organization chart for affiliated companies**



(2) Controlling and subordinate companies as defined by Article 369-3 of the Company Act: None.

(3) Subordinate companies as defined by Article 369-2, Paragraph 2 of the Company Act with direct or indirect control by the Company on its personnel, finance or business management: None.

##### **2. Basic profile of affiliated companies**

Friday, December 31, 2021

Company name	Date of establishment	Address	Paid-in capital	Main areas of operation or production
Ma-tek International Inc.	2005/5/18	Offshore Chambers,P.O.Box 217,Apia,Samoa	USD31,001 thousand	Holding company managing the reinvestment.
MA-tek (Shanghai) Ltd.	2006/3/22	1/F, No.138 Qing Yun Road, Shanghai Zhangjiang Hi-Tech Park, Shanghai, PR China	USD23,500 thousand	Engage in the research and development of new electronic components and testing and provide related technical consultation and services.
MA-tek (Xiamen) Ltd.	2017/5/4	601, South Building, Torch Plaza, No.56-58, Torch Road, Hi-Tech Industrial Development Zone, Xiamen, PR China	USD7,500 thousand	Engage in the research and development of new electronic components and testing and provide related technical consultation and services.
MA-tek Educational Consulting (Xiamen) Co., Ltd.	2019/3/18	304-6, South Building, Torch Plaza, No.56-58, Torch Road, Hi-Tech Industrial Development Zone, Xiamen, PR China	-	Engage in educational support services and provide related technical consultation and services.
Ma-tek Japan Inc.	2007/11/16	7F,Minami-morimachi Yachiyo Bld., 2-2-9, Minami-morimachi,Kita-ku, Osaka-city,530-0054 JAPAN	JPY95,000 thousand	Engage in the research and development of new electronic components and testing and provide related technical consultation and

Company name	Date of establishment	Address	Paid-in capital	Main areas of operation or production
				services.
Workflow Enhancement Technology Inc.	2021/4/15	1F, No. 26-2, Taiyuan St., Zhubei City, Hsinchu County Taiwan 302 ROC	NTD35,000 thousand	Engage in electronics components manufacturing, wholesale, and device trading services
Ma-tek USA	2011/8/16	2480 N. First Street, Suite 280 San Jose, CA 95131	-	Engage in the research and development of new electronic components and testing and provide related technical consultation and services.

3. Information of the same shareholders in controlling and subordinate companies:

None.

4. Businesses covered by the entire affiliated companies

The businesses of the Company and the affiliated companies engage in the research and development of new electronic components and testing and provide related technical consultation and services.

5. Information of Directors, Supervisors and General Manager of the affiliates

Unit: Share; %

Company name	Position	Representative	Shareholding	
			Number of shares	Shareholding percentage
Ma-tek International Inc.	Director	Representative of Materials Analysis Technology Inc.: Yong-Fen Hsieh	--	100 %
MA-tek (Shanghai) Ltd.	Chairperson	Yong-Fen Hsieh	--	100 %
	Director	Chien-Hua Wang, Scott Allen, Fu-Hua Chang		
MA-tek (Xiamen) Ltd.	Chairperson	Yong-Fen Hsieh	--	100 %
	Director	Tung-Ming Wu, Fu-Hua Chang		
MA-tek Educational Consulting (Xiamen) Co., Ltd.	Chairperson	Yong-Fen Hsieh	--	100 %
	Director	Scott Allen		
Ma-tek Japan Inc.	Representative Director	JH Wang	1,500	100 %
	Director	Yong-Fen Hsieh, Fu-Sheng Liao		
	Supervisor	Tung-Ming Wu		
Ma-tek USA	Chairperson	Representative of Materials Analysis Technology Inc.: Yong-Fen Hsieh	--	100 %

(II) Overview of operations of affiliated companies

Financial position of each of the affiliated companies and the operation results:

Unit: NTD in thousand

Company name	Capital	Total Assets	Total Liabilities	Operating Revenue	Net Income (after tax) for the current period
Ma-tek International Inc.	944,313	2,054,908	-	-	542,078
MA-tek (Shanghai) Ltd.	709,651	2,473,898	630,769	1,426,439	492,170
MA-tek (Xiamen) Ltd.	229,604	423,969	176,190	170,045	46,790
MA-tek Educational Consulting (Xiamen) Co., Ltd.	-	-	-	-	-
Ma-tek Japan Inc.	26,633	290,977	278,384	155,946	22,319
Ma-tek USA	-	-	-	-	-
Workflow Enhancement Technology Inc.	50,000	48,182	1,044	3,726	(2,003)

(III) Consolidated Financial Statements of Affiliated Companies

Statement of Consolidated Financial Statements of Affiliated Companies

The entities to be included in the consolidated financial statements of affiliated enterprises in 2021 (from January 1, 2021 to December 31, 2021) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included in the consolidated financial statements of the parent company and subsidiaries pursuant to the IAS No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statements of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated enterprises separately.

Declared by

Company name: Materials Analysis Technology Inc.

Responsible person: Yong-Fen Hsieh

March 18, 2022

(IV) Affiliates report: None.

The Company is not a subordinate company as defined by the chapter on Affiliated Enterprises of the Company Act, therefore, is exempted from preparing a report on the relationship between itself and its controlling company (the “affiliation report”).

- II. In the most recent year and as of the annual report publication date, information relating to the process situation of the privately placed securities shall be disclosed covering the approval date and amount by the shareholders and board meetings, the basis and reasonableness of the pricing, selection of designated subscriber, necessity or reason of private placement, fund raising parties, qualifications conditions, number of subscriptions, relationship with the company, state of participation in the company operations, actual subscription or conversion price, difference between actual subscription or conversion price and reference price, the effect of the private placement on shareholders’ equity, and for the period from receipt of payment in full to the completion of the related capital allocation plan, the status of use of the capital raised through the private placement of common shares, the implementation progress of the plan, and the realization of the benefits of the plan: None.**
- III. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years and up to the date of publication of the annual report: None.**
- IV. Other necessary supplementary notes: None.**
- V. As of the recent year until the annual report publication date, any matter which has had a significant impact on shareholders equity or the price for the securities referred to in Article 36, paragraph 2, subparagraph 2 of the Securities and Exchange Act: None.**

Materials Analysis Technology Inc.  
and subsidiaries

Consolidated Financial Report and  
Independent Auditors' Report  
2021 and 2020

Address: 1F, No. 26-2, Taiyuan St., Zhubei City, Hsinchu  
County Taiwan 302 ROC  
Telephone: (03)6116678

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## Statement of Consolidated Financial Statements of Affiliated Companies

The entities to be included in the consolidated financial statements of affiliated enterprises in 2021 (from January 1, 2021 to December 31, 2021) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included in the consolidated financial statements of the parent company and subsidiaries pursuant to the IAS No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statements of parent company and subsidiaries.

Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated enterprises separately.

Declared by

Company name: Materials Analysis Technology Inc.

Responsible person: Yong-Fen Hsieh

March 18, 2022

## **Independent Auditors' Report**

To: Materials Analysis Technology Inc.

### **Auditors' opinions**

We have audited the accompanying consolidated balance sheet of Materials Analysis Technology Inc. and subsidiaries (MA-tek Group) of December 31, 2021 and 2020, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of MA-tek Group as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (collectively, "IFRSs") as endorsed by the Financial Supervisory Commission (FSC).

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are Independent of the Materials Analysis Group in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed 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 judgement, were of most significance in our audit of the consolidated financial statements of the Materials Analysis Group for the year ended December 31st, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the 2021 consolidated financial statements of Materials Analysis Group are as below:

### **Revenue recognition**

The major source of operating revenue for the Group derives from providing testing and analytical services to companies of upstream, midstream and downstream materials and components industry of the semiconductor and optoelectronics high-tech industries. The operating revenue for this fiscal year was NTD3,361,082 thousand. For the accounting policy and information relating to the revenue recognition, please refer to Note IV and XX of the consolidated financial statements. Due to the fact that the 2021 operating revenue growth for the Group was about 10% compared to the previous year, it had a material impact to the 2021 consolidated financial statements. However, where it shows a significant growth for the operating revenue with part of the customers, the CPA will list its authenticity as a key audit matter for the fiscal year.

The audit procedures by our independent auditors included examining the appropriateness of the accounting policy for the revenue recognition of the Group. For the customers with huge growth in sales for this fiscal year, the sales statements would be sampled to perform the below effectiveness and verification tests of internal control for the purpose of confirming that the revenue did actually take place.

1. Review the customer basic information table approved by the responsible officer.
2. Review that the sales of goods revenue had obtained the original customer order and that the customer order had already been generated, and that it was approved by the responsible officer.
3. Review whether the sales slip had been approved by the responsible officer.
4. Randomly sample for review the customer agreed notice of acceptance or review the customer's monthly reconciliation statement information, and cross-check with the collected funds or the state of funds collection after the period. This is to ensure the authenticity and accuracy of sales of goods.

5. Review the funds collection counterparties of the accounts receivable to check whether they are consistent with the transaction counterparties, so as to assess whether there are abnormal transactions.
6. Review whether there have been any occurrence of material sales goods returns and discount after the balance sheet date. Understand whether it is attributable to occurrence of events in 2021, so as to confirm if there have been material misstatement in the revenue recognition.

#### Timing of depreciation on property, plant and equipment

The capital expenditures of MA-tek Group are used on purchasing advanced equipment to enhance its testing analytical technologies in order to satisfy customer service demands. The machinery equipment capital expenditures for this fiscal year is considered material to the overall consolidated financial statements. On the accounting policy and information relating to the depreciation of property, plant and equipment, please refer to Note IV and XI of the consolidated financial statements.

The MA-tek Group began the timing for depreciation of equipment pending acceptance under property, plant and equipment when assessing its depreciation, from when the asset is in the necessary condition that it can be ready for use and meet the expected operation method. Due to the fact that the assessment criteria on the expected use condition of the asset involves subjective judgements and assumptions, the timing of depreciation affected by change of assumption will generate material impact to the financial performance of MA-tek Group.

As the timing of depreciation by MA-tek Group involves subjective factors, our auditors need to use high level audit judgements when assessing the reasonableness of the judgements and assumptions of MA-tek Group during the execution of audit procedures. Therefore, our auditors listed the timing of depreciation for the equipment pending acceptance under the property, plant and equipment as a key audit matter for this fiscal year.

We performed the following key audit procedures in respect of the above key audit matter:

1. Review and understand the policy and conditions for the timing of depreciation.
2. Test the effectiveness of the key internal control for the timing of depreciation of the equipment pending acceptance.
3. Random sampling of the equipment pending acceptance from the end of the year and assess whether it has not yet reached the condition of ready for use, and observe the physical inventory of the equipment pending acceptance.

4. From the equipment pending acceptance statement, for equipment that have not been capitalized for more than 3 months, ask the management and the using unit for the reasons in order to assess its reasonableness.
5. Random sampling from the equipment pending acceptance that have met the standard of ready for use condition for this fiscal year to assess whether its timing of depreciation is appropriate.

### **Other matters**

The Materials Analysis Technology Inc. has duly prepared and compiled the standalone financial statements as of and for the years ended December 31, 2021 and 2020, for which we have issued an unqualified opinion.

### **Responsibilities of Management and Those in Charge with Governance of the Financial Statements**

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reports Standards, International Accounting Standards interpretations, and announcements of interpretations recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

In preparing the consolidated financial statements, the management is also responsible for assessing the ability of MA-tek Group as a going concern, disclosing as applicable, matters related to a going concern and using the going concern basis of accounting. Unless the management either intends to liquidate MA-tek Group or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the Audit Committee) are responsible for overseeing the reporting process of the financial statements of MA-tek Group.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material,

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following work:

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 to express an opinion on the efficacy of Materials Analysis 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. Draw conclusions 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 Materials Analysis Group's capability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Materials Analysis Group to cease to continue as a going concern.
5. We evaluated 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. We obtained sufficient and appropriate audit evidence regarding the consolidated financial information or business activities of Materials Analysis Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the Norms of Professional Ethics for Certified Public Accountants of the Republic of China 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 matters communicated with those charged with governance, we determined an issue that was most significant in the audit of the consolidated financial statement for the year ended December 31, 2021, and is, therefore, the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

CPA Tung-Hui Yeh

CPA Mei-Chen Tsai

Financial Supervisory Commission (FSC)

Approved letter:

Circular from FSC, No. 0980032818.

Financial Supervisory Commission (FSC)

Approved letter:

Circular from FSC, No. 1010028123.

March 18, 2022

Materials Analysis Technology Inc. and subsidiaries

Consolidated balance sheet

December 31, 2020 and 2021

Unit: NTD in thousand

Code	Assets	Friday, December 31, 2021		Thursday, December 31, 2020		Code	Liabilities and equity	Friday, December 31, 2021		Thursday, December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current assets						Current liabilities				
1100	Cash and cash equivalents (Note IV, VI and XXVI)	\$ 1,686,177	32	\$ 1,195,067	27	2100	Short-term loans (Note XV and XXVI)	\$ 7,215	-	\$ -	-
1150	Notes receivable (Note IV, V, VIII and XXVI)	27,991	-	27,423	1	2130	Contract liability – Current (Note XX)	72,577	1	97,595	2
1170	Accounts receivable (Note IV, V, VIII and XXVI)	783,092	15	808,492	18	2170	Accounts payable (Note XVI and XXVI)	103,796	2	134,708	3
1200	Other receivables (Note VIII and XXVI)	34,991	1	131	-	2206	Profit sharing remuneration for employees and for Directors and Supervisors payable (Note IV, XXI and XXVI)	133,375	2	98,078	2
1479	Other current assets (Note XIV)	125,854	2	122,434	3						
1482	Costs to fulfill a contract – Current (Note IV and XX)	<u>61,446</u>	<u>1</u>	<u>85,831</u>	<u>2</u>	2219	Other payables (Note XVII and XXVI)	352,079	7	209,816	5
11XX	Total current assets	<u>2,719,551</u>	<u>51</u>	<u>2,239,378</u>	<u>51</u>	2230	Current Income Tax Liabilities (Note IV and XXII)	144,816	3	80,351	2
	Non-current assets					2280	Lease liabilities – Current (Not IV and XII)	72,555	1	40,243	1
1535	Financial assets measured at amortized cost – Non-current (Note VII, XXVI and XXIX)	6,000	-	6,000	-	2313	Deferred revenue – Current (Note XXIV)	2,248	-	1,117	-
1550	Investments accounted for using equity method (Note IV and X)	117,792	2	91,062	2	2320	Long-term loans with maturity within one year (Note XV, XXVI and XXIX)	85,426	2	84,195	2
1600	Property, plant and equipment (Note IV, XI and XXIX)	2,078,401	39	1,879,375	43	2399	Other current liabilities (Note XVII)	<u>6,666</u>	<u>-</u>	<u>6,041</u>	<u>-</u>
1755	Right-of-use assets (Note IV and XII)	245,252	5	114,513	3	21XX	Total current liabilities	<u>980,753</u>	<u>18</u>	<u>752,144</u>	<u>17</u>
1780	Intangible assets (Note IV and XIII)	6,723	-	6,081	-	2540	Non-current liabilities				
1840	Deferred Income Tax Assets (Note IV and XXII)	15,024	-	18,883	-	2570	Long-term loans (Note XV, XXVI and XXIX)	867,424	16	629,174	14
1915	Prepayments for equipment (Note XIV)	106,269	2	42,235	1	2580	Deferred Income Tax Liabilities (Note IV and XXII)	-	-	195	-
1920	Refundable deposits (Note XXVI)	<u>18,179</u>	<u>1</u>	<u>15,885</u>	<u>-</u>	2580	Lease liabilities – Non-Current (Not IV and XII)	178,241	4	76,403	2
15XX	Total non-current assets	<u>2,593,640</u>	<u>49</u>	<u>2,174,034</u>	<u>49</u>	2630	Deferred revenue – Non-Current (Note XXIV)	9,006	-	5,300	-
						2640	Net defined benefit liabilities (Note IV and XVIII)	1,959	-	2,401	-
						2645	Guarantee deposits received (Note XXVI)	<u>8</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
						25XX	Total non-current liabilities	<u>1,056,638</u>	<u>20</u>	<u>715,473</u>	<u>16</u>
						2XXX	Total Liabilities	<u>2,037,391</u>	<u>38</u>	<u>1,467,617</u>	<u>33</u>
							Equity attributable to shareholders of the Company (Note IV and XXIX)				
						3110	Common stock	623,131	12	623,131	14
						3200	Capital surplus	1,541,253	29	1,521,219	35
						3300	Retained earnings				
						3310	Legal reserve	257,182	5	218,720	5
						3320	Special reserve	42,382	1	69,124	1
						3350	Undistributed earnings	850,535	16	555,983	13
						3400	Other equity	( <u>52,824</u> )	( <u>1</u> )	( <u>42,382</u> )	( <u>1</u> )
							Total equity of shareholders of the parent company				
						31XX		3,261,659	62	2,945,795	67
						36XX	Non-controlling interests	<u>14,141</u>	<u>-</u>	<u>-</u>	<u>-</u>
						3XXX	Total Equity	<u>3,275,800</u>	<u>62</u>	<u>2,945,795</u>	<u>67</u>
1XXX	Total Assets	<u>\$ 5,313,191</u>	<u>100</u>	<u>\$ 4,413,412</u>	<u>100</u>		Total liabilities and equity	<u>\$ 5,313,191</u>	<u>100</u>	<u>\$ 4,413,412</u>	<u>100</u>

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

Chairperson: Yong-Fen Hsieh

Managerial officer: Yong-Fen Hsieh

Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc. and subsidiaries

Consolidated statement of comprehensive income

January 1 to December 31, 2020 and 2021

Unit: NTD in thousand, but one NTD for earnings per share

Code		2021		2020	
		Amount	%	Amount	%
4100	Net Operating Revenue (Note IV, XX, and XXXII)	\$ 3,361,082	100	\$ 3,061,573	100
5110	Operating Cost (Note IV and XXI)	<u>2,155,093</u>	<u>64</u>	<u>2,154,546</u>	<u>71</u>
5900	Operating Gross Margin	<u>1,205,989</u>	<u>36</u>	<u>907,027</u>	<u>29</u>
	Operating Expenses (Note VIII and XXI)				
6100	Promotion Expenses	172,562	5	156,700	5
6200	Management Expenses	248,818	7	200,461	6
6300	R&D Expenses	124,562	4	87,138	3
6450	Expected credit impairment loss (reversal)	( <u>9,705</u> )	<u>-</u>	<u>19,262</u>	<u>1</u>
6000	Total Operating Expenses	<u>536,237</u>	<u>16</u>	<u>463,561</u>	<u>15</u>
6900	Net Operating Profit	<u>669,752</u>	<u>20</u>	<u>443,466</u>	<u>14</u>
	Non-operating Income and Expenses (Note IV and XXI)				
7100	Interest Revenue	13,651	-	2,736	-
7010	Other Income	22,296	1	5,755	-
7020	Other gain and loss	( 17,087 )	( 1 )	12,433	-
7050	Financial costs	( 14,362 )	-	( 15,579 )	-
7060	Share of profits and losses of affiliated enterprises accounted for under equity method	<u>28,006</u>	<u>1</u>	<u>2,881</u>	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>32,504</u>	<u>1</u>	<u>8,226</u>	<u>-</u>
7900	Net Profit before Tax	702,256	21	451,692	14
7950	Income Tax Expense (Note IV and XXII)	( <u>116,575</u> )	( <u>4</u> )	( <u>66,615</u> )	( <u>2</u> )
8200	Net Profit for the Year	<u>585,681</u>	<u>17</u>	<u>385,077</u>	<u>12</u>

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Code		2021		2020	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Items not to be reclassified into profit or loss:				
8311	Re-measurement of defined benefit plans (Note IV and XVIII)	\$ 141	-	(\$ 455)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operation (Note IV and XIX)	( 10,442 )	-	26,742	1
8300	Other comprehensive income for the current year	( 10,301 )	-	26,287	1
8500	Total comprehensive income for the current year	<u>\$ 575,380</u>	<u>17</u>	<u>\$ 411,364</u>	<u>13</u>
	Net income (loss) attributable:				
8610	Shareholders of the Company	\$ 586,540	17	\$ 385,077	13
8620	Non-controlling interests	( 859 )	-	-	-
8600		<u>\$ 585,681</u>	<u>17</u>	<u>\$ 385,077</u>	<u>13</u>
	Total comprehensive income are attributable to:				
8710	Shareholders of the Company	\$ 576,239	17	\$ 411,364	13
8720	Non-controlling interests	( 859 )	-	-	-
8700		<u>\$ 575,380</u>	<u>17</u>	<u>\$ 411,364</u>	<u>13</u>
	Earnings per share (Note XXIII)				
9750	Basic	<u>\$ 9.48</u>		<u>\$ 6.18</u>	
9850	Diluted	<u>\$ 9.35</u>		<u>\$ 6.07</u>	

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

Chairperson: Yong-Fen Hsieh    Managerial officer: Yong-Fen Hsieh    Accounting Officer: Yu-Li Lin



Materials Analysis Technology Inc. and subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2020 and 2021

Unit: NTD in thousand

		Equity attributable to shareholders of the parent company (Note XIX and XXIV)										
Code		Capital stock (Note XIX)		Capital surplus (Note XIX)	Legal reserve	Retained earnings		Other equity Exchange differences on the translation of financial statements of foreign operation	Treasury stock	Total equity attributable to shareholders of the parent	Non-controlling interests (Note XIX)	Total Equity
		Number of shares (thousand shares)	Amount			Special reserve	Undistributed earnings					
A1	Balance as of January 1, 2020	62,313	\$ 623,131	\$ 1,520,575	\$ 194,125	\$ 23,807	\$ 428,213	( \$ 69,124 )	\$ -	\$ 2,720,727	\$ -	\$ 2,720,727
	Appropriation of retained earnings											
B1	Provision of legal reserve	-	-	-	24,595	-	( 24,595 )	-	-	-	-	-
B3	Provision of special reserve	-	-	-	-	45,317	( 45,317 )	-	-	-	-	-
B5	Shareholder cash dividends – NT\$3 per share	-	-	-	-	-	( 186,940 )	-	-	( 186,940 )	-	( 186,940 )
	Changes to other additional paid-in capital:											
C7	Changes to amount of affiliates and joint ventures under the equity method	-	-	644	-	-	-	-	-	644	-	644
D1	2020 Net income	-	-	-	-	-	385,077	-	-	385,077	-	385,077
D3	2020 Other comprehensive income	-	-	-	-	-	( 455 )	26,742	-	26,287	-	26,287
D5	2020 Total comprehensive income	-	-	-	-	-	384,622	26,742	-	411,364	-	411,364
Z1	Balance as of December 31, 2020	62,313	623,131	1,521,219	218,720	69,124	555,983	( 42,382 )	-	2,945,795	-	2,945,795
	Appropriation of retained earnings											
B1	Provision of legal reserve	-	-	-	38,462	-	( 38,462 )	-	-	-	-	-
B3	Provision of special reserve	-	-	-	-	( 26,742 )	26,742	-	-	-	-	-
B5	Shareholder cash dividends – NT\$4.5 per share	-	-	-	-	-	( 280,409 )	-	-	( 280,409 )	-	( 280,409 )
	Changes to other additional paid-in capital:											
C7	Changes to amount of affiliates and joint ventures under the equity method	-	-	( 528 )	-	-	-	-	-	( 528 )	-	( 528 )
D1	2021 Net income	-	-	-	-	-	586,540	-	-	586,540	( 859 )	585,681
D3	2021 Other comprehensive income	-	-	-	-	-	141	( 10,442 )	-	( 10,301 )	-	( 10,301 )
D5	2021 Total comprehensive income	-	-	-	-	-	586,681	( 10,442 )	-	576,239	( 859 )	575,380
L1	Buyback of treasury stock	-	-	-	-	-	-	-	( 99,999 )	( 99,999 )	-	( 99,999 )
O1	Non-controlling interests	-	-	-	-	-	-	-	-	-	15,000	15,000
N1	Transfer of treasury stock to employees	-	-	62	-	-	-	-	99,999	100,061	-	100,061
N1	Employee share-based payment – Employee stock options remuneration costs	-	-	20,500	-	-	-	-	-	20,500	-	20,500
Z1	Balance as of December 31, 2021	62,313	\$ 623,131	\$ 1,541,253	\$ 257,182	\$ 42,382	\$ 850,535	( \$ 52,824 )	\$ -	\$ 3,261,659	\$ 14,141	\$ 3,275,800

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

Chairperson: Yong-Fen Hsieh

Managerial officer: Yong-Fen Hsieh

Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc. and subsidiaries

Consolidated Statement of Cash Flows

January 1 to December 31, 2020 and 2021

Unit: NTD in thousand

Code		2021	2020
	Cash flows from operating activities		
A10000	Net Profit before Tax for the Current Year	\$ 702,256	\$ 451,692
A20010	Income and expense items that do not affect cash flow:		
A20100	Depreciation expenses	767,919	681,287
A20200	Amortization expenses	4,033	3,968
A20400	Expected credit (reversal)		
	impairment loss	( 9,705 )	19,262
A20900	Financial costs	14,362	15,579
A21200	Interest Revenue	( 13,651 )	( 2,736 )
A21900	Employee stock options remuneration costs	20,500	-
A22300	Share of profits of affiliated enterprises and joint ventures accounted for under equity method	( 28,006 )	( 2,881 )
A22500	Gain on disposal and scrapping of property, plant and equipment	( 21,702 )	-
A24100	Foreign currency exchange net (gains) losses	( 2,580 )	8,083
A29900	Profit and loss from lease modification	( 2 )	-
A29900	Amortization of grant income	( 1,991 )	( 588 )
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	( 568 )	( 12,625 )
A31150	Accounts receivable	35,158	( 103,374 )
A31180	Other receivables	( 116 )	( 27 )
A31240	Other current assets	( 3,418 )	( 12,082 )
A31280	Costs to fulfill a contract	24,385	104,497
A32125	Contract liability	( 25,018 )	36,296
A32150	Accounts payable	( 31,055 )	( 55,785 )
A32180	Other payables	144,563	39,294
A32230	Other current liabilities	625	2,611
A32240	Net defined benefit liabilities	( 301 )	( 281 )
A33000	Cash generated from operations	1,575,688	1,172,190
A33100	Interest received	2,267	2,736
A33300	Interest paid	( 14,020 )	( 18,188 )
A33500	Income tax paid	( 47,796 )	( 58,439 )
AAAA	Net cash inflows from operating activities	<u>1,516,139</u>	<u>1,098,299</u>

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Code		2021	2020
	Cash flows from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	\$ -	( \$ 6,000 )
B00050	Disposal of financial assets measured at amortized cost	-	4,633
B01800	Long term equity investments accounted for using equity method	-	( 51,448 )
B02700	Procurement of property, plant and equipment	( 989,062 )	( 614,358 )
B02800	Disposal of property, plant and equipment	34,615	4,754
B03700	Increase in refundable deposits	( 2,294 )	( 1,128 )
B04500	Procurement of intangible assets	( 4,704 )	( 5,067 )
BBBB	Net cash outflows of investment activities	( 961,445 )	( 668,614 )
	Cash flows from financing activities		
C00100	Increase in short-term loans	30,648	443,089
C00200	Decrease in short-term loans	( 22,986 )	( 575,964 )
C01600	Proceeds from long-term debt	448,000	731,388
C01700	Repayments of long-term debt	( 175,787 )	( 708,539 )
C03000	Increase (decrease) of guarantee deposits received	( 1,992 )	2,000
C04020	Payments of lease liabilities	( 76,570 )	( 65,307 )
C04500	Payments of dividends to the Company's shareholders	( 280,409 )	( 186,940 )
C04900	Cost for repurchase of treasury shares	( 99,999 )	-
C05100	Employee buyback of treasury shares	100,061	-
C05800	Changes to non-controlling interests	15,000	-
CCCC	Net cash outflows of financing activities	( 64,034 )	( 360,273 )
DDDD	Effects of exchange rate changes on cash and cash equivalents	450	2,802
EEEE	Net increase of cash and cash equivalents	491,110	72,214
E00100	Cash and cash equivalents at beginning of period	1,195,067	1,122,853
E00200	Cash and cash equivalents at end of period	\$ 1,686,177	\$ 1,195,067

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

Chairperson: Yong-Fen Hsieh    Managerial officer: Yong-Fen Hsieh    Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc. and subsidiaries  
Notes Attached at the End Which is Part of the Consolidated Financial Statements  
January 1 to December 31, 2020 and 2021  
(In Thousands of New Taiwan Dollars as the Unit, Unless Stated Otherwise)

I. Company history

Materials Analysis Technology Inc. (hereinafter referred to as “the Company”) is approved by the Ministry of Economic Affairs (MOEA) and established on May 14, 2002. The Company’s principal business engages in research and development (R&D) and intellectual property services required by the upstream, midstream and downstream materials and components manufacturers of the high-tech industry in integrated circuit, flat-screen display, optoelectronics, testing and packaging, and nano components and materials industries.

The Company is listed for trading on the Taipei Exchange on August 18, 2009.

These consolidated financial statements are presented using the Company’s functional currency New Taiwan dollars (NTD).

II. Approval Date of the Financial Report and Procedures

This consolidated financial statements has been approved by the board meeting on March 18, 2022.

III Application of New and Revised Standards and Interpretation

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group’s accounting policies:

1. Amendment to IFRS 16 “COVID-19-Related Rent Concessions after June 30, 2021”

The consolidated companies choose to apply the practical expedient of the amendment extending its applicable conditions to June 30, 2022 on the payments which were going to be due before this date. Please refer to Note IV on accounting policy relating to the practical expedient.

The consolidated companies began applying the amendment starting from November 1, 2021.

(II) The IFRSs endorsed by the FSC for application starting from 2022

<u>New/Revised/Amended Standards and Interpretation</u>	<u>Effective Date Announced by IASB</u>
“IFRSs 2018 – 2020 annual improvement”	Saturday, January 1, 2022
Amendment to IFRS 3 “Update the index of the conceptual framework”	Saturday, January 1, 2022
Amendments to IAS 16 “Proceeds before Intended Use”	Saturday, January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	Saturday, January 1, 2022

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the consolidated companies are continuously assessing the possible impact that the application of amendments of other standards and interpretations will have on the financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

(III) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretation</u>	<u>Effective Date Announced by IASB (Note 1)</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 IASB
IFRS 17 “Insurance Contracts”	Sunday, January 1, 2023
Amendments to IFRS 17	Sunday, January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Sunday, January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	Sunday, January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	Sunday, January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction”	Sunday, January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretation are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments prospectively for annual reporting period beginning on or after January 1, 2023.

Note 3: The Company shall apply these amendments prospectively for the changes to accounting estimation and accounting policies during the annual reporting period beginning on or after January 1, 2023.

Note 4: The amendments are applicable to transactions occurred after January 1, 2022, except for the deferred income tax recognized on the temporary differences of lease and decommissioning obligations on January 1, 2022.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendment stipulates that if the Group sells or invests assets in an affiliated company (or joint venture), or the Group loses control of a subsidiary, but retains significant influence (or joint control) on the subsidiary, if the aforementioned assets or the former subsidiary meets the definition of “Business” as in IFRS 3 “Business Combination,” the Group shall fully recognize the profits and losses arising from such transactions.

In addition, if the consolidated companies sell or contribute assets to affiliated companies (or joint ventures), or the consolidated companies lose the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 “Business,” the Company is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Company should be offset.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments are to clarify that when determining whether a liability is classified as non-current, the consolidated companies shall assess whether it has the right to defer the settlement period to at least 12 months after the reporting period at the end of the reporting period. If the consolidated companies has the right at the end of the reporting period, regardless of whether the consolidated companies expects to exercise the right, the liabilities are classified as non-current. The amendments have clarified that if the consolidated companies must comply with certain conditions before it has the right to defer payment of its liabilities, the consolidated companies must have complied with said conditions at the end of the reporting period, even if the

lender is testing whether the consolidated companies comply with said conditions at a later date.

The amendments stipulate that, for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities due to the transfer of cash, other economic resources, or equity instruments of the consolidated companies to the counterparty. However, as for the terms of the liability, where the transfer of the equity instruments of the consolidated companies may result in its settlement of the liability based on the counterparty's choice, if the choice is separately recognized in equity according to IAS 32 "Financial Instruments: Expression," the foregoing terms do not affect the liability classification.

3. Amendment to IAS 1 "Disclosure of Accounting Policies"

The amendments clearly stipulate that the consolidated companies shall determine the significant accounting policy information that shall be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is significant. The amendments also clarify:

Accounting policy information related to non-material transactions, other matters, or circumstances is non-significant, and the Group does not need to disclose such information.

The Group may determine that the relevant accounting policy information is significant based on the nature of transactions, other matters, or circumstances, even if the amount is not significant.

Not all accounting policy information related to material transactions, other events, or circumstances are significant.

In addition, the amendments also illustrate that if the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be significant:

- (1) The consolidated companies changed its accounting policies during the reporting period, and the change resulted in a significant change in financial statement information;

- (2) The consolidated companies selects its applicable accounting policies from the options allowed by the standards;
- (3) Due to the lack of specific standards, the consolidated companies has formulated accounting policies in accordance with IAS 8 “Accounting Policies, Changes and Errors in Accounting Estimates”;
- (4) The consolidated companies discloses relevant accounting policies that it must adopt significant judgments or assumptions to determine; or
- (5) Complicated accounting treatment requirements are involved and users of financial statements rely on such information to understand such material transactions, other matters, or circumstances.

4. Amendment to IAS 8 “Definition of Accounting Estimates”

The amendments stipulate that the accounting estimates refer to the monetary amounts affected by measurement uncertainty in the financial statements. When the consolidated companies apply accounting policies, it may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated. Therefore, measurement techniques and inputs must be used to establish accounting estimates to achieve this purpose. If the impact of changes in measurement techniques or inputs on accounting estimates is not a correction of previous errors, these changes are changes in accounting estimates.

5. Amendment to IAS 12 “Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction”

According to the said amendments, the taxable income generated and deductible temporary difference transaction occurred for the same amount at the time of original recognition are not subject to the exceptions of the initial recognition as stated in IAS 12. The consolidated companies will recognize deferred income tax assets (if there is probably to have taxable income available for deducting the temporary differences) and deferred income tax liabilities for all deductible and taxable temporary difference related to lease and decommissioning obligations on January 1, 2022; also, the cumulative effect will be recognized as an adjustment to the initial balance of retained earnings in the same day. The transactions other than leases and decommissioning obligations occurred after January 1, 2022 are deferred subject to the said amendment.



Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the consolidated companies are continuously assessing the possible impact that the application of amendments of other standards and interpretations will have on the financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and published by the FSC.

##### (II) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

##### (III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets is held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the end of the balance sheet date; and
3. Cash or cash equivalents (but do not include the asset restricted for the purpose of usage in exchange or to settle a liability at least 12 months after the end of the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;

2. Liabilities to be repaid within 12 months after the end of the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For assets and liabilities that do not fall under the above-mentioned definitions for current assets or current liabilities, they shall be classified as non-current assets or non-current liabilities.

(IV) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Bank and its controlled entities (subsidiaries). The subsidiaries' financial statements have been properly adjusted to keep the accounting policies consistent with the accounting policies of the consolidated companies. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount.

For details of subsidiaries, shareholding ratios, and business items, please refer to Note IX.

(V) Foreign currency

When each standalone entity prepares the financial statements, transactions in currencies other than the standalone functional currency of the entity (foreign currencies) are recorded at the exchange rates prevailing on the transaction dates as functional currency.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive income, the exchange difference is recognized in the other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries that operate in countries

or adopt the functional currencies different from the consolidated companies) are translated into New Taiwan dollars. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(VI) Investments in the affiliated company

The term “associate” as set forth herein denotes an enterprise, which has significant effect upon the consolidated companies, but is not a subsidiary or a joint venture.

The Consolidated Companies adopt equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive income by the consolidated companies. In addition, for the changes in the affiliated company’s equity, the consolidated companies are entitled to have it recognized proportionately to the shareholding.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates, and joint under the equity method and investment under equity method. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company’s ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments

accounted for by equity method is insufficient, the shortage is debited to retained earnings.

When the consolidated companies' share of losses of an associate equals or exceeds its interest in that associate or joint ventures, which includes any carrying amount of the investment accounted for by equity method and long-term interests that, in substance, form part of the consolidated companies' net investment in the associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the consolidated companies have incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When assessing impairment, the consolidated companies regard the overall book value of the investment as a single asset to compare the recoverable amount with the book value, and conducts an impairment test. The impairment loss recognized is not amortized to constitute any assets partly formed by the book value of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

(VII) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation afterwards.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The consolidated companies shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(XIII) Intangible Assets

1. Separate acquisition

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The consolidated companies conduct at least one annual review at the end of each year to assess the estimated useful life,

residual value, and amortization methods, and applies the effect of changes in accounting estimates prospectively. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Derecognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as current income.

(IX) Contract cost related assets

On the related direct expenses from customer contracts for delivering analytical testing services, if it will generate or enhance resources that can be used to satisfy contract fulfillment obligations in the future, the amount can be recognized as costs to fulfill a contract within the recoverable scope.

(X) Impairment loss of property, plant and equipment, right-of-use assets and intangible assets

The consolidated companies assess if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated companies are to estimate the recoverable amount of the respective cash-generating unit. If the community assets can be amortized to the cash-generating units on a reasonable and consistent basis, it is allocated to individual cash-generating unit or it is allocated to the smallest cash-generating cluster.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of

amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(XI) Financial instruments

When the consolidated companies have become a party to the instrument contract, the consolidated financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

The type of financial assets held by the consolidated companies are financial assets measured at amortized cost.

A Financial assets measured at amortized cost

If the financial assets of the consolidated companies met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and notes and accounts receivable, other receivables, refundable deposits, and restricted bank deposits on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial

recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

The consolidated companies shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of expected credit loss (including accounts receivable)

Accounts receivable shall be recognized for provisions for loss on the basis of expected credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account.

(3) The de-recognition of financial assets

The consolidated companies have financial assets derecognized only when the contractual rights from the cash flows of a financial asset become invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises. When a financial asset measured at amortized cost is derecognized as a whole, the difference between its book value and the consideration received is recognized in profit or loss.

2. Equity instrument

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The consolidated companies' equity retrieved is debited or credited to the equity. The consolidated companies' equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liability

(1) Subsequent measurement

Financial liabilities are evaluated at the amortized cost using the effective interest method.

(2) De-recognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(XII) Recognition of revenue

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have their major financial components, such as transaction price, adjusted.

(XIII) Leasing

The Consolidated Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date



1. The consolidated company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured at the present value of the lease payments (including fixed payments). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and the interest expenses are amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the consolidated companies will remeasure the lease liabilities and adjust the right-of-use asset accordingly. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are separately presented on the Consolidated Balance Sheet.

(XIV) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(XV) Governmental subsidies

A government subsidy can only be recognized when it is firmly believed that the consolidated companies will comply with the terms added to the government subsidy and will receive such subsidy.

Government grants related to income are recognized in profit and loss on a systematic basis over the periods, in which the consolidated companies recognize as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the consolidated companies should purchase, construct, or otherwise acquire non-current assets are debited to the carrying amount of said assets and recognized in profit or loss over the useful lives of said assets by reducing the depreciation or amortization expenses of said assets.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the consolidated companies without any related cost in the future, it will be recognized as income during the receivable period.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. The value of second measurement (including the profits

and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The consolidated companies determine income (loss) for the period in accordance with the regulations enacted by the income tax reporting jurisdictions and calculates income tax payable (recoverable) accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred income tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is the likelihood of having taxable income to be used for the income tax credit resulting from the temporary difference, procurement of machinery equipment or R&D.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the consolidated companies can control the timing of reversal of temporary differences and the temporary

differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in the other comprehensive income or directly included in the equity.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The consolidated companies at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The consolidated companies has taken the economic impact of the coronavirus pandemic into consideration for significant accounting estimates, and management will review the estimates and underlying assumptions on an ongoing basis. If the amendment affects only the current estimates, it is recognized in the current period. If the

amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the default rates and loss rates assumed by the consolidated companies. The consolidated companies makes assumptions and decide the amount of impairment losses according to prior experience. Please refer to Note VIII on the important assumptions and input values adopted.

VI. Cash and cash equivalents

	Friday, December 31, 2021	Thursday, December 31, 2020
Cash on hand and revolving funds	\$ 183	\$ 216
Bank checks and demand deposits	670,448	771,303
Cash equivalents		
Bank time deposits	975,546	393,548
Securities sold under repurchase agreements	40,000	30,000
	<u>\$ 1,686,177</u>	<u>\$ 1,195,067</u>

The market interest range of the bank deposits and securities sold under repurchase agreements at the end of the balance sheet date is as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
Bank deposits	0.001%~2.10%	0.001%~2.10%
Securities sold under repurchase agreements	0.25%	0.27%

VII. Financial assets measured at amortized cost

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Non-current</u>		
Domestic investment		
Restricted bank deposit	<u>\$ 6,000</u>	<u>\$ 6,000</u>

For details of financial assets at amortized cost, refer to Note 29.

As of December 31, 2021 and 2020, the restricted interest rate ranges for time deposits with original maturities over 1 year were 0.16% and 0.26% per annum.

VIII. Notes receivable, accounts receivable, and other accounts receivable

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
<u>Notes receivable</u>		
Occurrence due to operations	<u>\$ 27,991</u>	<u>\$ 27,423</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$809,021	\$844,398
Less: Allowance for losses	( 25,929 )	( 35,906 )
	<u>\$783,092</u>	<u>\$808,492</u>
<u>Other receivables</u>		
Other	<u>\$ 34,991</u>	<u>\$ 131</u>

(I) Notes and accounts receivable

The consolidated companies' average credit period ranges from 30 to 150 days, and no interest is charged on notes and accounts receivable.

In order to mitigate credit risk, the management of the consolidated companies assign dedicated team responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated companies will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the consolidated companies' management believes that the consolidated companies credit risk is significantly reduced.

The consolidated companies will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, and industry economic conditions. Due to the historical experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated companies cannot reasonably expect to recover the amount, e.g. the counterparty is in liquidation or the debts are more than 180 days overdue, then the consolidated companies directly writes off the relevant accounts receivable, but

will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

Friday, December 31, 2021

	Not yet overdue	Overdue by 61–90 days	Overdue by 91–180 days	Overdue exceeding 180 days	Total
Total carrying amount	\$ 615,768	\$ 137,611	\$ 40,213	\$ 15,429	\$ 809,021
Allowance for losses (Lifetime expected credit loss)	-	-	( 10,500 )	( 15,429 )	( 25,929 )
Amortized cost	<u>\$ 615,768</u>	<u>\$ 137,611</u>	<u>\$ 29,713</u>	<u>\$ -</u>	<u>\$ 783,092</u>

Thursday, December 31, 2020

	Not yet overdue	Overdue by 61–90 days	Overdue by 91–180 days	Overdue exceeding 180 days	Total
Total carrying amount	\$ 684,665	\$ 107,041	\$ 32,073	\$ 20,619	\$ 844,398
Allowance for losses (Lifetime expected credit loss)	-	-	( 15,287 )	( 20,619 )	( 35,906 )
Amortized cost	<u>\$ 684,665</u>	<u>\$ 107,041</u>	<u>\$ 16,786</u>	<u>\$ -</u>	<u>\$ 808,492</u>

Below is the information for the changes in the allowance for losses of the account receivable:

	2021	2020
Balance at beginning of the year	\$ 35,906	\$ 16,519
Add: Provision for (reversal of) impairment loss for the current year	( 9,705 )	19,262
Less: Actual write-off for the current year	( 170 )	( 374 )
Translation differences of foreign currencies	( 102 )	499
Balance at end of year	<u>\$ 25,929</u>	<u>\$ 35,906</u>

(II) Other receivables

Other receivables are generated mainly from sale of equipment.

## IX. Subsidiary

### Subsidiaries listed in the consolidated financial statements

Entities of the consolidated financial statements are as below:

Investing company name	Name of subsidiary	Nature of business	Shareholding percentage		Description
			December 31, 2021	December 31, 2020	
The Company	MA-tek International Inc.	Holding company managing the reinvestment	100%	100%	-
	MA-tek Japan Inc.	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	100%	100%	-
	Materials Analysis Technology US Corp. (MA-tek US)	Engages in the market expansion and technical consultation of testing and analysis service	100%	100%	Note 1
	Workflow Enhancement Technology Inc. (Workflow Enhancement Technology)	Engage in electronics components manufacturing, wholesale, and device trading services	70%	-	Note 3
MA-tek International Inc.	MA-tek (Shanghai) Ltd. (MA-tek Shanghai)	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	100%	100%	-
	MA-tek (Xiamen) Ltd. (MA-tek Xiamen)	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	100%	100%	-
	MA-tek Educational Consulting (Xiamen) Co., Ltd. (MA-tek Educational Company)	Engage in educational support services and provide related technical consultation and services	100%	100%	Note 1 and 2

Note 1: As of the financial statements date, there have been no outward remittance of investment funds.

Note 2: MA-tek Educational Company established on March 18, 2019.

Note 3: Workflow Enhancement Technology established on April 26, 2021.

The above-mentioned financial statements of subsidiaries have been audited and verified by certified public accountants, except for MA-tek US and MA-tek Educational Company. The consolidated companies' management, nevertheless, held the opinion that since the financial statements of the aforementioned unimportant subsidies have not been duly audited by the certified public accountants, the said facts would not have a significant impact.

## X. Investments accounted for using equity method

	Friday, December 31, 2021	Thursday, December 31, 2020
Investments in the affiliated company		
Individual non-dominant associates	<u>\$117,792</u>	<u>\$ 91,062</u>



Please refer to Attached Table VII “Mainland Investment Information” for the nature of business, main business location and country of registration for the above-mentioned affiliated companies.

MA-tek (Xiamen) Ltd. had in November 2019 made capital contribution to Xiamen Qingxi Huayi Equity Investment Partnership (Limited Partnership) in cash of CNY8,000 thousand, with a shareholding percentage of 46.22%; and the same in July and December 2020 in cash of CNY8,000 thousand and CNY4,000 thousand respectively. Due to the subscription to capital increase was not done according to shareholding percentage, it resulted in the equity percentage to drop from 46.22% down to 45.95%. However, it continues to have a major influence on the company. Thus, the pricing adopts the equity method.

Investments accounted for using equity method and the profit and loss that the consolidated companies are entitled to and share of other comprehensive profit and loss are calculated based on the financial statements audited and verified by CPAs.

#### XI. Property, plant and equipment

	Machinery equipment	Transport equipment	Income-produc ing equipment	Lease improvement	Equipment pending acceptance	Total
<u>Cost</u>						
Balance as of January 1, 2021	\$ 4,709,088	\$ 2,268	\$ 130,817	\$ 266,324	\$ 185,533	\$ 5,294,030
Additional	50,396	-	-	15,967	894,319	960,682
Disposal	( 117,795 )	-	( 65 )	( 398 )	-	( 118,258 )
Re-classification	761,698	-	52,040	-	( 813,738 )	-
Net exchange difference	( 37,596 )	-	( 137 )	( 5,888 )	( 1,784 )	( 45,405 )
Balance as of December 31, 2021	<u>\$ 5,365,791</u>	<u>\$ 2,268</u>	<u>\$ 182,655</u>	<u>\$ 276,005</u>	<u>\$ 264,330</u>	<u>\$ 6,091,049</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2021	\$ 3,163,365	\$ 2,268	\$ 67,835	\$ 181,187	\$ -	\$ 3,414,655
Disposal	( 81,522 )	-	( 65 )	( 398 )	-	( 81,985 )
Depreciation expenses	604,620	-	38,754	44,582	-	687,956
Net exchange difference	( 5,952 )	-	( 58 )	( 1,968 )	-	( 7,978 )
Balance as of December 31, 2021	<u>\$ 3,680,511</u>	<u>\$ 2,268</u>	<u>\$ 106,466</u>	<u>\$ 223,403</u>	<u>\$ -</u>	<u>\$ 4,012,648</u>
Net amount as of December 31, 2021	<u>\$ 1,685,280</u>	<u>\$ -</u>	<u>\$ 76,189</u>	<u>\$ 52,602</u>	<u>\$ 264,330</u>	<u>\$ 2,078,401</u>
<u>Cost</u>						
Balance as of January 1, 2020	\$ 4,089,850	\$ 2,268	\$ 87,847	\$ 210,360	\$ 308,606	\$ 4,698,931
Additional	32,298	-	490	35,365	515,913	584,066
Disposal	( 14,471 )	-	( 138 )	( 2,246 )	-	( 16,855 )
Re-classification	574,543	-	42,305	21,814	( 641,404 )	( 2,742 )
Net exchange difference	26,868	-	313	1,031	2,418	30,630
Balance as of December 31, 2020	<u>\$ 4,709,088</u>	<u>\$ 2,268</u>	<u>\$ 130,817</u>	<u>\$ 266,324</u>	<u>\$ 185,533</u>	<u>\$ 5,294,030</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2020	\$ 2,608,250	\$ 2,268	\$ 43,630	\$ 143,216	\$ -	\$ 2,797,364
Disposal	( 9,717 )	-	( 138 )	( 2,246 )	-	( 12,101 )
Depreciation expenses	550,609	-	24,191	39,315	-	614,115
Net exchange difference	14,223	-	152	902	-	15,277
Balance as of December 31, 2020	<u>\$ 3,163,365</u>	<u>\$ 2,268</u>	<u>\$ 67,835</u>	<u>\$ 181,187</u>	<u>\$ -</u>	<u>\$ 3,414,655</u>
Net amount as of December 31, 2020	<u>\$ 1,545,723</u>	<u>\$ -</u>	<u>\$ 62,982</u>	<u>\$ 85,137</u>	<u>\$ 185,533</u>	<u>\$ 1,879,375</u>

There has not been any signs of impairment in 2021 and 2020. Thus, the consolidated companies have not conducted impairment assessment.

Depreciation expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Machinery equipment	3 to 5 years
Transport equipment	5 years
Income-producing equipment	2 to 5 years
Lease improvement	2 to 5 years

## XII. Lease Agreement

### (I) Additional right-of-use assets

	Friday, December 31, 2021	Thursday, December 31, 2020
Carrying amount of right-of-use assets		
Land	\$ 12	\$ -
Building	242,140	110,598
Transport equipment	<u>3,100</u>	<u>3,915</u>
	<u>\$245,252</u>	<u>\$114,513</u>
	<u>2021</u>	<u>2020</u>
Additional right-of-use assets	<u>\$211,393</u>	<u>\$ 51,942</u>
Depreciation expenses of right-of-use assets		
Land	\$ 11	\$ 12
Building	77,524	64,899
Transport equipment	<u>2,428</u>	<u>2,261</u>
	<u>\$ 79,963</u>	<u>\$ 67,172</u>

There have been no occurrence of major transfer of rent and impairment in 2021 and 2020 for the consolidated companies' right-of-use assets, other than the above-listed additional and recognized depreciation expenses.

### (II) Lease liability

	Friday, December 31, 2021	Thursday, December 31, 2020
Carrying amount of lease liability		
Current	<u>\$ 72,555</u>	<u>\$ 40,243</u>
Non-current	<u>\$178,241</u>	<u>\$ 76,403</u>

The range of lease liability discount rate is as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
Land	1.50%	1.44%
Building	1.40%~5.50%	1.40%~5.50%
Transport equipment	1.40%~4.65%	1.44%~4.65%

(III) Main lease activities and provisions

The consolidated companies lease certain buildings for plant and laboratory use for a period of 1 to 9 years. Upon termination or expiry of a leasehold period, the consolidated companies were not entitled to preferential procurement for the leased land and buildings. The leasehold terms further provide that unless agreed upon by the lessor, consolidated companies shall not have the leasehold arts sublet or transferred either in whole or in part.

Due to the impact of the 2020 COVID-19 pandemic to the market economy, the consolidated companies and lessor enters into rent negotiations. The consolidated companies recognized the above-mentioned impact of rent concessions in 2021 and 2020 are NTD220 thousand and NTD1,436 thousand respectively.

(IV) Other lease information

	2021	2020
Short term lease expenses	\$ 209	\$ 159
Low value assets lease expenses	\$ 330	\$ 218
Total cash (outflow) for lease	( \$ 77,109 )	( \$ 65,684 )

The consolidated companies chose to apply the recognition exemption to such parking space eligible for short-term leases and certain office equipment leases that qualify for low-value asset leases where the Company does not recognize related right-of-use assets and lease liabilities for these leases.

XIII. Intangible Assets

<u>Cost</u>	<u>Computer software</u>
Balance as of January 1, 2021	\$ 38,196
Additional	4,704
Disposal	-
Net exchange difference	( 78 )
Balance as of December 31, 2021	<u>\$ 42,822</u>

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	<u>Computer software</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2021	\$ 32,115
Amortization expenses	4,033
Disposal	-
Net exchange difference	( 49 )
Balance as of December 31, 2021	<u>\$ 36,099</u>
Net amount as of December 31, 2021	<u>\$ 6,723</u>
<u>Cost</u>	
Balance as of January 1, 2020	\$ 33,321
Additional	5,067
Disposal	( 429 )
Net exchange difference	237
Balance as of December 31, 2020	<u>\$ 38,196</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2020	\$ 28,453
Amortization expenses	3,968
Disposal	( 429 )
Net exchange difference	123
Balance as of December 31, 2020	<u>\$ 32,115</u>
Net amount as of December 31, 2020	<u>\$ 6,081</u>

Amortization expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Computer software 1 to 3 years

XIV. Other Assets

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
<u>Current</u>		
Tax credit	\$ 49,547	\$ 72,396
Advance bonus	29,444	5,042
Others	46,863	44,996
	<u>\$125,854</u>	<u>\$122,434</u>
<u>Non-current</u>		
Advance payment for equipment	<u>\$106,269</u>	<u>\$ 42,235</u>

XV. Loans

(I) Short-term loans

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Unsecured loans</u>		
Loans for revolving funds	\$ <u>7,215</u>	\$ <u>-</u>

The bank loans for revolving funds showed the following interest rate range as of the balance sheet date:

	Friday, December 31, 2021	Thursday, December 31, 2020
Short-term loans	0.90%	-

(II) Long-term debt

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Secured loan (Note XXVIII)</u>		
Bank loan (Note 1)	\$ 51,467	\$ 82,890
<u>Unsecured loans</u>		
Loans for revolving funds (Note 2 and 3)	911,314	636,605
Less: Listed as maturing within 1 year	( 85,426)	( 84,195)
Less: Listed as government grants discount (Note XXV)	( <u>9,931</u> )	( <u>6,126</u> )
	<u>\$867,424</u>	<u>\$629,174</u>

Note 1: The bank loan is guaranteed using the machinery equipment of the consolidated companies as pledge. The maturity dates of the loans at years ended December 31, 2021 and 2020, the loans are repaid successively in March 2025 and May 2020, with annual interest rates at years ended December 31, 2021 and 2020 are 1.35% and 1.35% respectively.

Note 2: The maturity dates of the loans for revolving funds at years ended December 31, 2021 and 2020, the loans are repaid successively in March 2026 and August 2020, with annual interest rates at years ended December 31, 2021 and 2020 are 0.84%–1.15% and 0.85%–1.00% respectively.

Note 3: The maturity dates of the loans for revolving funds at years ended December 31, 2021 and 2020, the loans are repaid successively in August 2025 and August 2025, with annual interest rates at years ended December 31, 2021 and 2020 are 1.35%–1.44% and 1.35%–4.00% respectively.

Based on the loan contract regulations, the above-mentioned loans are subjected to the finance ratio restrictions such as liability ratio, times interest earned ratio, net worth of tangible assets and so on of the semi-annual and annual consolidated financial statements. In addition, the monthly average demand deposits shall reach 10% of the mid and long term loan balance. The various finance ratio of the consolidated financial statements in 2021 and 2020 of the consolidated companies conform to the above-mentioned finance ratio restriction.

XVI. Accounts payable

	Friday, December 31, 2021	Thursday, December 31, 2020
Accounts payable	<u>\$103,796</u>	<u>\$134,708</u>

The average credit period of the accounts payable is between 30 to 90 days. The consolidated companies have established the financial risk management policy in ensuring that all accounts payable are repaid within the credit period by prior stipulation.

XVII. Other Liabilities

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Current</u>		
Other payables		
Salaries and bonuses payable	\$128,546	\$109,171
Payables on equipment	56,142	23,165
Repair and maintenance fees payable	46,720	17,659
Other (I)	<u>120,671</u>	<u>59,821</u>
	<u>\$352,079</u>	<u>\$209,816</u>
Other current liabilities		
Other (II)	<u>\$ 6,666</u>	<u>\$ 6,041</u>

(I) Other payables – Others are mainly the tax payable, labor and health insurance and pension payable.

(II) Other current liabilities – Others are mainly the tax withholding and collection.

XVIII. Post-employment compensation plan

(I) Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Company's monthly contributions to individual pension accounts of employees covered by the defined contribution plan is

at 6% of monthly salaries and wages. The funds are deposited in individual dedicated accounts at the Bureau of Labor Insurance. Overseas subsidiaries follow the related local laws and regulations in determining the specific ratio of the total monthly salaries and wages of the local employees and allocating the pension to the pension management business group.

(II) Defined benefit plan

The Company has a pension plan arranged in accordance with the “Labor Standard Act” of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary 6 months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before year end is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

	Friday, December 31, 2021	Thursday, December 31, 2020
Present value of defined benefit obligation	\$ 7,261	\$ 7,309
Fair value of plan assets	( <u>5,302</u> )	( <u>4,908</u> )
Net defined benefit liabilities	<u>\$ 1,959</u>	<u>\$ 2,401</u>

The changes in net defined benefit liability (asset) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
November 1, 2021	<u>\$ 7,309</u>	<u>(\$ 4,908)</u>	<u>\$ 2,401</u>
Service costs			
Service costs for current period	-	-	-
Interest expenses (income)	<u>22</u>	<u>( 14)</u>	<u>8</u>
Recognized as profit and loss	<u>22</u>	<u>( 14)</u>	<u>8</u>
Re-measured amount			
Actuarial loss – changes in financial assumptions	( 228)	-	( 228)
Actuarial (profit) loss – experience adjustments	<u>158</u>	<u>( 72)</u>	<u>86</u>
Recognized as other comprehensive income	<u>( 70)</u>	<u>( 72)</u>	<u>( 142)</u>
Contributions from the employer	<u>-</u>	<u>( 308)</u>	<u>( 308)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Friday, December 31, 2021	<u>\$ 7,261</u>	<u>(\$ 5,302)</u>	<u>\$ 1,959</u>
January 1, 2020	<u>\$ 6,659</u>	<u>(\$ 4,432)</u>	<u>\$ 2,227</u>
Service costs			
Service costs for current period	-	-	-
Interest expenses (income)	<u>47</u>	<u>( 31)</u>	<u>16</u>
Recognized as profit and loss	<u>47</u>	<u>( 31)</u>	<u>16</u>
Re-measured amount			
Actuarial loss – changes in financial assumptions	240	-	240
Actuarial (profit) loss – experience adjustments	<u>363</u>	<u>( 148)</u>	<u>215</u>
Recognized as other comprehensive income	<u>603</u>	<u>( 148)</u>	<u>455</u>
Contributions from the employer	<u>-</u>	<u>( 297)</u>	<u>( 297)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Thursday, December 31, 2020	<u>\$ 7,309</u>	<u>(\$ 4,908)</u>	<u>\$ 2,401</u>



The pension fund system of the consolidated companies contained in the consolidated financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the consolidated companies contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest rate risk: The decline in interest rates of government bonds and corporate bonds will cause the present value of the defined benefit obligations to go up; however, the return on debt investment of the plan assets will go up too; therefore, they both have a partial write-off effect on the net defined benefit liability.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As a result, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the consolidated companies contained in the financial statements are based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	Friday, December 31, 2021	Thursday, December 31, 2020
Discount rate	0.7%	0.3%
The expected rate of increase in salaries	3.0%	3.0%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	Friday, December 31, 2021	Thursday, December 31, 2020
Discount rate		
Increase 0.25%	(\$ <u>135</u> )	(\$ <u>152</u> )
Decrease 0.25%	<u>\$ 140</u>	<u>\$ 158</u>
The expected rate of increase in salaries		
Increase 0.25%	<u>\$ 119</u>	<u>\$ 135</u>
Decrease 0.25%	( <u>\$ 115</u> )	( <u>\$ 131</u> )

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	Friday, December 31, 2021	Thursday, December 31, 2020
Amount projected for appropriation in 1 year	<u>\$ 314</u>	<u>\$ 302</u>
Average maturity of determined benefit obligation	8 years	9 years

## IX. Equity

### (I) Common stock

	Friday, December 31, 2021	Thursday, December 31, 2020
Authorized number of shares (thousand shares)	<u>70,000</u>	<u>70,000</u>
Authorized capital	<u>\$700,000</u>	<u>\$700,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>62,313</u>	<u>62,313</u>
Outstanding capital	<u>\$623,131</u>	<u>\$623,131</u>

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

Capital stock of 6,000 thousand shares of the authorized capital are reserved for issuance of employee share options, special shares options or corporate bonds with warrants to exercise stock options.

(II) Capital surplus

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>For covering loss carried forward, payment in cash or capitalization as equity shares (Note)</u>		
Other capital surplus of shares	\$ 1,492,909	\$ 1,492,909
<u>For covering loss carried forward only</u>		
Other capital surplus of shares (Completed or invalid employee stock options)	48,228	27,666
Changes in net equity in affiliated companies and joint ventures recognized under the equity method	<u>116</u>	<u>644</u>
	<u>\$ 1,541,253</u>	<u>\$ 1,521,219</u>

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(III) Retained earnings and Dividend Policy

According to Article 18-2 of the Company's Articles of Incorporation, the Company may distribute all or part of the dividends and bonuses, legal reserve and paid-in capital in the form of cash and report to the shareholders' meeting, after such matter has been approved by at least half of the directors in attendance in a board meeting attended by no less than two-thirds of all board members, and the provisions of this Charter relating to resolution by the shareholders' meeting shall not apply.

In accordance with the appropriation of retained earnings policy of the Company's Articles of Incorporation, the current net income, if any, shall be applied to make up for the accumulated losses (including adjustment to the unappropriated amount), and appropriate 10% as legal reserve. The special reserve shall be appropriated or reversed according to the law and regulations. For the balance amount, if any, and the cumulative unappropriated earnings, the board of directors shall draft an earnings distribution proposal to be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policy of remuneration to employees and Directors and Supervisors in the Articles of

Incorporation is elaborated in Note XXI (VII) to the financial statement, on Remuneration to Employees and Directors and Supervisors.

In accordance with the company's Articles of Incorporation, the state of the industry for the current year shall be taken into consideration when distributing dividends, along with the future expansion operating plan and cash flow requirements. In principle, the cash dividend shall account for the total dividends between 30% to 100%, and the stock dividend shall account for the total dividends between 0% to 70%. The Board of Directors may make adjustments to the proportion based on the current year's operation and funds status and in meeting the aforementioned established scope. The board proposal for the distribution shall be submitted to the shareholders' meeting for resolution.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)."

The Company held annual shareholders' meetings on August 24, 2021 and June 18, 2020, which resolved to pass the 2020 and 2019 earnings distribution proposals, respectively, as follows:

	2020	2019
Legal reserve	<u>\$ 38,462</u>	<u>\$ 24,595</u>
(Reversal of) Provision of special reserve	( <u>\$ 26,742</u> )	<u>\$ 45,317</u>
Cash dividend	<u>\$280,409</u>	<u>\$186,940</u>
Cash dividends per share (NTD)	\$ 4.5	\$ 3

On March 18, 2022, the board of directors passed by resolution the 2021 earnings distribution proposal as follows:

	2021
Legal reserve	<u>\$ 58,668</u>
Provision of special reserve	<u>\$ 10,442</u>
Cash dividend	<u>\$124,626</u>
Cash dividends per share (NTD)	\$ 2

The Company's Board of Directors meeting had on March 18, 2022 passed the resolution on the distribution of cash dividend from Capital surplus – Shares issued in excess of par value for NTD186,939 thousand, NTD3 allotted per share.

The 2021 appropriation of retained earnings is expected to be submitted to the Annual General Meeting of Shareholders on June 15, 2022 for ratification.

(IV) Special reserve

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ 69,124	\$ 23,807
Provision of special reserve		
(Reversed) Appropriated		
amount debited to other		
equity items	( <u>26,742</u> )	<u>45,317</u>
Balance at end of year	<u>\$ 42,382</u>	<u>\$ 69,124</u>

(V) Other equity items

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	( \$ 42,382 )	( \$ 69,124 )
Exchange differences on the translation of financial statements of foreign operation	( <u>10,442</u> )	<u>26,742</u>
Balance at end of year	( <u>\$ 52,824</u> )	( <u>\$ 42,382</u> )

(VI) Non-controlling interests

	<u>2021</u>
Balance at beginning of the year	\$ -
The number of shares attributed to non-controlling interests:	
Current net loss	( 859 )
Increase in non-controlling interests	<u>15,000</u>
Balance at end of year	<u>\$ 14,141</u>

(VII) Treasury stock

Processed in accordance with Subparagraph 1, Paragraph 1, Article 28-2 of the Securities and Exchange Act and the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.”

The Company's board had on February 5, 2021 resolved to buyback treasury stock. The estimated buyback amount between February 8, 2021 to April 7, 2021 was

1,000 thousand shares, the buyback price range fell between NTD75 to NTD150, to be used as shares for transfer to employees. The execution had been completed by the Company in April 2021, with buyback of 855 thousand shares. The buyback treasury stock amount was NTD99,999 thousand. The treasury stocks were transferred to employees in full on August 20, 2021.

<u>Reason for recovery</u>	<u>Shares for transfer to employees (thousand shares)</u>
Number of shares, January 1, 2021	-
Increase for current period	855
Transfer of shares to employee stock options	( <u>855</u> )
Number of shares, December 31, 2021	<u>-</u>

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

XX. Income

	<u>2021</u>	<u>2020</u>
Testing service income	<u>\$ 3,361,082</u>	<u>\$ 3,061,573</u>

The contracts signed by the consolidated companies and customers include performance obligations to deliver semiconductor industry testing and analysis services. The customer is to pay the contract consideration during the agreed credit period after cross-checking the various test analysis items with the obtained testing and analysis results report. Since the time interval between the transfer of testing and analysis results and the customer's payment does not exceed one year, the significant financial components of the contract consideration are not adjusted.

(I) Contract balance

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (Note VIII)	<u>\$ 783,092</u>	<u>\$ 808,492</u>	<u>\$ 722,264</u>
Contract liability			
Customer loyalty program	\$ 36,075	\$ 44,692	\$ 27,157
Testing income	<u>36,502</u>	<u>52,903</u>	<u>34,142</u>
	<u>\$ 72,577</u>	<u>\$ 97,595</u>	<u>\$ 61,299</u>

Changes to contract liabilities are mainly due to the differences in the timing of satisfying performance obligations and the customer payment time.

(II) Contract cost related assets

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Current</u>		
Costs to fulfill a contract	<u>\$ 61,446</u>	<u>\$ 85,831</u>

The designated materials, purchased by consolidated companies for responding to the customer contract requirements, which are capitalized due to anticipated recovery of related costs are costs to fulfill a contract.

(III) Breakdown of revenue from customer contracts

	Testing Department	
	2021	2020
<u>Type of product or professional service</u>		
Testing service income	<u>\$ 3,361,082</u>	<u>\$ 3,061,573</u>
<u>Key regional markets</u>		
Asia	\$ 3,205,934	\$ 2,931,469
Americas	129,509	114,235
Europe	<u>25,639</u>	<u>15,869</u>
	<u>\$ 3,361,082</u>	<u>\$ 3,061,573</u>

XXI. Net income from continuing operations

(I) Interest Revenue

	2021	2020
Interest Revenue		
Bank deposits	<u>\$ 13,651</u>	<u>\$ 2,736</u>

(II) Other Income

	2021	2020
Grant income (Note XXV)	\$ 8,859	\$ 5,430
Other	<u>13,437</u>	<u>325</u>
	<u>\$ 22,296</u>	<u>\$ 5,755</u>

(III) Other gain and loss

	2021	2020
Foreign currency exchange net (losses) gains	(\$ 17,292)	\$ 12,433
Gain on disposal of financial assets	<u>205</u>	<u>-</u>
	<u>(\$ 17,087)</u>	<u>\$ 12,433</u>

(IV) Financial costs

	<u>2021</u>	<u>2020</u>
Bank loan interest	\$ 9,700	\$ 13,967
Interest on lease liabilities	7,325	5,254
Less: The amount included in the cost of qualifying assets	( <u>2,663</u> )	( <u>3,642</u> )
	<u>\$ 14,362</u>	<u>\$ 15,579</u>

Information of interest capitalization is as follows:

	<u>2021</u>	<u>2020</u>
Interest capitalization amount	\$ 2,663	\$ 3,642
Capitalized interest rate	1.00%~4.00%	1.00%~5.225%

(V) Depreciation and amortization

	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$687,956	\$614,115
Right-of-use assets	79,963	67,172
Intangible assets	<u>4,033</u>	<u>3,968</u>
Total	<u>\$771,952</u>	<u>\$685,255</u>

Consolidation of depreciation  
expenses based on functions

Operating Cost	\$714,210	\$606,963
Operating Expenses	<u>53,709</u>	<u>74,324</u>
	<u>\$767,919</u>	<u>\$681,287</u>

Consolidation of amortization  
expenses based on functions

Operating Cost	\$ 3,414	\$ 3,128
Management Expenses	<u>619</u>	<u>840</u>
	<u>\$ 4,033</u>	<u>\$ 3,968</u>

(VI) Employee benefits expenses

	<u>2021</u>	<u>2020</u>
Post-employment compensation (Note XVIII)		
Defined contribution plan	\$ 42,451	\$ 29,182
Defined benefit plan	8	16
Other employee benefits	<u>1,116,149</u>	<u>869,322</u>
Total employee benefits expenses	<u>\$ 1,158,608</u>	<u>\$ 898,520</u>

Consolidation based on  
functions

Operating Cost	\$ 833,676	\$ 672,518
Operating Expenses	<u>324,932</u>	<u>226,002</u>
	<u>\$ 1,158,608</u>	<u>\$ 898,520</u>



(VII) Employee, and director and supervisor remuneration

According to the Company's Articles of Association, based on the current year's net profit before tax before deduction of the remuneration to employees and directors, no less than 1% of the balance is allocated as remuneration to employees, and no more than 5% for remuneration to directors. The 2021 and 2020 employee and director and supervisor remuneration had been resolved by the board on March 18, 2022 and March 19, 2021 respectively as follows:

Estimate on ratio

	<u>2021</u>	<u>2020</u>
Employee remuneration	15.36%	15.79%
Director and supervisor remuneration	2.21%	2.27%

Amount

	<u>2021</u>		<u>2020</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee remuneration	\$ 111,643	\$ -	\$ 77,674	\$ -
Director and supervisor remuneration	16,049	-	11,165	-

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

There is no difference between the remuneration to employees and directors and supervisors actually distributed for 2021 and 2020 and the amount recognized in the individual financial statements for 2021 and 2020.

For information on the remuneration to employees and directors as resolved by the consolidated companies' board of directors for 2021 and 2020, please visit the Market Observatory Post System of the Taiwan Stock Exchange.

(VIII) Gain (loss) on foreign exchange

	<u>2021</u>	<u>2020</u>
Total foreign exchange gains	\$ 688	\$ 15,328
Total foreign exchange losses	( 17,980 )	( 2,895 )
Net (losses) gains	( \$ 17,292 )	\$ 12,433

XXII. Income tax of continuing operations

(I) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	<u>2021</u>	<u>2020</u>
Current income tax		
Accrued in current year	\$108,286	\$ 79,566
Additional levy on undistributed earnings	4,625	-
Prior year adjustment	-	( 7,032 )
Deferred income tax		
Accrued in current year	<u>3,664</u>	( <u>5,919</u> )
Income tax expenses recognized in profit or loss	<u>\$116,575</u>	<u>\$ 66,615</u>

Adjustment of accounting income and income tax expense are as follows:

	<u>2021</u>	<u>2020</u>
Net profit before tax from continuing operations	<u>\$702,256</u>	<u>\$451,692</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$223,775	\$136,279
Unrecognized deductible temporary differences	30	( 93 )
Items of the statutory taxable income subject to adjustment and reduction	( 111,855 )	( 62,539 )
Additional levy on undistributed earnings	4,625	-
Income tax expense of prior years adjusted in the current year	<u>-</u>	( <u>7,032</u> )
Income tax expenses recognized in profit or loss	<u>\$116,575</u>	<u>\$ 66,615</u>

(II) Current Income Tax Liability

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
Current Income Tax Liability		
Income tax payable	<u>\$144,816</u>	<u>\$ 80,351</u>

(III) Deferred income tax assets and liabilities

Changes in the deferred income tax assets are as follows:

## 2021

Deferred income tax assets	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Deferred income	\$ 8,938	(\$ 1,723)	\$ 7,215
Unrealized exchange loss	-	2,641	2,641
Unrealized transaction gain and loss of affiliates	5,291	( 624)	4,667
Other	4,654	( 4,153)	501
	<u>\$ 18,883</u>	<u>(\$ 3,859)</u>	<u>\$ 15,024</u>

Deferred income tax liabilities	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Unrealized exchange loss	\$ 195	(\$ 195)	\$ -

## 2020

Deferred income tax assets	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Deferred income	\$ 5,431	\$ 3,507	\$ 8,938
Unrealized exchange loss	3,121	( 3,121)	-
Unrealized transaction gain and loss of affiliates	3,226	2,065	5,291
Other	1,027	3,627	4,654
	<u>\$ 12,805</u>	<u>\$ 6,078</u>	<u>\$ 18,883</u>

Deferred income tax liabilities	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Allowance for losses	\$ 36	(\$ 36)	\$ -
Unrealized exchange loss	-	195	195
	<u>\$ 36</u>	<u>\$ 159</u>	<u>\$ 195</u>

### (IV) Income tax audit

The profit-seeking enterprise income tax returns filed by the consolidated companies up to 2018 have been approved by the tax collection authority.

XXIII. Earnings per share

	Unit: NTD per share	
	2021	2020
Basic Earnings per Share	<u>\$ 9.48</u>	<u>\$ 6.18</u>
Diluted earnings per share	<u>\$ 9.35</u>	<u>\$ 6.07</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

	2021	2020
<u>Net Profit for the Year</u>		
Net profit attributable to the company	<u>\$586,540</u>	<u>\$385,077</u>
The net income applied to calculate basic and diluted earnings per share	<u>\$586,540</u>	<u>\$385,077</u>
	Unit: Thousand share	
	2021	2020
<u>Number of shares</u>		
Weighted average common stock shares used to calculate basic earnings per share	61,903	62,313
Effect of dilutive potential common stock		
Employee remuneration	<u>857</u>	<u>1,138</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>62,760</u>	<u>63,451</u>

If the consolidated companies may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

XXIV. Share-based payment agreement

The consolidated companies have on August 20, 2021 transferred treasury stock to employees for 855 thousand shares at NTD117.03, in accordance with the regulations governing the transfer of treasury stock to employees. Related information as follows:

2021

<u>Transfer of treasury stock to employees</u>	<u>Unit (Thousand)</u>
Outstanding at beginning	-
Current grant	855
Current surrender	<u>-</u>
Outstanding at end	<u>855</u>
Weighted-average fair value of stock options granted (NTD)	<u>\$ 23.98</u>

2021 recognized remuneration cost is NTD20,500 thousand.

#### XXV. Governmental subsidies

Other than the disclosure in the other notes, the government subsidies acquired by the consolidated companies are as follows:

- (I) The consolidated companies have in 2021 and 2020 acquired the government subsidies for “Power and Public Equipment Subsidy” and “Youth Employment Flagship Plan,” for NTD898 thousand and NTD1,636 thousand respectively. The amounts are included under other income.
- (II) The consolidated companies have in 2021 and 2020 acquired the government subsidies for Xiamen region subsidy for office rental for NTD921 thousand and NTD1,162 thousand respectively. The amounts are included under other income.
- (III) The consolidated companies have in 2021 and 2020 acquired the government subsidies for Shanghai region subsidy for securing and incubating businesses related policy for NTD5,049 thousand and NTD2,044 thousand respectively. The amounts are included under other income.
- (IV) As of December 31, 2021, the consolidated companies had acquired the government discounted interest rate loan of NTD826,380 thousand of the “Welcome Taiwanese Businesses Return to Taiwan Investment Action Plan.” The loans are to be used for capital expenditures and operation turnover. The repayment of the loan is by installments between three to five-year period. The loan fair value was estimated at NTD813,547 thousand using the market interest rate range of 0.84%–1.15% at the time of loan borrowing. The difference between the acquired amount and the loan fair value was NTD13,833 thousand. It is considered a low interest government loan subsidy, and was recognized as deferred income. The consolidated companies have recognized other income NTD1,991 thousand in 2021 and recognized its loan interest expenses for NTD5,252 thousand.

If the consolidated companies do not meet the directions for project loan during the loan period that result in the National Development Fund stopping the transfer of loan

commission fees, the loan payment for the consolidated companies will switch to the originally agreed interest rate plus annual interest rate.

XXVI. Capital risk management

The consolidated companies manage capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation. There is no major change in the consolidated companies' overall strategy.

The consolidated companies' capital structure is composed of the equity of the consolidated companies (i.e. share capital, capital reserve, retained earnings and other equity items).

The consolidated companies are not required to comply with other external capital requirements.

XXVII. Financial instruments

(I) Fair value information – Financial instruments that are not measured at fair value

The financial assets not at fair value and the book value of financial liabilities were considered by the consolidated companies' management as close to their fair value or has no reliable, fair value measurement.

(II) Categories of financial instruments

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 2,556,430	\$ 2,052,998
<u>Financial liability</u>		
Financial liabilities measured at amortized cost (Note 2)	1,415,948	1,059,893

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable, other receivables, refundable deposits, and other financial assets – non-current measured at amortized cost.

Note 2: The balance includes short-term loans, accounts payable, refundable deposits, other accounts payable, and long term loans (including those with maturity within one year) and the like which are financial liabilities measured at amortized cost.

(III) Purpose and policy of financial risk management

The consolidated companies' primary financial instruments include accounts receivable, accounts payable and borrowing. The consolidated companies' financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the consolidated companies' operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

Due to the operating activities, the major financial risk faced by the consolidated companies are the foreign currency exchange rate risk (see (1) below) and interest rate risk (see (2) below).

The consolidated companies' exposure to financial instruments market risk and the management and measurement of the risk exposure have not been changed.

(1) Exchange rate risk

A part of the cash inflow and outflow of consolidated companies is based on foreign currencies. Thus, it has the partial effects of natural hedging. The purpose of the consolidated companies' management for exchange rate risk is to avoid risk and not for profit.

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note XXXI.

Sensitivity analysis

Effects of USD and JPY exchange rates fluctuations to the consolidated companies.

The consolidated companies' sensitivity analysis for New Taiwan dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 5% is illustrated in the following table. The 5% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is adjusted in

accordance with the changes in exchange rates by 5%. Each positive number in the following table represents the amount of increase in net profit before tax when the functional currency depreciates by 5% in relation to each relevant foreign currency; when the functional currency appreciates by 5% in relation to each relevant foreign currency, its effect on net profit before tax will be the negative number of the same amount.

	Impact of USD		Impact of JPY		Impact of CNY	
	2021	2020	2021	2020	2021	2020
Net profit before tax	\$ 5,002	\$ 3,846	\$ 6,109	\$ 8,635	\$10,225	\$ 5,802

The consolidated companies' sensitivity level towards JPY has dropped for this year, mainly due to the decrease in JPY-based pricing bank deposit balance amount. The sensitivity level towards USD has increased for this year mainly due to the increase of USD-based pricing accounts receivable amounts. The sensitivity level towards CNY has increased for this year mainly due to the increase in CNY-based pricing accounts receivable.

The management thinks that the sensitivity analysis cannot represent the inherent risk of exchange rate because the exposure risk of balance sheet cannot reflect the exposure risk situation for mid-year.

(2) Interest rate risk

Because the consolidated companies holds assets and liabilities with fixed and floating interest rates at the same time, the interest rate risk has arisen.

Carrying amounts of financial assets and liabilities that are with interest rate exposure risks on the balance sheet date of the consolidated companies are as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
With fair value interest rate risk		
- Financial assets	\$ 1,021,546	\$ 429,548
Contain cash flow interest rate risk		
- Financial assets	670,243	770,090
- Financial liability	960,065	713,369

Sensitivity analysis



The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. For liabilities with floating interest rates, the analysis method is based on the assumption that the amount of liabilities outstanding at the balance sheet date is outstanding throughout the reporting period.

If the annual interest rate increases/decreases by 0.1%, with all other variables remain unchanged, the consolidated companies' net income before tax in 2021 and 2020 will increase/decrease by NT\$290 thousand and NT\$57 thousand, respectively, mainly due to the interest rate risk exposure of the net assets and liabilities with variable interest rate.

The consolidated companies' sensitivity level for the year's interest rates increases mainly due to the decrease in liabilities with variable interest rate.

## 2. Credit risk

Credit risk refers to the risk that the counter party delays the contractual obligation resulting in the financial loss of the Group. As of the balance sheet date, the consolidated companies' maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived from the book value of the financial assets recognized on the consolidated balance sheet.

The counterparties of accounts receivable cover many customers who are dispersed across different industries and geographical regions. The consolidated companies continue to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A and B of the consolidated companies, the consolidated companies do not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. Whenever a counterparty is a related company to each other, the consolidated companies define it as a transaction counterparty with similar characteristics.

Balances for accounts receivable of major customers are as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
Company A	\$ 29,356	\$ 37,563
Company B	76,219	190,439

In 2021 and 2020, the consolidated companies' concentrated credit risk toward Company A and B has not exceed 50% of the accounts receivable. This is because Customers A and B are reputable companies. Thus, credit risks are limited.

### 3. Liquidity risk

The consolidated companies have supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The consolidated companies' management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the consolidated companies.

#### (1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated companies' undiscounted cash flow (including principal and estimated interest) of financial liabilities on the earliest possible repayment date upon request. The following table shows the earliest times that the consolidated companies may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

For the cash flow of the interest paid in accordance with the floating rate, the undiscounted interest amount is deduced from the yield rate curve on the balance sheet date.

#### Friday, December 31, 2021

	Weighted average effective interest rate (%)	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>						
No interest-bearing liabilities	-	\$ 482,166	\$ 85,904	\$ 21,180	\$ -	\$ 589,250
Lease liability	1.40~5.50	9,467	14,273	57,571	203,522	284,833
Floating rate instruments	0.84~1.44	442	23,985	77,258	879,785	981,470
		<u>\$ 492,075</u>	<u>\$ 124,162</u>	<u>\$ 156,009</u>	<u>\$ 1,083,307</u>	<u>\$ 1,855,553</u>

Further information about maturity analysis of above-mentioned financial liabilities is as follows:

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	More than 20 years
Lease liability	\$ 81,311	\$ 126,974	\$ 76,548	\$ -	\$ -	\$ -
Floating rate instruments	101,685	879,785	-	-	-	-
	<u>\$ 182,996</u>	<u>\$1,006,759</u>	<u>\$ 76,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Thursday, December 31, 2020

	Weighted average effective interest rate (%)	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>						
No interest-bearing liabilities	-	\$ 362,445	\$ 71,552	\$ 8,605	\$ -	\$ 442,602
Lease liability	1.40–5.50	8,018	7,843	28,565	83,282	127,708
Floating rate instruments	0.85–4.00	640	18,249	72,379	645,971	737,239
		<u>\$ 371,103</u>	<u>\$ 97,644</u>	<u>\$ 109,549</u>	<u>\$ 729,253</u>	<u>\$ 1,307,549</u>

Further information about maturity analysis of above-mentioned financial liabilities is as follows:

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	More than 20 years
Lease liability	\$ 44,426	\$ 78,570	\$ 4,712	\$ -	\$ -	\$ -
Floating rate instruments	91,269	645,971	-	-	-	-
	<u>\$ 135,695</u>	<u>\$ 724,541</u>	<u>\$ 4,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### (2) Financing limit

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
Unsecured bank loan amount		
– The loan quota used	\$ 918,529	\$ 636,605
– The loan quota not yet used	<u>3,450,417</u>	<u>3,808,394</u>
	<u>\$ 4,368,946</u>	<u>\$ 4,444,999</u>
Secured bank loan amount		
– The loan quota used	\$ 51,467	\$ 82,890
– The loan quota not yet used	<u>-</u>	<u>-</u>
	<u>\$ 51,467</u>	<u>\$ 82,890</u>

#### XXVIII. Related Party Transaction

The transactions, account balances, income, expenses and losses between the company and subsidiaries (related parties of the company) are offset at the time of

consolidation; therefore, it is not disclosed in this note. Except as disclosed in other notes, transactions between the consolidated companies and other related parties, are also as follows:

Remuneration to the management

	2021	2020
Short-term employee benefits	\$ 44,524	\$ 38,138
Retirement benefits	355	452
	<u>\$ 44,879</u>	<u>\$ 38,590</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

XXIX. Pledged Assets

The following assets had been provided as collateral for financing loans and customs:

	Friday, December 31, 2021	Thursday, December 31, 2020
Property, plant and equipment	\$ 81,877	\$117,581
Financial assets measured at amortized cost – Non-current	6,000	6,000
	<u>\$ 87,877</u>	<u>\$123,581</u>

XXX. Other matters

Other than the matters stated under Additional Disclosure, the consolidated companies were affected by the global COVID-19 pandemic. Part of the factories in the Shanghai region are affected, which resumed normal operations in March 2020. The consolidated companies have obtained relief measures from local government, and were awarded the subsidies and exemption for social insurance of the China region. In 2021 and 2020, the affected amount of the above-mentioned exemption recognized were NTD11 thousand and NTD12,075 thousand respectively, which are treated as reduction items for cost and expenses.

XXXI. Information on foreign currency assets and liabilities with significant impacts

The following information is expressed in foreign currencies other than the functional currencies of each entity within the consolidated companies; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Information on foreign currency assets and liabilities with significant impacts as below:

Friday, December 31, 2021

	Foreign currency	exchange rates	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 3,504	27.68 (USD : NTD)	\$ 96,991
USD	1,994	6.3757 (USD : CNY)	55,226
JPY	508,264	0.2405 (JPY : NTD)	122,237
CNY	56,315	4.344 (CNY : NTD)	244,632
Foreign currency liabilities			
<u>Monetary items</u>			
USD	263	27.68 (USD : NTD)	7,280
USD	1,619	6.3757 (USD : CNY)	44,840
CNY	9,052	4.344 (CNY : NTD)	39,322

Thursday, December 31, 2020

	Foreign currency	exchange rates	Carrying amount
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 1,986	28.48 (USD : NTD)	\$ 56,561
USD	2,275	6.5249 (USD : CNY)	64,973
JPY	625,059	0.2763 (JPY : NTD)	172,703
CNY	35,232	4.377 (CNY : NTD)	154,210
Foreign currency liabilities			
<u>Monetary items</u>			
USD	307	28.48 (USD : NTD)	8,743
USD	1,256	6.5249 (USD : CNY)	35,870
CNY	8,722	4.377 (CNY : NTD)	38,176

The consolidated company's gain (loss) on foreign currency exchange in 2021 and 2020 were NT\$(17,292) thousand and NT\$12,433 thousand, respectively. Due to the wide variety of foreign currency transactions and the Group's standalone functional currencies, it is difficult to disclose all exchange gains or losses for each material impact.

XXXII. Additional Disclosure

- (I) Information about important transactions: Other than the below listed matters, there are no other matters that require disclosure for the consolidated companies.
1. Lending Funds to Other Parties. (Attached Table I)
  2. Endorsements and guarantees for others. (Attached Table II)
  3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures). (None)
  4. The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  5. The acquisition of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  6. The disposal of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  7. The amount of purchase and sales with related parties has reached NT\$100 million or 20% or above of the paid-in capital. (Attached Table III)
  8. The amount of receivables from related parties reached NT\$100 million or 20% of the paid-in capital: (Attached Table IV)
  9. Trading in derivative instruments. (None)
  10. Other: Business relationships and significant transactions between the Parent Company and its subsidiaries and among the subsidiaries. (Attached Table V)
- (II) Related information about reinvestment business (Attached Table VI)
- (III) Investment information in Mainland China:
1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gains or losses, ending balance, amount received as earnings distributions from the investment, and the limitations on investment. (Attached Table VII)
  2. Significant direct or indirect transactions with the investee in Mainland China, its prices and terms of payment, unrealized gain or loss: (Attached Table VIII)
    - (1) Procurement amounts, percentages, balance, & percentages of relevant payables at end of the term.
    - (2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term.
    - (3) Amount of property transaction and amount of the profit and/or loss so incurred.

- (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.
  - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.
  - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services.
- (IV) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage. (Attached Table IX)

### XXXIII. Segment information

- (I) Revenues and operating results of segments and their assets and liabilities:

The information provided to the major operating decision-maker by the consolidated companies for allocating resources and assessing segment performance is focusing on the type of product or service delivered or offered. The measurement basis of these financial statements' information is the same as these consolidated financial statements. The consolidated companies belong to one single operation segment. The basis for measuring profit and loss, and assets and liabilities of the operation segment is the same to the basis for preparing these consolidated financial statements. Thus, the partial revenues and operation results that shall be reported for 2021 and 2020, they can be referenced with the 2021 and 2020 consolidated comprehensive balance sheet. The segment assets and liabilities that shall be reported as of the end of the year on December 31, 2021 and 2020 can be referenced with the consolidated balance sheet as of end of the year on December 31, 2021 and 2020.

- (II) Revenue of main products and professional services:

	<u>2021</u>	<u>2020</u>
Testing service income	<u>\$ 3,361,082</u>	<u>\$ 3,061,573</u>

- (III) Regional information:

The consolidated companies' continuing operating revenues from external customers are divided into the following country locations of the customers, and its non-current assets are divided based on the physical locations of the assets shown as follows:

	Revenues from external customers		Non-current assets	
	2021	2020	December 31, 2021	December 31, 2020
Taiwan (location of the consolidated companies)	\$ 1,415,395	\$ 1,299,711	\$ 1,274,345	\$ 1,048,164
Mainland China	1,562,421	1,458,857	1,063,194	785,889
Japan	163,984	115,542	235,077	315,098
United States of America	129,509	114,235	-	-
Other countries	<u>89,773</u>	<u>73,228</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,361,082</u>	<u>\$ 3,061,573</u>	<u>\$ 2,572,616</u>	<u>\$ 2,149,151</u>

Non-current assets not including financial instruments and deferred income tax assets.

(IV) Information of major customers:

Details of customers who stand at more than 10% of the net operating revenue amount of the consolidated companies are as follows:

	2021	2020
Customer B	<u>\$354,940</u>	<u>\$648,980</u>



Materials Analysis Technology Inc. and subsidiaries

Lending Funds to Other Parties

2021

Attached Table I

Unit: Unless stated otherwise, it is NTD in thousand

No. (Note 1)	Financing company	Counterparty	Transaction item (Note 2)	Are they related parties	Maximum balance for the period (Note 3)	Balance at end of period (Note 8)	Actual amount drawn	Interest range	Lending Funds Type (Note 4)	Transaction Amount (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 7)	Financing company's total financing amount limits (Note 7)	Remarks
													Name	Value			
1	MA-tek (Shanghai) Ltd.	MA-tek (Xiamen) Ltd.	Other accounts receivable – Related party	Yes	\$ 217,200	\$ 217,200	\$ -	4.25%	2	\$ -	Business operation turnover	\$ -	—	\$ -	\$ 361,426	\$ 722,852	-

Note 1: The column of Number is described as follows:

- (1) Please fill in 0 for the issuers.
- (2) Please fill in Arabic numerals sequentially numbered starting from 1 for the investee companies according to the company type.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Highest Balance for Lending Funds to Other Parties for the Current Year

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing, and also the method for the calculation of the upper limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Materials Analysis Technology Inc. and subsidiaries  
Endorsements and guarantees for others  
2021

Attached Table II

Unit: Unless stated otherwise, it is NTD in thousand

Name of the endorser/guarantor company	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 2)	Maximum balance of endorsements/guarantees for the current period	Balance of endorsements/guarantees at the end of the period	Actual amount drawn	Amount of endorsements/guarantees secured by property	Cumulative amount of endorsements/guarantees as a percentage of the net worth as stated in the latest financial statement	Ceiling on the total amount of endorsements/guarantees provided (Note 2)	Endorsements/guarantees by the Parent Company for the subsidiary	Endorsements/guarantees made by the subsidiary company for its parent	Endorsements/guarantees made for the entities in Mainland China
	Company name	Relationship										
Materials Analysis Technology Inc.	MA-TEK Japan Inc.	Note 1	\$ 1,141,581	\$ 553,150	\$ 553,150	\$ 142,617	\$ 72,150	16.96%	\$ 2,283,161	Yes	No	No
	MA-tek (Shanghai) Ltd.	Note 2	1,141,581	651,600	651,600	-	-	19.98%	2,283,161	Yes	No	Yes
	MA-tek (Xiamen) Ltd.	Note 2	1,141,581	78,192	78,192	-	-	2.40%	2,283,161	Yes	No	Yes

Note 1: Direct shareholding of the subsidiary at 100%

Note 2: Indirect shareholding of the sub-subsidiary at 100%

Note 3: The total amount of endorsements and guarantees provided by the consolidated companies are limited to 70% of the current net worth of the consolidated companies. The endorsement and guarantee amount to one single enterprise shall not exceed 35% of the current net worth of the consolidated companies. In addition to the requirement of the preceding paragraph, the endorsement and guarantee amount given to one single enterprise due to business dealings with the consolidated companies or subsidiaries, the amount shall not exceed the total amount (the purchase or sales amount, whichever is higher) of the dealing during the 12-month period before the endorsement and guarantee.

Materials Analysis Technology Inc. and subsidiaries

The amount of purchase and sales with related parties has reached NT\$100 million or 20% or above of the paid-in capital.

2021

Attached Table III

Unit: Unless stated otherwise, it is NTD in thousand

Companies for purchase or sale of goods	Name of transaction counterparty	Relationship	Transaction status				Status and reasons for differences between the terms and conditions and general transactions		Notes and accounts receivables (payables)		Remarks
			Purchase or sale of goods	Amount	Ratio to total purchase or sale of goods	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivables (payables)	
The Company	MA-tek (Shanghai) Ltd.	Sub-subsidiary of the Company	Sale of goods (Note 1)	\$ 245,860	12.4%	Payment term is 180 days at close of the month	Note 2	-	\$ 107,178	18.75%	Note 2

Note 1: Refers to technical service income.

Note 2: On the technical service and contract testing fees for the related party, the agreed prices are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party.

Materials Analysis Technology Inc. and subsidiaries

The amount of receivables from related parties reached NT\$300 million or 20% of the paid-in capital

Friday, December 31, 2021

Attached Table IV

Unit: NTD in thousand

Companies whose receivables are recognized	Transaction counterparty	Relationship	Other account receivable from related party, ending balance	Turnover	Overdue account receivable from related party		Account receivable from related party Amounts received in subsequent period	Allowance for bad debts
					Amount	Treatment method		
The Company	MA-tek (Shanghai) Ltd.	Sub-subsidiary of the Company	\$ 107,178	1.96	\$ 4,550	—	\$ 77,211	\$ -

Note 1: On December 31, 2021, the account receivable from MA-tek (Shanghai) Ltd. was NTD107,178 thousand, of which account receivable of NTD4,550 thousand was transferred to other accounts receivable from related party due to it was overdue for a certain period of time.

Materials Analysis Technology Inc. and subsidiaries

Business relationships and significant transactions between the Parent Company and its subsidiaries and among the subsidiaries and amounts

2021

Attached Table V.

Unit: NTD in thousand

No.	Name of the transaction party	Counterparty	Nature of relationship (Note I)	Circumstance of the transaction			
				Account title	Amount	Transaction terms and conditions (Note II)	Ratio to consolidated total revenue or total asset
0	The Company	MA-tek (Shanghai) Ltd.	1	Operating Revenue	\$ 245,860	—	7%
				Account receivable from related party	102,628	—	2%
				Other receivables	62,557	—	1%
				Accounts payable	31,057	—	1%
				Other payables	8,115	—	-
				Contracted testing expenses	20,628	—	1%
				Procurement of fixed assets	28,798	—	1%
				Sale of fixed assets	47,619	—	1%
		MA-tek Japan Inc.	1	Operating Revenue	5,971	—	-
				Account receivable from related party	2,211	—	-
				Other receivables	96,224	—	2%
				Sale of fixed assets	5,998	—	-
		MA-tek (Xiamen) Ltd.	1	Operating Revenue	53,869	—	2%
				Account receivable from related party	48,103	—	1%
				Other receivables	31,465	—	1%
				Accounts payable	195	—	-
				Contracted testing expenses	170	—	-
		Workflow Enhancement Technology Inc.	1	Repairs and maintenance expenses	151	—	-
				Consumable materials	169	—	-
				Professional service fees	3,171	—	-
				Other payables	1,849	—	-
2	MA-tek (Shanghai) Ltd.	MA-tek (Xiamen) Ltd.	2	Operating Revenue	41,443	—	1%
				Account receivable from related party	60,237	—	1%
				Accounts payable	236	—	-
				Contracted testing expenses	1,084	—	-
				Sale of fixed assets	241	—	-
				Other receivables	273	—	-
				Operating Revenue	869	—	-
		MA-tek Japan Inc.	2	Contracted testing expenses	80	—	-
				Accounts receivable	926	—	-
				Accounts payable	81	—	-

Note I: 1 Represent transaction from parent company to subsidiary; 2 Represent transaction between subsidiaries.

Note II: On the technical service and contract testing fees for the related party, the agreed prices are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party.

Materials Analysis Technology Inc. and subsidiaries  
Name of the investee company, location and other related information  
2021

Attached Table VI.

Unit: NTD in thousand, USD in thousand and JPY in thousand

Investing company name	Investee company name	Location	Principal business items	Original investment amount		Held at end of period			Profit or loss of the investee company for the current period	Investment income (loss) recognized for the current period	Remarks
				End of current period	End of last year	Number of shares (thousand shares)	Ratio (%)	Carrying amount			
Materials Analysis Technology Inc.	MA-tek International Inc.	Samoa	Holding company managing the reinvestment	USD 31,001	USD 31,001	-	100	\$ 2,031,571	\$ 538,960	\$ 542,078	Subsidiary of the consolidated companies (Note 1)
	MA-tek Japan Inc.	Japan	Engages in the market expansion and technical consultation of testing and analysis service	JPY95,000	JPY95,000	10	100	12,594	22,319	22,319	Subsidiary of the consolidated companies (Note 1)
	MA-tek US	United States of America	Engages in the market expansion and technical consultation of testing and analysis service	\$ -	\$ -	-	100	-	-	-	Subsidiary of the consolidated companies (Note 2 and 3)
	Workflow Enhancement Technology	Taiwan	Engage in electronics components manufacturing, wholesale, and device trading services	35,000	-	3,500	70	32,997	( 2,862)	( 2,003 )	Subsidiary of the consolidated companies (Note 1)

Note 1: Calculated using the financial statements audited by CPAs for investee companies during the same period.

Note 2: Calculated using the financial statements audited by CPAs for investee companies during the same ending period.

Note 3: As of the financial statements date, there have been no outward remittance of investment funds.

Note 4: The above-listed securities on December 31, 2021 do not have provision of guarantee or pledge, or other restricted terms.

Materials Analysis Technology Inc. and subsidiaries

Investment information in Mainland China

2021

Attached Table VII.

Unit: NTD in thousand and USD in thousand

Investee company in the Mainland Area Company name	Principal business items	Paid-in capital	Investment method	Accumulated outflow of investment from Taiwan at the beginning of current period	Current investment flows		Accumulated outflow of investment from Taiwan at the end of current period	Profit/loss of the investee company for the current period	% Ownership of Direct or Indirect Investment by the Consolidated Company	Investment income (loss) recognized for the current period	Carrying value of investments at end of the period	Accumulated inward remittance of earnings as of the end of the current period
					Outward remittance	Redemption						
MA-tek (Xiamen) Ltd.	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	USD 7,500 ( NTD 207,600 )	Note 1	USD 7,500 ( NTD 207,600 )	\$ -	\$ -	USD 7,500 ( NTD 207,600 )	\$ 46,790	100%	\$ 46,790 (Note 3)	\$ 247,779	\$ -
MA-tek (Shanghai) Ltd.	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	USD 23,500 ( NTD 650,480 )	Note 1	USD 23,500 ( NTD 650,480 )	-	-	USD 23,500 ( NTD 650,480 )	492,012	100%	492,170 (Note 3)	1,807,129	-
MA-tek Educational Company	Engage in educational support services and provide related technical consultation and services	-	Note 1 and 2	-	-	-	-	-	-	-	-	-
Xiamen Qingxi Huayi Equity Investment Partnership (Limited Partnership)	Holding company managing the reinvestment	CNY43,526 ( NTD 189,077 )	Note 1	-	-	-	- (Note 6)	60,949	45.95%	28,006 (Note 3)	117,792	-

Accumulated investment in Mainland China at end of the current period	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 4)
USD31,000 (NTD858,080)	USD31,000 (NTD858,080)	\$ 1,956,995

Note 1: Method of investment is establishing a company through a third region for reinvestment of company in Mainland China.

Note 2: As of the financial statements date, there have been no outward remittance of investment funds.

Note 3: Calculated using the financial statements, audited by CPAs, of the same period.

Note 4: Calculated based on the limit prescribed in the amended “Regulations Governing the Review of Investment or Technical Cooperation in Mainland China” of Investment Commission, MOEA on August 29, 2008.

Note 5: Based on the exchange rate calculation on December 31, 2021.

Note 6: Reinvestment is made by the funds owned by MA-tek (Xiamen) Ltd.

Materials Analysis Technology Inc. and subsidiaries

Significant direct or indirect transactions with the investee in Mainland China, its prices and terms of payment, unrealized gain or loss, and other related information

2021

Attached Table VIII.

Unit: Unless stated otherwise, it is NTD in thousand

Name of the investee company in the Mainland Area	Type of transaction	Purchase or sale of goods		Transaction terms and conditions (Note I)	Notes and accounts receivables (payables)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
MA-tek (Shanghai) Ltd.	Technical service income	\$ 245,860	12.4%	—	\$ 107,178	18.8%	\$ -	Note 2
	Contracted testing expenses	20,628	1.3%	—	31,057	42.0%	-	—
	(Cash) Purchase of Fixed Assets	28,798	1.8%	—	8,115	11.0%	-	—
	Proceeds from Sale of Fixed Assets	47,619	2.4%	—	58,008	10.2%	1,782	—
MA-tek (Xiamen) Ltd.	Technical service income	53,869	2.7%	—	79,567	13.9%	-	Note 3
	Contracted testing expenses	170	-	—	190	0.3%	-	—

Note 1: On the technical service and contract testing fees for the related party, the agreed prices are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party.

Note 2: On December 31, 2021, the account receivable from MA-tek (Shanghai) Ltd. was NTD107,178 thousand, of which account receivable of NTD4,550 thousand was transferred to other accounts receivable from related party due was overdue for a certain period of time.

Note 3: On December 31, 2021, the account receivable from MA-tek (Xiamen) Ltd. was NTD79,567 thousand, of which account receivable of NTD31,464 thousand was transferred to other accounts receivable from related party due was overdue for a certain period of time.



Materials Analysis Technology Inc.

Information of major shareholders

Friday, December 31, 2021

Attached Table IX

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
ERP Investment Corp.	6,279,119	10.07%
ARQ Consulting Company	4,725,526	7.58%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

Note 2: If a shareholder delivers his or her shares to a trust, the above information shall be disclosed by the individual trustor account opened by the trustee. As for the shareholder's declaration of insider's equity with more than 10% shares in accordance with the Securities and Exchange Act, the shareholding of the shareholder includes his or her own shares plus the shares that he or she has delivered to a trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider's equity declaration.

Materials Analysis Technology  
Inc.

Standalone Financial Report and  
Independent Auditors' Report  
2021 and 2020

Address: 1F, No. 26-2, Taiyuan St., Zhubei City, Hsinchu  
County

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## **Independent Auditors' Report**

To: Materials Analysis Technology Inc.

### **Auditors' opinions**

We have audited the accompanying standalone balance sheet of Materials Analysis Technology Inc. of December 31, 2021 and 2020, and the related standalone statement of income, standalone statement of changes in shareholders equity, standalone statement of cash flows, and Note of the standalone financial statements (including major accounting policy) for the years then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Materials Analysis Technology Inc. as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulation 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 the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are Independent of the Materials Analysis Technology Inc. in accordance with The Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed 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 judgement, were of most significance in our audit of the standalone financial statements of the Materials Analysis Technology Inc. for the year ended December 31st, 2021. These matters were addressed in the

context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the 2021 standalone financial statements of Materials Analysis Technology Inc. are as below:

Revenue recognition

The major source of operating revenue for Materials Analysis Technology Inc. derives from providing testing and analytical services to companies of upstream, midstream and downstream materials and components industry of the semiconductor and optoelectronics high-tech industries. The operating revenue for this fiscal year was NTD1,978,390 thousand. For the accounting policy and information relating to the revenue recognition, please refer to Note IV and XIX of the financial statements. Due to the fact that the 2021 operating revenue growth for Materials Analysis Technology Inc. was about 3% compared to the previous year, it had a material impact to the 2021 standalone financial statements. However, where it shows a significant growth for the operating revenue with part of the customers, the CPA will list its authenticity as a key audit matter for the fiscal year.

The audit procedures by our independent auditors included examining the appropriateness of the accounting policy for the revenue recognition of Materials Analysis Technology Inc. For the current year's sales of goods where it shows large growth with the customers, the sales statements would be sampled to perform the below effectiveness and verification tests of internal control for the purpose of confirming whether the revenue did actually take place.

1. Review the customer basic information table approved by the responsible officer.
2. Review that the sales of goods revenue had obtained the original customer order and that the customer order had already been generated, and that it was approved by the responsible officer.
3. Review whether the sales slip had been approved by the responsible officer.
4. Randomly sample for review the customer agreed notice of acceptance or review the customer's monthly reconciliation statement information, and cross-check with the collected funds or the state of funds collection after the period. This is to ensure the authenticity and accuracy of sales of goods.
5. Review the funds collection counterparties of the accounts receivable to check whether they are consistent with the transaction counterparties, so as to assess whether there are abnormal transactions.
6. Review whether there have been any occurrence of material sales goods returns and discount after the balance sheet date. Understand whether it is attributable to occurrence of

events in 2021, so as to confirm if there have been material misstatement in the revenue recognition.

#### Timing of depreciation on property, plant and equipment

The capital expenditures of Materials Analysis Technology Inc. are used on purchasing advanced equipment to enhance its testing analytical technologies in order to satisfy customer service demands. The machinery equipment capital expenditures for this fiscal year is considered material to the overall financial statements. On the accounting policy and information relating to the depreciation of property, plant and equipment, please refer to Note IV and X of the standalone financial statements.

The Materials Analysis Technology Inc. began the timing for depreciation of equipment pending acceptance under property, plant and equipment when assessing its depreciation, from when the asset is in the necessary condition that it can be ready for use and meet the expected operation method. Due to the fact that the assessment criteria on the expected use condition of the asset involves subjective judgements and assumptions, the timing of depreciation affected by change of assumption will generate material impact to the financial performance of Materials Analysis Technology Inc.

As the timing of depreciation by Materials Analysis Technology Inc. involves subjective factors, our auditors need to use high level audit judgements when assessing the reasonableness of the judgements and assumptions of Materials Analysis Technology Inc. during the execution of audit procedures. Therefore, our auditors listed the timing of depreciation for the equipment pending acceptance under the property, plant and equipment as a key audit matter for this fiscal year.

We performed the following key audit procedures in respect of the above key audit matter:

1. Review and understand the policy and conditions for the timing of depreciation.
2. Test the effectiveness of the key internal control for the timing of depreciation of the equipment pending acceptance.
3. Random sampling of the equipment pending acceptance from the end of the year and assess whether it has not yet reached the condition of ready for use, and observe the physical inventory of the equipment pending acceptance.
4. From the equipment pending acceptance statement, for equipment that have not been capitalized for more than 3 months, ask the management and the using unit for the reasons in order to assess its reasonableness.

5. Random sampling from the property, plant and equipment that have met the standard of ready for use condition for this fiscal year to assess whether its timing of depreciation is appropriate.

### **Responsibilities of Management and Those in Charge with Governance of the Financial Statements**

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

In preparing the standalone financial statements, the management is also responsible for assessing the ability of Materials Analysis Technology Inc. as a going concern, disclosing as applicable, matters related to a going concern and using the going concern basis of accounting. Unless the management either intends to liquidate Materials Analysis Technology Inc. or to cease operations, or has no other realistic alternative but to do so.

Those in charge of governance (including the Audit Committee) are responsible for overseeing the reporting process of the financial statements of Materials Analysis Technology Inc.

### **Auditors' Responsibilities for the Audit of the standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following work:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the efficacy of Materials Analysis Technology Inc.'s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Draw conclusions 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 Materials Analysis Technology Inc.'s capability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Materials Analysis Technology Inc. to cease to continue as a going concern.
5. We evaluated the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. We obtained sufficient and appropriate audit evidence regarding the standalone financial information or business activities of Materials Analysis Technology Inc. to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the Norms of Professional Ethics for Certified Public Accountants of the Republic of China 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 matters communicated with those charged with governance, we determined an issue that was most significant in the audit of the standalone financial statement for the year ended December 31, 2021, and is, therefore, the key audit matter. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

CPA Tung-Hui Yeh

CPA Mei-Chen Tsai

Financial Supervisory Commission (FSC)  
Approved letter No.  
Circular from FSC, No. 0980032818.

Financial Supervisory Commission (FSC)  
Approved letter No.  
Circular from FSC, No. 1010028123.

March 18, 2022

Materials Analysis Technology Inc.  
Standalone balance sheet  
December 31, 2021 and 2020

Unit: NTD in thousand

Code	Assets	Friday, December 31, 2021		Thursday, December 31, 2020		Code	Liabilities and equity	Friday, December 31, 2021		Thursday, December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
	Current assets						Current liabilities				
1100	Cash and cash equivalents (Note IV, VI and IIVI)	\$ 402,877	9	\$ 490,392	13	2130	Contract liability – Current (Note XIX)	\$ 42,034	1	\$ 54,649	1
1150	Notes receivable (Note IV, V, VIII and XXVI)	869	-	707	-	2170	Accounts payable (Note XV and XXVI)	42,712	1	66,584	2
1170	Accounts receivable (Note IV, V, VIII and XXVI)	417,654	9	357,699	9	2180					
1180							Accounts payable – Related party (Note XXVI and XXVII)	31,252	1	6,503	-
	Account receivable from related party (Note IV, XXV and XXVII)	152,942	3	168,732	5	2206	Profit sharing remuneration for employees and for Directors and Supervisors payable (Note IV, XX and XXVI)	133,375	3	98,078	3
1200	Other receivables (Note VIII and XXVI)	23,613	-	131	-	2219	Other payables (Note XVI and XXVI)	247,637	5	172,385	5
1210	Other account receivable from related party (Note IV, XVIII and XXVI and XXVII)	190,246	4	112,398	3	2220					
1410							Other accounts payable – Related party (Note XXVI and XXVI)	9,964	-	31,696	1
	Other current assets (Note XIII)	45,943	1	29,584	1	2230	Current Income Tax Liabilities (Note IV and XXI)	13,640	-	16,653	-
1482	Costs to fulfill a contract (Note IV and XIX)	28,847	1	35,953	1	2280	Lease liabilities – Current (Not IV and XI)	36,294	1	12,864	-
11XX	Total current assets	1,262,991	27	1,195,596	32	2313	Deferred revenue – Current (Note XXIV)	2,248	-	1,117	-
	Non-current assets					2320	Long-term loans with maturity within one year (Note XIV, XXVI and XXVII)	20,973	1	-	-
1535	Financial assets measured at amortized cost – Non-current (Note VII, XXVI and XXIII)	6,000	-	6,000	-	2399	Other current liabilities (Note XVI)	3,112	-	2,698	-
1550	Investments accounted for using equity method (Note IV, IX and XXX)	2,077,162	45	1,500,941	40	21XX	Total current liabilities	583,241	13	463,227	12
1600							Non-current liabilities				
	Property, plant and equipment (Note IV, X, XX, XXVII and XXVIII)	1,168,554	25	1,011,569	27	2540	Long-term loans (Note XIV, XXVI and XXVII)	796,476	17	373,254	10
1755						2570	Deferred Income Tax Liabilities (Note IV and XXI)	-	-	195	-
	Right-of-use assets (Note IV and XI)	42,567	1	16,075	-	2580	Lease liabilities – Non-Current (Not IV and XI)	6,430	-	3,867	-
1780	Intangible assets (Note IV and XII)	1,594	-	1,816	-	2645	Guarantee deposits received (Note XXVI)	-	-	2,000	-
1840	Deferred Income Tax Assets (Note IV and XXI)	15,024	-	18,883	-	2630	Deferred revenue – Non-Current (Note XXIII)	9,006	-	5,300	-
1915							Net defined benefit liabilities (Note IV and XVII)	1,959	-	2,401	-
	Prepayments for equipment (Note XIII)	76,171	2	36,975	1	2640		813,871	17	387,017	10
1920	Refundable deposits (Note XXVI)	8,708	-	8,184	-	25XX	Total non-current liabilities				
15XX	Total non-current assets	3,395,780	73	2,600,443	68	2XXX	Total Liabilities	1,397,112	30	850,244	22
							Equity (Note IV and XVIII)				
						3110	Common stock	623,131	13	623,131	17
						3200	Capital surplus	1,541,253	33	1,521,219	40
						3300	Retained earnings				
						3310	Legal reserve	257,182	6	218,720	6
						3320	Special reserve	42,382	1	69,124	2
						3350	Undistributed earnings	850,535	18	555,983	14
						3400	Other equity	( 52,824 )	( 1 )	( 42,382 )	( 1 )
						3XXX	Total Equity	3,261,659	70	2,945,795	78
1XXX	Total assets	\$ 4,658,771	100	\$ 3,796,039	100		Total liabilities and equity	\$ 4,658,771	100	\$ 3,796,039	100

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

Chairperson: Yong-Fen Hsieh

Managerial officer: Yong-Fen Hsieh

Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc.  
Standalone statement of comprehensive income  
January 1 to December 31, 2020 and 2021

Unit: NTD in thousand, but one NTD for earnings per share

Code		2021		2020	
		Amount	%	Amount	%
4100	Net Operating Income (Note IV, XIX, and XXVII)	\$ 1,978,390	100	\$ 1,913,114	100
5110	Operating Cost (Note IV, XX and XXVI)	<u>1,610,173</u>	<u>82</u>	<u>1,546,918</u>	<u>81</u>
5900	Operating Gross Margin	<u>368,217</u>	<u>18</u>	<u>366,196</u>	<u>19</u>
	Operating Expenses (Note VIII and XX)				
6100	Promotion Expenses	127,226	6	119,038	6
6200	Management Expenses	158,439	8	130,311	7
6300	R&D Expenses	35,024	2	20,919	1
6450	Expected credit impairment loss	<u>83</u>	<u>-</u>	<u>4,250</u>	<u>-</u>
6000	Total Operating Expenses	<u>320,772</u>	<u>16</u>	<u>274,518</u>	<u>14</u>
6900	Net Operating Profit	<u>47,445</u>	<u>2</u>	<u>91,678</u>	<u>5</u>
	Non-operating Income and Expenses				
7100	Interest Revenue	868	-	1,573	-
7010	Other Income (Note IV, XX and XXVII)	10,299	1	3,385	-
7020	Other gain and loss (Note IV and XX)	( 17,052 )	( 1 )	8,503	-
7070	Share of profits and losses of subsidiaries accounted for under equity method (Note IV and IX)	562,394	28	302,371	16
7050	Financial Costs (Note IV and XX)	( <u>4,780</u> )	<u>-</u>	( <u>4,453</u> )	<u>-</u>
7000	Total Non-Operating Income and Expenses	<u>551,729</u>	<u>28</u>	<u>311,379</u>	<u>16</u>

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Code		2021		2020	
		Amount	%	Amount	%
7900	Net Profit before Tax	\$ 599,174	30	\$ 403,057	21
7950	Income Tax Expense (Note IV and XXI)	( 12,634 )	-	( 17,980 )	( 1 )
8200	Net Profit for the Year	<u>586,540</u>	<u>30</u>	<u>385,077</u>	<u>20</u>
	Other comprehensive income				
8310	Items not to be reclassified into profit or loss:				
8311	Re-measurement of defined benefit plans (Note IV and XVII)	141	-	( 455 )	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on the translation of financial statements of foreign operation (Note IV and XVIII)	( 10,442 )	( 1 )	<u>26,742</u>	<u>2</u>
8300	Other comprehensive income for the current year	( 10,301 )	( 1 )	<u>26,287</u>	<u>2</u>
8500	Total comprehensive income for the current year	<u>\$ 576,239</u>	<u>29</u>	<u>\$ 411,364</u>	<u>22</u>
	Earnings per share (Note XXII)				
9750	Basic	<u>\$ 9.48</u>		<u>\$ 6.18</u>	
9850	Diluted	<u>\$ 9.35</u>		<u>\$ 6.07</u>	

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

Chairperson: Yong-Fen Hsieh    Managerial officer: Yong-Fen Hsieh    Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc.  
Standalone Statement of Changes in Equity  
January 1 to December 31, 2020 and 2021

Unit: NTD in thousand, but one NTD for dividends per share

Code		Capital stock (Note XVIII)		Capital surplus (Note XVIII)	Retained earnings (Note XVIII)			Other equity (Note IV and XVIII) Exchange differences on the translation of financial statements of foreign operation	Treasury stock	Total Equity
		Number of shares (thousand shares)	Amount		Legal reserve	Special reserve	Undistributed earnings			
A1	Balance as of January 1, 2020	62,313	\$ 623,131	\$ 1,520,575	\$ 194,125	\$ 23,807	\$ 428,213	( \$ 69,124 )	\$ -	\$ 2,720,727
	Appropriation of retained earnings									
B1	Provision of legal reserve	-	-	-	24,595	-	( 24,595 )	-	-	-
B3	Provision of special reserve	-	-	-	-	45,317	( 45,317 )	-	-	-
B5	Shareholder cash bonus – NT\$3 per share	-	-	-	-	-	( 186,940 )	-	-	( 186,940 )
	Changes to other additional paid-in capital:									
C7	Changes to amount of affiliates and joint ventures under the equity method	-	-	644	-	-	-	-	-	644
D1	2020 Net income	-	-	-	-	-	385,077	-	-	385,077
D3	2020 Other comprehensive income	-	-	-	-	-	( 455 )	26,742	-	26,287
D5	2020 Total comprehensive income	-	-	-	-	-	384,622	26,742	-	411,364
Z1	Balance as of December 31, 2020	62,313	623,131	1,521,219	218,720	69,124	555,983	( 42,382 )	-	2,945,795
	Appropriation of retained earnings									
B1	Provision of legal reserve	-	-	-	38,462	-	( 38,462 )	-	-	-
B3	Provision of special reserve	-	-	-	-	( 26,742 )	26,742	-	-	-
B5	Shareholder cash bonus – NT\$3 per share	-	-	-	-	-	( 280,409 )	-	-	( 280,409 )
	Changes to other additional paid-in capital:									
C7	Changes to amount of affiliates and joint ventures under the equity method	-	-	( 528 )	-	-	-	-	-	( 528 )
D1	2021 Net income	-	-	-	-	-	586,540	-	-	586,540
D3	2021 Other comprehensive income	-	-	-	-	-	141	( 10,442 )	-	( 10,301 )
D5	2021 Total comprehensive income	-	-	-	-	-	586,681	( 10,442 )	-	576,239
L1	Buyback of treasury stock	-	-	-	-	-	-	-	( 99,999 )	( 99,999 )
N1	Transfer of treasury stock to employees	-	-	62	-	-	-	-	99,999	100,061
N1	Employee share-based payment – Employee stock options remuneration costs	-	-	20,500	-	-	-	-	-	20,500
Z1	Balance as of December 31, 2021	62,313	\$ 623,131	\$ 1,541,253	\$ 257,182	\$ 42,382	\$ 850,535	( \$ 52,824 )	\$ -	\$ 3,261,659

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

Chairperson: Yong-Fen Hsieh

Managerial officer: Yong-Fen Hsieh

Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc.  
Standalone Statement of Cash Flows  
January 1 to December 31, 2020 and 2021

Unit: NTD in thousand

Code		2021	2020
	Cash flows from operating activities		
A10000	Net Profit before Tax for the Current Year	\$ 599,174	\$ 403,057
A20010	Income and expense items that do not affect cash flow		
A20100	Depreciation expenses	443,323	409,204
A20200	Amortization expenses	1,979	2,195
A20400	Expected credit impairment loss	83	4,250
A20900	Financial costs	4,780	4,453
A21200	Interest Revenue	( 868 )	( 1,573 )
A21900	Employee stock options remuneration costs	20,500	-
A22400	Share of profits of subsidiaries accounted for under equity method	( 562,394 )	( 302,371 )
A22500	Gain on disposal and scrapping of property, plant and equipment	( 24,060 )	( 17,499 )
A24100	Foreign currency exchange net losses (gains)	14,181	( 16,596 )
A29900	Amortization of grant income	( 1,991 )	( 588 )
A29900	Profit and loss from lease modification	( 2 )	-
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	( 162 )	294
A31150	Accounts receivable	( 60,103 )	( 21,946 )
A31160	Accounts receivable – Related party	1,851	47,417
A31180	Other receivables	( 116 )	( 39 )
A31190	Other account receivable from related party	( 14,134 )	160,580
A31280	Costs to fulfill a contract	7,106	134,171
A31240	Other current assets	( 16,359 )	( 4,184 )
A32125	Contract liability	( 12,615 )	21,570
A32150	Accounts payable	( 24,031 )	( 88,328 )
A32160	Accounts payable – Related party	24,874	894
A32180	Other payables	112,507	12,879
A32190	Other accounts payable – Related party	( 29,520 )	( 2,738 )
A32230	Other current liabilities	414	621
A32240	Net defined benefit liabilities	( 301 )	( 281 )
A33000	Cash generated from operations	484,116	745,442
A33100	Interest received	862	1,573
A33300	Interest paid	( 3,397 )	( 4,929 )
A33500	Income tax paid	( 11,983 )	( 24,805 )
AAAA	Net cash inflows from operating activities	<u>469,598</u>	<u>717,281</u>

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Code		2021	2020
	Cash flows from investment activities		
B00040	Acquisition of financial assets measured at amortized cost	\$ -	( \$ 6,000 )
B01800	Long term equity investments accounted for using equity method	( 35,000 )	-
B02700	Procurement of property, plant and equipment	( 657,770 )	( 365,445 )
B02800	Proceeds from disposal of property, plant and equipment	16,403	32,981
B03700	Increase in refundable deposits	( 524 )	( 900 )
B04500	Procurement of intangible assets	( 1,757 )	( 250 )
BBBB	Net cash outflows of investment activities	( 678,648 )	( 339,614 )
	Cash flows from financing activities		
C00100	Increase in short-term loans	-	378,291
C00200	Decrease in short-term loans	-	( 478,291 )
C01600	Proceeds from long-term debt	448,000	379,380
C01700	Repayments of long-term debt	-	( 511,584 )
C03000	Increase (decrease) of guarantee deposits received	( 2,000 )	2,000
C04020	Payments of lease liabilities	( 43,738 )	( 38,858 )
C04500	Payments of dividends	( 280,409 )	( 186,940 )
C04900	Cost for repurchase of treasury shares	( 99,999 )	-
C05100	Employee buyback of treasury shares	100,061	-
CCCC	Net cash inflows (outflows) of financing activities	121,915	( 456,002 )
DDDD	Effects of exchange rate changes on cash and cash equivalents	( 380 )	1,870
EEEE	Net decrease in cash and cash equivalents	( 87,515 )	( 76,465 )
E00100	Cash and cash equivalents at beginning of period	490,392	566,857
E00200	Cash and cash equivalents at end of period	\$ 402,877	\$ 490,392

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

Chairperson: Yong-Fen Hsieh    Managerial officer: Yong-Fen Hsieh    Accounting Officer: Yu-Li Lin

Materials Analysis Technology Inc.

Notes Attached at the End Which is Part of the Standalone Financial Statements

January 1 to December 31, 2020 and 2021

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

(I) Company history

Materials Analysis Technology Inc. (hereinafter referred to as “the Company”) is approved by the Ministry of Economic Affairs (MOEA) and established on May 14, 2002. The Company’s principal business engages in research and development (R&D) and intellectual property services required by the upstream, midstream and downstream materials and components manufacturers of the high-tech industry in integrated circuit, flat-screen display, optoelectronics, testing and packaging, and nano components and materials industries.

The Company is listed for trading on the Taipei Exchange on August 18, 2009.

This standalone financial statements is presented using the Company’s functional currency New Taiwan dollars (NTD).

II. Approval Date of the Financial Report and Procedures

This standalone financial statements has been approved by the board meeting on March 18, 2022.

III. Application of New and Revised Standards and Interpretation

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group’s accounting policies:

1. Amendment to IFRS 16 “COVID-19-Related Rent Concessions after June 30, 2021”

The Company chooses to apply the practical expedient of the amendment extending its applicable conditions to June 30, 2022 on the payments which were going to be due before this date. Please refer to Note IV on accounting policy relating to the practical expedient.



The Company began applying the amendment starting from November 1, 2021.

(II) The IFRSs endorsed by the FSC for application starting from 2022

<u>New/Revised/Amended Standards and Interpretation</u>	<u>Effective Date Announced by IASB</u>
“IFRSs 2018 – 2020 annual improvement”	January 1, 2022
Amendment to IFRS 3 “Update the index of the conceptual framework”	January 1, 2022
Amendments to IAS 16 “Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

(III) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretation</u>	<u>Effective Date Announced by IASB (Note 1)</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 IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendment to IAS 12 “Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New/Revised/Amended Standards and Interpretation are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company shall apply these amendments prospectively for annual reporting period beginning on or after January 1, 2023.

Note 3: The Company shall apply these amendments prospectively for the changes to accounting estimation and accounting policies during the annual reporting period beginning on or after January 1, 2023.

Note 4: The amendments are applicable to transactions occurred after January 1, 2022, except for the deferred income tax recognized on the temporary differences of lease and decommissioning obligations on January 1, 2022.

1. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendment stipulates that if the Company sells or invests assets in an affiliated company (or joint venture), or the Company loses control of a subsidiary, but retains significant influence (or joint control) on the subsidiary, if the aforementioned assets or the former subsidiary meets the definition of “Business” as in IFRS 3 “Business Combination,” the Company shall fully recognize the profits and losses arising from such transactions.

In addition, if the Company sells or contributes assets to affiliated companies (or joint ventures), or the Company loses the control over a subsidiary but retains significant influence on the subsidiaries (or joint control), and if the aforementioned assets or subsidiary not in compliance with the definition of IFRS 3 “Business,” the Company is to recognize the profit and loss of the transactions only within the equity scope of the affiliated companies (or joint ventures) irrelevant to the investors, in other words, the profit and loss attributable to the Company should be offset.

2. Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments are to clarify that when determining whether a liability is classified as non-current, the Company shall assess whether it has the right to defer the settlement period to at least 12 months after the reporting period at the end of the reporting period. If the Company has the right at the end of the reporting period, regardless of whether the consolidated companies expects to exercise the right, the liabilities are classified as non-current. The amendments have clarified that if the Company must comply with certain conditions before it has the right to defer payment of its liabilities, the Company must have complied with said conditions at the end of the reporting period, even if the lender is testing whether the Company complies with said conditions at a later date.

The amendments stipulate that, for the purpose of classification of liabilities, the aforementioned settlement refers to the elimination of liabilities due to the transfer of cash, other economic resources, or equity instruments of the Company to the counterparty. However, as for the terms of the liability, where the transfer of the equity instruments of the Company may result in its settlement of the liability based on the counterparty's choice, if the choice is separately recognized in equity according to IAS 32 "Financial Instruments: Expression," the foregoing terms do not affect the liability classification.

3. Amendment to IAS 1 "Disclosure of Accounting Policies"

The amendments clearly stipulate that the Company shall determine the significant accounting policy information that shall be disclosed based on the definition of materiality. If accounting policy information can be reasonably expected to affect the decisions made by the main users of general-purpose financial statements based on these financial statements, the accounting policy information is significant. The amendments also clarify:

Accounting policy information related to non-material transactions, other matters, or circumstances is non-significant, and the Company does not need to disclose such information.

The Company may determine that the relevant accounting policy information is significant based on the nature of transactions, other matters, or circumstances, even if the amount is not significant.

Not all accounting policy information related to material transactions, other events, or circumstances are significant.

In addition, the amendments also illustrate that if the accounting policy information is related to material transactions, other matters, or circumstances while in line with the following circumstances, the information may be significant:

- (1) The Company changed its accounting policies during the reporting period, and the change resulted in a significant change in financial statement information;
- (2) The Company selects its applicable accounting policies from the options allowed by the standards;

- (3) Due to the lack of specific standards, the consolidated companies has formulated accounting policies in accordance with IAS 8 “Accounting Policies, Changes and Errors in Accounting Estimates”;
- (4) The Company discloses relevant accounting policies that it must adopt significant judgments or assumptions to determine; or
- (5) Complicated accounting treatment requirements are involved and users of financial statements rely on such information to understand such material transactions, other matters, or circumstances.

4. Amendment to IAS 8 “Definition of Accounting Estimates”

The amendments stipulate that the accounting estimates refer to the monetary amounts affected by measurement uncertainty in the financial statements. When the Company applies accounting policies, it may need to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated. Therefore, measurement techniques and inputs must be used to establish accounting estimates to achieve this purpose. If the impact of changes in measurement techniques or inputs on accounting estimates is not a correction of previous errors, these changes are changes in accounting estimates.

5. Amendment to IAS 12 “Deferred Income Taxes on Assets and Liabilities Arising from a Single Transaction”

According to the said amendments, the taxable income generated and deductible temporary difference transaction occurred for the same amount at the time of original recognition are not subject to the exceptions of the initial recognition as stated in IAS 12. The consolidated companies will recognize deferred income tax assets (if there is probably to have taxable income available for deducting the temporary differences) and deferred income tax liabilities for all deductible and taxable temporary difference related to lease and decommissioning obligations on January 1, 2022; also, the cumulative effect will be recognized as an adjustment to the initial balance of retained earnings in the same day. The transactions other than leases and decommissioning obligations occurred after January 1, 2022 are deferred subject to the said amendment.

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact

that the application of other standards and interpretations will have on the financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The standalone financial report was prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

##### (II) Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
2. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 inputs are unobservable inputs for the asset or liability.

The Company uses the equity method to account for its investment in subsidiaries in the preparation of its standalone financial statements. In order to make the current year’s profit or loss, other comprehensive income, and equity of the standalone financial statements the same as the current year’s profit or loss, other comprehensive income, and equity attributable to the owners of the Company in the Company’s consolidated financial statements, “investments using the equity method,” “share of profits or losses on subsidiaries using the equity method,” and relevant equity items were adjusted for certain accounting differences arising from between the standalone basis and the consolidated basis.

(III) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets is held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the end of the balance sheet date; and
3. Cash or cash equivalents (but do not include the asset restricted for the purpose of usage in exchange or to settle a liability at least 12 months after the end of the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities to be repaid within 12 months after the end of the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For assets and liabilities that do not fall under the above-mentioned definitions for current assets or current liabilities, they shall be classified as non-current assets or non-current liabilities.

(IV) Foreign currency

When the Company prepares the standalone financial statements, transactions in currencies other than the standalone functional currency of the Company (foreign currencies) are recorded at the exchange rates prevailing on the transaction dates as functional currency.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive income, the exchange difference is recognized in the other comprehensive income.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

When preparing the standalone financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollars. Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(V) Invest in subsidiary

The Company has the investment in subsidiaries handled in accordance with the equity method.

Subsidiaries refer to entities over which the Company has control.

Under the equity method, investments were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive income by the Company. In addition, for the changes in the subsidiaries' other equity, the Company is entitled to have it recognized proportionately to the shareholding.

When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary under the equity method and other long-term interests that are in substance a component of the Company's net investment in the subsidiary), the Company continues to recognize losses in proportion to its equity in the subsidiary.

The unrealized concurrent trade between the company and the subsidiaries stated in the financial statement of individual entities shall be removed. The profit or loss resulting from the countercurrent, and side-stream transactions between the Company and the subsidiary are recognized in the individual financial statement within the range irrelevant with the Company's interest in the subsidiary.

(VI) Investments in the affiliated company

The term "associate" as set forth herein denotes an enterprise, which has significant effect upon the Company, but is not a subsidiary or a joint venture.

The Company adopt equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive income by the Company. In addition, for the changes in the affiliated company's equity, they are recognized proportionately to the shareholding.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates, and joint under the equity method and investment under equity method. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate or joint ventures, which includes any carrying amount of the investment accounted for by equity method and long-term interests that, in substance, form part of the Company's net investment in the associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate or joint venture.

When assessing impairment, the Company regard the overall book value of the investment as a single asset to compare the recoverable amount with the book value, and conducts an impairment test. The impairment loss recognized is not amortized to constitute any assets partly formed by the book value of the investment, including



goodwill. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

(VII) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation afterwards.

The depreciation of each material part of real estate, plants, and equipment should be appropriated independently in accordance with the useful year and a straight-line method. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in current profit or loss.

(XIII) Intangible Assets

1. Separate acquisition

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, and applies the effect of changes in accounting estimates prospectively. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Derecognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be listed as current income.

(IX) Contract cost related assets

On the related direct expenses from customer contracts for delivering analytical testing services, if it will generate or enhance resources that can be used to satisfy contract fulfillment obligations in the future, the amount can be recognized as costs to fulfill a contract within the recoverable scope.

(X) Impairment loss of property, plant and equipment, right-of-use assets and intangible assets

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. If the community assets can be amortized to the cash-generating units on a reasonable and consistent basis, it is allocated to the individual cash-generating unit or it is allocated to the smallest cash-generating cluster.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(XI) Financial instruments

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

The type of financial assets held by the Company are financial assets measured at amortized cost.

A. Financial assets measured at amortized cost

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and notes and accounts receivable, other receivables, refundable deposits, and restricted bank deposits on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- a. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with

marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets

The Company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of expected credit loss (including accounts receivable)

Accounts receivable shall be recognized for provisions for loss on the basis of expected credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account.

(3) The de-recognition of financial assets

The Company has financial assets derecognized only when the contractual rights from the cash flows of a financial asset become invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises. When a financial asset measured at amortized cost is derecognized as a whole, the difference between its book value and the consideration received is recognized in profit or loss.

2. Equity instrument

Equity instruments issued by the Company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

3. Financial liability

(1) Subsequent measurement

Financial liabilities are evaluated at the amortized cost using the effective interest method.

(2) De-recognition of financial liabilities

When derecognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(XII) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have their major financial components, such as transaction price, adjusted.

(XIII) Leasing

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The Company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at the lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any re-measurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured at the present value of the lease payments (including fixed payments). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using the effective interest method, and the interest expenses are amortized over the lease term. If changes in the lease term lead to changes in future lease payments, the Company will remeasure the lease liabilities and adjust the right-of-use asset accordingly. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are separately presented on the Standalone Balance Sheet.

(XIV) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(XV) Governmental subsidies

A government subsidy can only be recognized when it is firmly believed that the Company will comply with the terms added to the government subsidy and will receive such subsidy.

Government subsidy related to income are recognized in profit and loss on a systematic basis over the periods, in which the Company recognizes as expenses the relevant costs for which the grants are intended to compensate. Government subsidy whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets are debited to the carrying amount of said assets

and recognized in profit or loss over the useful lives of said assets by reducing the depreciation or amortization expenses of said assets.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the Company without any related cost in the future, it will be recognized as income during the receivable period.

The government loans with lower market interest rate than the Company acquired, the difference between the loan amount collected and the fair value of the loan calculated based on the market interest rate at that time is recognized as government subsidy.

(XVI) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuarial projected unit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. The value of second measurement (including the profits and loss under actuarial and the return on assets of the plan net of interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(XVII) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

The Company determines income (loss) for the period in accordance with the regulations enacted by the income tax reporting jurisdictions and calculates income tax payable (recoverable) accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred income tax

Deferred income tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred income tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred income tax assets are recognized when there is the likelihood of having taxable income to be used for the income tax credit resulting from the temporary difference, procurement of machinery equipment or R&D.

Deferred income tax liabilities are recognized for all taxable temporary differences related to the subsidiary, unless the Company can control the timing of reversal of temporary differences and the temporary differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of



those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequence resulted from the book value of the assets or liabilities expected to be recovered or liquidated on the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive income or directly included in the equity are recognized in the other comprehensive income or directly included in the equity.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The Company at the time of adopting accounting policies, for the information hard to obtain from other sources, should have the relevant judgments, estimates, and assumptions made by the management in accordance with the historical experience and other essential factors. Actual results may differ from the estimates.

The Company has taken the economic impact of the coronavirus pandemic into consideration for significant accounting estimates, and management will review the estimates and underlying assumptions on an ongoing basis. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

(I) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the default rates and loss rates assumed by the Company. The Company makes assumptions and decide the amount of impairment losses according to prior experience. Please refer to Note VIII on the important assumptions and input values adopted.

VI. Cash and cash equivalents

	Friday, December 31, 2021	Thursday, December 31, 2020
Cash on hand and revolving funds	\$ 130	\$ 100
Bank checks and demand deposits	360,747	373,134
Cash equivalents		
Bank time deposits	2,000	87,158
Securities sold under repurchase agreements	<u>40,000</u>	<u>30,000</u>
	<u>\$402,877</u>	<u>\$490,392</u>

The market interest range of the bank deposits and securities sold under repurchase agreements at the end of the balance sheet date is as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
Bank deposits	0.001%~0.41%	0.001%~2.10%
Securities sold under repurchase agreements	0.25%	0.27%

VII. Financial assets measured at amortized cost

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Non-current</u>		
Domestic investment		
Restricted bank deposit	<u>\$ 6,000</u>	<u>\$ 6,000</u>

(I) For details of financial assets at amortized cost, refer to Note XXVII.

As of December 31, 2021, the restricted interest rate ranges for time deposits with original maturities over 1 year was 0.16% per annum.

VIII. Notes receivable, accounts receivable, and other accounts receivable

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Notes receivable</u>		
Occurrence due to operations	<u>\$ 869</u>	<u>\$ 707</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying value	\$423,896	\$363,879
Less: Allowance for losses	( <u>6,242</u> )	( <u>6,180</u> )
	<u>\$417,654</u>	<u>\$357,699</u>
<u>Other receivables</u>		
Others	<u>\$ 23,613</u>	<u>\$ 131</u>

(I) Notes and accounts receivable

The Company's average credit period ranges from 30 to 150 days, and no interest is charged on notes and accounts receivable.

In order to mitigate credit risk, the management of the Company assign dedicated team responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the Company management believes that the Company credit risk is significantly reduced.

The Company will recognize the lifetime expected credit losses as loss allowance for accounts receivable. The full lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, and industry economic conditions. Due to the historical experience of credit losses of the Company, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated companies cannot reasonably expect to recover the amount, e.g. the counterparty is in liquidation or the debts are more than 180 days overdue, then the consolidated companies directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

December 31, 2021

	Not yet overdue	Overdue by 61–90 days	Overdue by 91–180 days	Overdue exceeding 180 days	Total
Total carrying amount	\$ 347,076	\$ 61,160	\$ 12,116	\$ 3,544	\$ 423,896
Allowance for losses (Lifetime expected credit loss)	-	-	( 2,698 )	( 3,544 )	( 6,242 )
Amortized cost	<u>\$ 347,076</u>	<u>\$ 61,160</u>	<u>\$ 9,418</u>	<u>\$ -</u>	<u>\$ 417,654</u>

December 31, 2020

	Not yet overdue	Overdue by 61-90 days	Overdue by 91-180 days	Overdue exceeding 180 days	Total
Total carrying amount	\$ 333,478	\$ 23,025	\$ 3,185	\$ 4,191	\$ 363,879
Allowance for losses (Lifetime expected credit loss)	-	-	( 1,989 )	( 4,191 )	( 6,180 )
Amortized cost	<u>\$ 333,478</u>	<u>\$ 23,025</u>	<u>\$ 1,196</u>	<u>\$ -</u>	<u>\$ 357,699</u>

Below is the information for the changes in the allowance for losses of the account receivable:

	2021	2020
Balance at beginning of the year	\$ 6,180	\$ 2,237
Add: Provision for impairment loss for the current year	83	4,250
Less: Actual write-off for the current year	( 21 )	( 307 )
Balance at end of year	<u>\$ 6,242</u>	<u>\$ 6,180</u>

IX. Investments accounted for using equity method

	December 31, 2021	December 31, 2020
<u>Invest in subsidiary</u>		
Unlisted companies		
MA-tek International Inc.	\$ 2,031,571	\$ 1,500,941
MA-tek Japan Inc.	12,594	( 10,203 )
Workflow Enhancement Technology Inc.	<u>32,997</u>	<u>-</u>
	2,077,162	1,490,738
Long term equity investment loan balance transferred to other account receivable from related party as a deduction	<u>-</u>	<u>10,203</u>
	<u>\$ 2,077,162</u>	<u>\$ 1,500,941</u>

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	December 31, 2021	December 31, 2020
MA-tek International Inc.	100%	100%
MA-tek Japan Inc.	100%	100%
Workflow Enhancement Technology Inc.	70%	-

For the statements of the invested subsidiary indirectly held by the Company, please refer to Note XXIX.

For those investments using the equity method where the Company was entitled to the shares in the profit and loss and other comprehensive profit and loss, they had been calculated on the basis of financial statement having been duly audited by certified public accountants. The Company's management, nevertheless, held the opinion that since the financial statement of the aforementioned subsidy has not been duly audited by the certified public accountants, the said facts would not have a significant impact.

#### X. Property, plant and equipment

	Machinery equipment	Transport equipment	Income-produc ing equipment	Lease improvement	Equipment pending acceptance	Total
<u>Cost</u>						
Balance as of January 1, 2021	\$ 2,987,921	\$ 2,268	\$ 112,161	\$ 160,586	\$ 106,707	\$ 3,369,643
Additional	26,188	-	-	12,140	588,059	626,387
Disposal	( 182,499 )	-	( 46 )	( 398 )	-	( 182,943 )
Re-classification	426,753	-	49,005	-	( 475,758 )	-
Balance as of December 31, 2021	<u>\$ 3,258,363</u>	<u>\$ 2,268</u>	<u>\$ 161,120</u>	<u>\$ 172,328</u>	<u>\$ 219,008</u>	<u>\$ 3,813,087</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2021	\$ 2,176,419	\$ 2,268	\$ 59,474	\$ 119,913	\$ -	\$ 2,358,074
Disposal	( 113,179 )	-	( 46 )	( 398 )	-	( 113,623 )
Depreciation expenses	337,288	-	34,984	27,810	-	400,082
Balance as of December 31, 2021	<u>\$ 2,400,528</u>	<u>\$ 2,268</u>	<u>\$ 94,412</u>	<u>\$ 147,325</u>	<u>\$ -</u>	<u>\$ 2,644,533</u>
Net amount as of January 1, 2021	<u>\$ 811,502</u>	<u>\$ -</u>	<u>\$ 52,687</u>	<u>\$ 40,673</u>	<u>\$ 106,707</u>	<u>\$ 1,011,569</u>
Net amount as of December 31, 2021	<u>\$ 857,835</u>	<u>\$ -</u>	<u>\$ 66,708</u>	<u>\$ 25,003</u>	<u>\$ 219,008</u>	<u>\$ 1,168,554</u>
<u>Cost</u>						
Balance as of January 1, 2020	\$ 2,841,965	\$ 2,268	\$ 73,586	\$ 117,764	\$ 75,427	\$ 3,111,010
Additional	1,080	-	490	26,846	324,308	352,724
Disposal	( 91,707 )	-	( 138 )	( 2,246 )	-	( 94,091 )
Re-classification	236,583	-	38,223	18,222	( 293,028 )	-
Balance as of December 31, 2020	<u>\$ 2,987,921</u>	<u>\$ 2,268</u>	<u>\$ 112,161</u>	<u>\$ 160,586</u>	<u>\$ 106,707</u>	<u>\$ 3,369,643</u>
<u>Accumulated depreciation</u>						
Balance as of January 1, 2020	\$ 1,912,625	\$ 2,268	\$ 38,481	\$ 102,470	\$ -	\$ 2,055,844
Disposal	( 66,254 )	-	( 138 )	( 2,246 )	-	( 68,638 )
Depreciation expenses	330,048	-	21,131	19,689	-	370,868
Balance as of December 31, 2020	<u>\$ 2,176,419</u>	<u>\$ 2,268</u>	<u>\$ 59,474</u>	<u>\$ 119,913</u>	<u>\$ -</u>	<u>\$ 2,358,074</u>
Net amount as of January 1, 2020	<u>\$ 929,340</u>	<u>\$ -</u>	<u>\$ 35,105</u>	<u>\$ 15,294</u>	<u>\$ 75,427</u>	<u>\$ 1,055,166</u>
Net amount as of December 31, 2020	<u>\$ 811,502</u>	<u>\$ -</u>	<u>\$ 52,687</u>	<u>\$ 40,673</u>	<u>\$ 106,707</u>	<u>\$ 1,011,569</u>

There has not been any signs of impairment in 2021 and 2020. Thus, the Company has not conducted impairment assessment.

The Company depreciates its property, plant and equipment on a straight-line basis over the following useful lives:

Machinery equipment	3 to 5 years
Transport equipment	5 years
Income-producing equipment	2 to 3 years
Lease improvement	2 to 5 years

# XI. Lease Agreement

## (I) Additional right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Land	\$ 12	\$ -
Building	40,221	13,784
Transport equipment	<u>2,334</u>	<u>2,291</u>
	<u>\$ 42,567</u>	<u>\$ 16,075</u>
	<u>2021</u>	<u>2020</u>
Additional right-of-use assets	<u>\$ 70,329</u>	<u>\$ 9,912</u>
Depreciation expenses of right-of-use assets		
Land	\$ 11	\$ 12
Building	41,579	36,845
Transport equipment	<u>1,651</u>	<u>1,479</u>
	<u>\$ 43,241</u>	<u>\$ 38,336</u>

There have been no occurrence of major transfer of rent and impairment in 2021 and 2020 for the Company's right-of-use assets, other than the above-listed additional and recognized depreciation expenses.

## (II) Lease liability

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liability		
Current	<u>\$ 36,294</u>	<u>\$ 12,864</u>
Non-current	<u>\$ 6,430</u>	<u>\$ 3,867</u>

The range of lease liability discount rate is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	1.50%	1.44%
Building	1.44%~1.50%	1.44%
Transport equipment	1.44%~1.50%	1.44%

## (III) Main lease activities and provisions

The Company leases certain buildings for plant and warehouse use for a period of 1 to 3 years. Upon termination or expiry of a leasehold period, the Company was not entitled to preferential procurement for the leased land and buildings. The leasehold terms further provide that unless agreed upon by the lessor, the Company shall not have the leasehold arts sublet or transferred either in whole or in part.

## (IV) Other lease information

	<u>2021</u>	<u>2020</u>
Short term lease expenses	\$ <u>209</u>	\$ <u>159</u>
Low value assets lease expenses	\$ <u>330</u>	\$ <u>218</u>
Total cash (outflow) for lease	( \$ <u>44,277</u> )	( \$ <u>39,235</u> )

The Company chose to apply the recognition exemption to such parking space eligible for short-term leases and certain office equipment leases that qualify for low-value asset leases where the Company does not recognize related right-of-use assets and lease liabilities for these leases.

## XII. Intangible Assets

	<u>Computer software</u>
<u>Cost</u>	
Balance as of January 1, 2021	\$ 26,300
Increase	<u>1,757</u>
Balance as of December 31, 2021	\$ <u>28,057</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2021	\$ 24,484
Amortization expenses	<u>1,979</u>
Balance as of December 31, 2021	\$ <u>26,463</u>
Net amount as of January 1, 2021	\$ <u>1,816</u>
Net amount as of December 31, 2021	\$ <u>1,594</u>
<u>Cost</u>	
Balance as of January 1, 2020	\$ 26,479
Increase	250
Disposal	( <u>429</u> )
Balance as of December 31, 2020	\$ <u>26,300</u>
<u>Accumulated amortization</u>	
Balance as of January 1, 2020	\$ 22,718
Amortization expenses	2,195
Disposal	( <u>429</u> )
Balance as of December 31, 2020	\$ <u>24,484</u>
Net amount as of January 1, 2020	\$ <u>3,761</u>
Net amount as of December 31, 2020	\$ <u>1,816</u>

Amortization expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Computer software	1 to 3 years
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XIII. Other Assets

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Current</u>		
Advance bonus	\$ 23,904	\$ 5,042
Supplies payable	-	13,082
Others	<u>22,039</u>	<u>11,460</u>
	<u>\$ 45,943</u>	<u>\$ 29,584</u>
<u>Non-current</u>		
Advance payment for equipment	<u>\$ 76,171</u>	<u>\$ 36,975</u>

XIV. Loans

Long-term loans

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Unsecured loans</u>		
Loans for revolving funds (Note)	\$827,380	\$379,380
Less: Listed as government grants discount (Note XXIII)	( 9,931 )	( 6,126 )
Less: Listed as maturing within 1 year	<u>( 20,973 )</u>	<u>-</u>
	<u>\$796,476</u>	<u>\$373,254</u>

Note: The maturity dates of the loans for revolving funds at years ended December 31, 2021 and 2020, the loans are repaid successively in March 2026 and August 2020, with annual interest rates at years ended December 31, 2021 and 2020 are 0.84%–1.15% and 0.85%–1.00% respectively.

XV. Accounts payable

	Friday, December 31, 2021	Thursday, December 31, 2020
Accounts payable	<u>\$ 42,712</u>	<u>\$ 66,584</u>

The average credit period of the accounts payable is between 30 to 90 days. The Company has established the financial risk management policy in ensuring that all accounts payable are repaid within the credit period by prior stipulation.

XVI. Other Liabilities

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Current</u>		
Other payables		
Salaries and bonuses payable	\$ 95,959	\$ 86,488
Repair and maintenance fees payable	46,720	17,659
Testing fees payable	36,167	10,470

(continue to next page)



(continued from previous page)

	Friday, December 31, 2021	Thursday, December 31, 2020
Payables on equipment	\$ 20,043	\$ 22,043
Taxation payable	11,229	10,122
Other (I)	<u>37,519</u>	<u>25,603</u>
	<u>\$247,637</u>	<u>\$172,385</u>
Other current liabilities		
Other (II)	<u>\$ 3,112</u>	<u>\$ 2,698</u>

(I) Other payables – Others are mainly the payables, labor and health insurance fees and pension, etc.

(II) Other current liabilities – Others are mainly the tax withholding and collection.

#### XVII. Post-employment compensation plan

##### (I) Defined contribution plan

The pension plan under the Labor Pension Act (the Act) is a defined contribution plan. Based on the Act, the Company's monthly contributions to individual pension accounts of employees covered by the defined contribution plan is at 6% of monthly salaries and wages. The funds are deposited in individual dedicated accounts at the Bureau of Labor Insurance.

##### (II) Defined benefit plan

The Company has a pension plan arranged in accordance with the "Labor Standard Act" of the Republic of China that was a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary 6 months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before year end is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the standalone balance sheet is shown below:

	Friday, December 31, 2021	Thursday, December 31, 2020
Present value of defined benefit obligation	\$ 7,261	\$ 7,309
Fair value of plan assets	( 5,302 )	( 4,908 )
Net defined benefit liabilities	<u>\$ 1,959</u>	<u>\$ 2,401</u>

The changes in net defined benefit liability (asset) were as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
November 1, 2021	<u>\$ 7,309</u>	<u>( \$ 4,908 )</u>	<u>\$ 2,401</u>
Service costs			
Service costs for current period	-	-	-
Interest expenses (income)	<u>22</u>	<u>( 14 )</u>	<u>8</u>
Recognized as profit and loss	<u>22</u>	<u>( 14 )</u>	<u>8</u>
Re-measured amount			
Actuarial loss – changes in financial assumptions	( 228 )	-	( 228 )
Actuarial (profit) loss – experience adjustments	<u>158</u>	<u>( 72 )</u>	<u>86</u>
Recognized as other comprehensive income	<u>( 70 )</u>	<u>( 72 )</u>	<u>( 142 )</u>
Contributions from the employer	<u>-</u>	<u>( 308 )</u>	<u>( 308 )</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Friday, December 31, 2021	<u>\$ 7,261</u>	<u>( \$ 5,302 )</u>	<u>\$ 1,959</u>
January 1, 2020	<u>\$ 6,659</u>	<u>( \$ 4,432 )</u>	<u>\$ 2,227</u>
Service costs			
Service costs for current period	-	-	-
Interest expenses (income)	<u>47</u>	<u>( 31 )</u>	<u>16</u>
Recognized as profit and loss	<u>47</u>	<u>( 31 )</u>	<u>16</u>
Re-measured amount			
Actuarial loss – changes in financial assumptions	240	-	240

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	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Actuarial (profit) loss – experience adjustments	<u>363</u>	<u>( 148 )</u>	<u>215</u>
Recognized as other comprehensive income	<u>603</u>	<u>( 148 )</u>	<u>455</u>
Contributions from the employer	<u>-</u>	<u>( 297 )</u>	<u>( 297 )</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Thursday, December 31, 2020	<u>\$ 7,309</u>	<u>( \$ 4,908 )</u>	<u>\$ 2,401</u>

The pension fund system of the Company contained in the consolidated financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest rate risk: The decline in interest rates of government bonds/corporate bonds will cause the present value of the defined benefit obligations to go up; however, the return on debt investment of the plan assets will go up too; therefore, they both have a partial write-off effect on the net defined benefit liability.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As a result, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the Company contained in the financial statements are based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	Friday, December 31, 2021	Thursday, December 31, 2020
Discount rate	0.7%	0.3%
The expected rate of increase in salaries	3.0%	3.0%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	Friday, December 31, 2021	Thursday, December 31, 2020
Discount rate		
Increase 0.25%	(\$ 135)	(\$ 152)
Decrease 0.25%	\$ 140	\$ 158
The expected rate of increase in salaries		
Increase 0.25%	\$ 119	\$ 135
Decrease 0.25%	(\$ 115)	(\$ 131)

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	Friday, December 31, 2021	Thursday, December 31, 2020
Amount projected for appropriation in 1 year	\$ 314	\$ 302
Average maturity of determined benefit obligation	8 years	9 years

## XVIII. Equity

### (I) Common stock

	Friday, December 31, 2021	Thursday, December 31, 2020
Authorized number of shares (thousand shares)	70,000	70,000
Authorized capital	\$700,000	\$700,000
Number of shares issued with fully paid-in capital (thousand shares)	62,313	62,313
Outstanding capital	\$623,131	\$623,131

Common stock shares issued at NTD 10 par and each share is entitled to one voting right and dividends.

Capital stock of 6,000 thousand shares of the authorized capital are reserved for issuance of employee share options, special shares options or corporate bonds with warrants to exercise stock options.

(II) Capital surplus

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>For covering loss carried forward, payment in cash or capitalization as equity shares (Note)</u>		
Other capital surplus of shares	\$ 1,492,909	\$ 1,492,909
<u>For covering loss carried forward only</u>		
Other capital surplus of shares (Completed or invalid employee stock options)	48,228	27,666
Changes in net equity in affiliated companies and joint ventures recognized under the equity method	116	644
	<u>\$ 1,541,253</u>	<u>\$ 1,521,219</u>

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(III) Retained earnings and Dividend Policy

According to Article 18-2 of the Company's Articles of Incorporation, the Company may distribute all or part of the dividends and bonuses, legal reserve and paid-in capital in the form of cash and report to the shareholders' meeting, after such matter has been approved by at least half of the directors in attendance in a board meeting attended by no less than two-thirds of all board members, and the provisions of this Charter relating to resolution by the shareholders' meeting shall not apply.

In accordance with the appropriation of retained earnings policy of the Company's Articles of Incorporation, the current net income, if any, shall be applied to make up for the accumulated losses (including adjustment to the unappropriated amount), and appropriate 10% as legal reserve. The special reserve shall be appropriated or reversed according to the law and regulations. For the balance amount, if any, and the cumulative unappropriated earnings, the board of directors

shall draft an earnings distribution proposal to be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. The policy of remuneration to employees and Directors in the Articles of Incorporation is elaborated in Note XX (VII) to the financial statement, on Remuneration to Employees and Directors.

In accordance with the company's Articles of Incorporation, the state of the industry for the current year shall be taken into consideration when distributing dividends, along with the future expansion operating plan and cash flow requirements. In principle, the cash dividend shall account for the total dividends between 30% to 100%, and the stock dividend shall account for the total dividends between 0% to 70%. The Board of Directors may make adjustments to the proportion based on the current year's operation and funds status and in meeting the aforementioned established scope. The board proposal for the distribution shall be submitted to the shareholders' meeting for resolution.

Legal reserve shall be allocated up to the amount equivalent to the paid-in capital of the company. Legal reserve could be allocated for covering loss carried forward. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)."

The Company held annual shareholders' meetings on August 24, 2021 and June 18, 2020, which resolved to pass the 2020 and 2019 earnings distribution proposals, respectively, as follows:

	2020	2019
Legal reserve	<u>\$ 38,462</u>	<u>\$ 24,595</u>
(Reversal of) Provision of special reserve	( <u>\$ 26,742</u> )	<u>\$ 45,317</u>
Cash dividend	<u>\$280,409</u>	<u>\$186,940</u>
Cash dividends per share (NTD)	\$ 4.5	\$ 3

On March 18, 2022, the board of directors passed by resolution the 2021 earnings distribution proposal as follows:

	<u>2021</u>
Legal reserve	<u>\$ 58,668</u>
Provision of special reserve	<u>\$ 10,442</u>
Cash dividend	<u>\$124,626</u>
Cash dividends per share (NTD)	<u>\$ 2</u>

The Company's Board of Directors meeting had on March 18, 2022 passed the resolution on the distribution of cash dividend from Capital surplus – Shares issued in excess of par value for NTD186,939 thousand, NTD3 allotted per share.

The 2021 appropriation of retained earnings proposal is for ratification at the Annual General Meeting of shareholders expected to be convened on June 15, 2022.

(IV) Special reserve

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	\$ 69,124	\$ 23,807
Special reserve (Reversed) Appropriated debited to other equity items	( <u>26,742</u> )	<u>45,317</u>
Balance at end of year	<u>\$ 42,382</u>	<u>\$ 69,124</u>

(V) Other equity items

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	( \$ 42,382 )	( \$ 69,124 )
Exchange differences on the translation of financial statements of foreign operation	( <u>10,442</u> )	<u>26,742</u>
Balance at end of year	<u>( \$ 52,824 )</u>	<u>( \$ 42,382 )</u>

(VI) Treasury stock

Processed in accordance with Subparagraph 1, Paragraph 1, Article 28-2 of the Securities and Exchange Act and the “Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.”

The Company's board had on February 5, 2021 resolved to buyback treasury stock. The estimated buyback amount between February 8, 2021 to April 7, 2021 was 1,000 thousand shares, the buyback price range fell between NTD75 to NTD150, to be used as shares for transfer to employees. The execution had been completed by the Company in April 2021, with buyback of 855 thousand shares. The buyback

treasury stock amount was NTD99,999 thousand. The treasury stocks were transferred to employees in full on August 20, 2021.

<u>Reason for recovery</u>	<u>Shares for transfer to employees (thousand shares)</u>
Number of shares, January 1, 2021	-
Increase for current period	855
Transfer of shares to employee stock options	( <u>855</u> )
Number of shares, December 31, 2021	<u><u>-</u></u>

The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right.

XIX. Income

(I) Customer contract income

	<u>2021</u>	<u>2020</u>
Testing service income	<u>\$ 1,978,390</u>	<u>\$ 1,913,114</u>

The contracts signed by the Company and customers include performance obligations to deliver semiconductor industry testing and analysis services. The customer is to pay the contract consideration during the agreed credit period after cross-checking the various test analysis items with the obtained testing and analysis results report. Since the time interval between the transfer of testing and analysis results and the customer's payment does not exceed one year, the significant financial components of the contract consideration are not adjusted.

(II) Contract balance

	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>	<u>January 1, 2020</u>
Accounts receivable (Note VIII)	<u>\$ 417,654</u>	<u>\$ 357,699</u>	<u>\$ 339,773</u>
Contract liability			
Customer loyalty program	\$ 36,075	\$ 44,692	\$ 27,157
Testing income	<u>5,959</u>	<u>9,957</u>	<u>5,922</u>
	<u>\$ 42,034</u>	<u>\$ 54,649</u>	<u>\$ 33,079</u>



Changes to contract liabilities are mainly due to the differences in the timing of satisfying performance obligations and the customer payment time.

(III) Contract cost related assets

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Current</u>		
Costs to fulfill a contract	<u>\$ 28,847</u>	<u>\$ 35,953</u>

The designated materials, purchased by the Company for responding to the customer contract requirements, which are capitalized due to anticipated recovery of related costs are costs to fulfill a contract.

(IV) Breakdown of revenue from customer contracts

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Type of product or professional service</u>		
Testing service income	<u>\$ 1,978,390</u>	<u>\$ 1,913,114</u>
<u>Key regional markets</u>		
Asia	\$ 1,825,001	\$ 1,785,687
Americas	129,147	113,940
Europe	<u>24,242</u>	<u>13,487</u>
	<u>\$ 1,978,390</u>	<u>\$ 1,913,114</u>

XX. Net income from continuing operations

(I) Interest Revenue

	2021	2020
Interest Revenue		
Bank deposits	<u>\$ 868</u>	<u>\$ 1,573</u>

(II) Other Income

	2021	2020
Grant income	\$ 2,889	\$ 2,224
Other	<u>7,410</u>	<u>1,161</u>
	<u>\$ 10,299</u>	<u>\$ 3,385</u>

(III) Other gain and loss

	2021	2020
Net gain (loss) on foreign exchange	(\$ 17,257)	\$ 8,503
Gain on disposal of financial assets	<u>205</u>	<u>-</u>
	<u>(\$ 17,052)</u>	<u>\$ 8,503</u>

(IV) Financial costs

	2021	2020
Bank loan interest	\$ 5,569	\$ 5,302
Interest on lease liabilities	931	499
Less: The amount included in the cost of qualifying assets	( <u>1,720</u> )	( <u>1,348</u> )
	<u>\$ 4,780</u>	<u>\$ 4,453</u>

Information of interest capitalization is as follows:

	2021	2020
Interest capitalization amount	\$ 1,720	\$ 1,348
Capitalized interest rate	1.00%	1.00%~1.44%

(V) Depreciation and amortization

	2021	2020
Property, plant and equipment	\$400,082	\$370,868
Right-of-use assets	43,241	38,336
Intangible assets	<u>1,979</u>	<u>2,195</u>
Total	<u>\$445,302</u>	<u>\$411,399</u>

Consolidation of depreciation  
expenses based on functions

Operating Cost	\$429,050	\$391,462
Operating Expenses	<u>14,273</u>	<u>17,742</u>
	<u>\$443,323</u>	<u>\$409,204</u>

Consolidation of amortization  
expenses based on functions

Operating Cost	\$ 1,376	\$ 1,475
Management Expenses	<u>603</u>	<u>720</u>
	<u>\$ 1,979</u>	<u>\$ 2,195</u>

(VI) Employee benefits expenses

	2021	2020
Post-employment compensation (Note XVII)		
Defined contribution plan	\$ 26,696	\$ 24,347
Defined benefit plan	<u>8</u>	<u>16</u>
	26,704	24,363
Other employee benefits	<u>880,165</u>	<u>709,352</u>
Total employee benefits expenses	<u>\$906,869</u>	<u>\$733,715</u>
Consolidation based on functions		
Operating Cost	\$707,556	\$576,126
Operating Expenses	<u>199,313</u>	<u>157,589</u>
	<u>\$906,869</u>	<u>\$733,715</u>

(VII) Employee, and director and supervisor remuneration

According to the Company's Articles of Association, based on the current year's net profit before tax before deduction of the remuneration to employees and directors, no less than 1% of the balance is allocated as remuneration to employees, and no more than 5% for remuneration to directors. The 2021 and 2020 employee and director and supervisor remuneration had been resolved by the board on March 18, 2022 and March 19, 2021 respectively as follows:

Estimate on ratio

	<u>2021</u>	<u>2020</u>
Employee remuneration	15.36%	15.79%
Director and supervisor remuneration	2.21%	2.27%

Amount

	<u>2021</u>		<u>2020</u>	
	<u>Cash</u>	<u>Stock</u>	<u>Cash</u>	<u>Stock</u>
Employee remuneration	\$ 111,643	\$ -	\$ 77,674	\$ -
Director and supervisor remuneration	16,049	-	11,165	-

If there are still changes in the amount specified in the standalone financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

There is no difference between the remuneration to employees and directors and supervisors actually distributed for 2021 and 2020 and the amount recognized in the standalone financial statements for 2021 and 2020.

For information on the remuneration to employees and directors as resolved by the Company's board of directors for 2021 and 2020, please visit the Market Observatory Post System of the Taiwan Stock Exchange.

(VIII) Gain (loss) on foreign exchange

	<u>2021</u>	<u>2020</u>
Total foreign exchange gains	\$ 12,903	\$ 36,050
Total foreign exchange losses	( 30,160 )	( 27,547 )
Net Gain (Loss)	( <u>\$ 17,257</u> )	( <u>\$ 8,503</u> )

XXI. Income tax of continuing operations

(I) Income tax recognized in profit or loss

The major components of income tax expense (gain) are as follows:

	2021	2020
Current income tax		
Accrued in current year	\$ 4,345	\$ 23,899
Additional levy on undistributed earnings	4,625	-
Prior year adjustment	-	-
Deferred income tax		
Accrued in current year	<u>3,664</u>	( <u>5,919</u> )
Income tax expenses recognized in profit or loss	<u>\$ 12,634</u>	<u>\$ 17,980</u>

Adjustment of accounting income and income tax expense are as follows:

	2021	2020
Net profit before tax from continuing operations	<u>\$ 599,174</u>	<u>\$ 403,057</u>
Income tax derived by applying the statutory tax rate to pre-tax net profit	\$ 119,834	\$ 80,612
Items of the determined taxable income subject to adjustment and reduction	( 111,855 )	( 62,539 )
Unrecognized deductible temporary differences	30	( 93 )
Additional levy on undistributed earnings	<u>4,625</u>	<u>-</u>
Income tax expenses recognized in profit or loss	<u>\$ 12,634</u>	<u>\$ 17,980</u>

(II) Current Income Tax Liability

	Friday, December 31, 2021	Thursday, December 31, 2020
Current Income Tax Liability		
Income tax payable	<u>\$ 13,640</u>	<u>\$ 16,653</u>

(III) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2021

	Balance at beginning of the year	Changes for the Year	Balance at end of year
Deferred income tax assets			
Temporary difference			
Deferred income	\$ 8,938	( \$ 1,723 )	\$ 7,215
Unrealized exchange gain	-	2,641	2,641
Unrealized transaction gain and loss of affiliates	5,291	( 624 )	4,667
Other	<u>4,654</u>	<u>( 4,153 )</u>	<u>501</u>
	<u>\$ 18,883</u>	<u>( \$ 3,859 )</u>	<u>\$ 15,024</u>

Deferred income tax liabilities	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Unrealized exchange loss	\$ 195	( \$ 195 )	\$ -

## 2020

Deferred income tax assets	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Deferred income	\$ 5,431	\$ 3,507	\$ 8,938
Unrealized exchange gain	3,121	( 3,121 )	-
Unrealized transaction gain and loss of affiliates	3,226	2,065	5,291
Other	1,027	3,627	4,654
	<u>\$ 12,805</u>	<u>\$ 6,078</u>	<u>\$ 18,883</u>

Deferred income tax liabilities	Balance at beginning of the year	Changes for the Year	Balance at end of year
Temporary difference			
Unrealized exchange loss	\$ -	\$ 195	\$ 195
Allowance for losses	36	( 36 )	-
	<u>\$ 36</u>	<u>\$ 159</u>	<u>\$ 195</u>

## (IV) Income tax audit

The profit-seeking enterprise income tax returns filed by the Company up to 2018 have been approved by the tax collection authority.

## XXII. Earnings per share

Unit: NTD per share

	2021	2020
Basic Earnings per Share	<u>\$ 9.48</u>	<u>\$ 6.18</u>
Diluted earnings per share	<u>\$ 9.35</u>	<u>\$ 6.07</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

	2021	2020
<u>Net Profit for the Year</u>		
The net income applied to calculate basic and diluted earnings per share	<u>\$586,540</u>	<u>\$385,077</u>

	Unit: Thousand share	
	2021	2020
<u>Number of shares</u>		
Weighted average common stock shares used to calculate basic earnings per share	61,903	62,313
Effect of dilutive potential common stock		
Employee remuneration	<u>857</u>	<u>1,138</u>
Weighted average common stock shares used to calculate diluted earnings per share	<u>62,760</u>	<u>63,451</u>

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

#### XXIII. Share-based payment agreement

The Company have on August 20, 2021 transferred treasury stock to employees for 855 thousand shares at NTD117.03, in accordance with the regulations governing the transfer of treasury stock to employees. Related information as follows:

	2021
	Unit (Thousand)
<u>Transfer of treasury stock to employees</u>	
Outstanding at beginning	-
Current grant	855
Current surrender	<u>-</u>
Outstanding at end	<u>855</u>
Weighted-average fair value of stock options granted (NTD)	<u>\$ 23.98</u>

2021 recognized remuneration cost is NTD20,500 thousand.

#### XXIV. Governmental subsidies

The government subsidies acquired by the Company are as follows:

- (I) The Company has in 2021 and 2020 acquired the government subsidies for “Power and Public Equipment Subsidy,” “Youth Employment Flagship Plan,” “Mid and High Age Employment Subsidy” and “High Voltage Machinery Energy Saving Subsidy”

for NTD898 thousand and NTD1,636 thousand respectively. The amounts are included under other income.

- (II) As of December 31, 2021, the Company had acquired the government discounted interest rate loan of NTD826,380 thousand of the “Welcome Taiwanese Businesses Return to Taiwan Investment Action Plan.” The loans are to be used for capital expenditures and operation turnover. The repayment of the loan is by installments between three to five-year period. The loan fair value was estimated at NTD813,547 thousand using the market interest rate range of 0.84%–1.15% at the time of loan borrowing. The difference between the acquired amount and the loan fair value was NTD13,833 thousand. It is considered a low interest government loan subsidy, and was recognized as deferred income. The Company has recognized other income NTD1,991 thousand in 2021 and recognized its loan interest expenses for NTD5,252 thousand.

If the Company does not meet the directions for project loan during the loan period that result in the National Development Fund stopping the transfer of loan commission fees, the loan payment for the Company will switch to the originally agreed interest rate plus annual interest rate.

#### XXV. Capital risk management

The Company manages capital to ensure the Group’s enterprises to maximize shareholder’s returns by optimizing the balance of debt and equity under the precondition of continuing operation. There is no major change in the Company’s overall strategy.

The Company’s capital structure is composed of the equity of the Company (i.e. share capital, capital reserve, retained earnings and other equity items).

The Company is not required to comply with other external capital requirements.

#### XXVI. Financial instruments

- (I) Fair value information – Financial instruments that are not measured at fair value

The Company’s financial assets not at fair value and the book value of financial liabilities as close to their fair value or has no reliable, fair value measurement.

(II) Categories of financial instruments

	Friday, December 31, 2021	Thursday, December 31, 2020
<u>Financial assets</u>		
Financial assets measured at amortized cost (Note 1)	\$ 1,202,909	\$ 1,144,243
<u>Financial liability</u>		
Measured at amortized cost (Note 2)	1,149,014	652,422

Note 1: The balances include cash and cash equivalents, notes receivable, accounts receivable (include related parties), other receivables (include related parties), refundable deposits, and other financial assets – non-current measured at amortized cost.

Note 2: The balance includes accounts payable (including related parties), other payables (including related parties), long-term loans (including amounts due within one year) and refundable deposits, and the like which are measured at post-amortization cost financial liabilities.

(III) Purpose and policy of financial risk management

The company's primary financial instruments include accounts receivable, accounts payable and borrowing. The Company's financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the Company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

1. Market risk

Due to the operating activities, the major financial risk faced by the Company are the foreign currency exchange rate risk (see (1) below) and interest rate risk (see (2) below).

The Company's exposure to financial instruments market risk and the management and measurement of the risk exposure have not been changed.

(1) Exchange rate risk

A part of the cash inflow and outflow of the Company is based on foreign currencies. Thus, it has the partial effects of natural hedging. The



purpose of the Company's management for exchange rate risk is to avoid risk and not for profit.

The carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date are shown in Note XXIX.

#### Sensitivity analysis

Effects of USD and JPY exchange rates fluctuations to the Company.

The Company's sensitivity analysis for New Taiwan dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 5% is illustrated in the following table. The 5% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only the outstanding monetary items in foreign currency; also, the translation at year-end is adjusted in accordance with the changes in exchange rates by 5%. Each positive number in the following table represents the amount of increase in net profit before tax when the NTD appreciates by 5% in relation to each relevant foreign currency; when the NTD depreciates by 5% in relation to each relevant foreign currency, its effect on net profit before tax will be the negative number of the same amount.

	Impact of USD		Impact of JPY		Impact of CNY	
	2021	2020	2021	2020	2021	2020
Net profit before tax	\$4,486	\$2,391	\$6,109	\$8,635	\$10,266	\$5,800

The Company's sensitivity level towards USD has rose for this year, mainly due to the increase in USD-based pricing accounts receivable. The sensitivity level towards JPY has declined for this year mainly due to the decrease of JPY-based pricing bank deposits. The sensitivity level towards CNY has rose for this year mainly due to the increase in CNY-based pricing accounts receivable.

The management thinks that the sensitivity analysis cannot represent the inherent risk of exchange rate because the exposure risk of balance sheet cannot reflect the exposure risk situation for mid-year.

(2) Interest rate risk

Because the Company holds assets and liabilities with fixed and floating interest rates at the same time, the interest rate risk has arisen.

Carrying amounts of financial assets and liabilities that are with interest rate exposure risks on the balance sheet date of the Company are as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
With fair value interest rate risk		
- Financial assets	\$ 48,000	\$123,158
- Financial liability	42,724	16,731
Contain cash flow interest rate risk		
- Financial assets	360,542	371,921
- Financial liability	817,449	373,254

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For assets and liabilities with floating interest rates, the analysis method is based on the assumption that the amount of assets and liabilities outstanding at the balance sheet date is outstanding throughout the reporting period.

If the annual interest rate increases/decreases by 0.1%, with all other variables remain unchanged, the Company's net income before tax in 2021 and 2020 will increase/decrease by NT\$457 thousand and NT\$1 thousand, respectively, mainly due to the interest rate risk exposure of the Company's net assets and liabilities with variable interest rate.

The Company's sensitivity level for the year's interest rates has declined mainly due to the decrease in assets with variable interest rate.

2. Credit risk

Credit risk refers to the risk that the counter party delays the contractual obligation resulting in the financial loss of the Group. As of the balance sheet date, the Company's maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived

from the book value of the financial assets recognized on the individual balance sheet.

The counterparties of accounts receivable cover many customers who are dispersed across different industries and geographical regions. The company continues to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A, B, C and D of the Company, the company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. Whenever a counterparty is a related company to each other, the Company defines it as a transaction counterparty with similar characteristics.

Balances for accounts receivable of major customers are as follows:

	Friday, December 31, 2021	Thursday, December 31, 2020
Company A	\$ 38,801	\$ 14,246
Company B	35,065	21,494
Company C	29,356	37,563
Company D	3,552	27,982

In 2021 and 2020, the Company's concentrated credit risk toward Company A, B, C and D has not exceed 50% of the accounts receivable. This is because Customers A, B, C and D are reputable companies. Thus, credit risks are limited.

### 3. Liquidity risk

The Company has supported the business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. As of December 31, 2021 and 2020, the Company's long and short term bank financing amount not drawn down were NTD2,376,828 thousand and NTD2,739,408 thousand respectively.

#### (1) Liquidity and interest rate risk table of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the Company's undiscounted cash flow (including principal and estimated interest) of financial

liabilities on the earliest possible repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

For the cash flow of the interest paid in accordance with the floating rate, the undiscounted interest amount is deduced from the yield rate curve on the balance sheet date.

#### Friday, December 31, 2021

	Weighted average interest rate (%)	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>						
No interest-bearing liabilities	-	\$ 333,697	\$ 110,063	\$ 21,180	\$ -	\$ 464,940
Lease liability	1.44~1.50	3,104	6,209	27,365	6,146	42,824
Floating rate instruments	0.84~1.15	283	583	27,600	807,568	836,034
		<u>\$ 337,084</u>	<u>\$ 116,855</u>	<u>\$ 76,145</u>	<u>\$ 813,714</u>	<u>\$ 1,343,798</u>

Further information about maturity analysis of above-mentioned financial liabilities is as follows:

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	More than 20 years
Lease liability	\$ 36,678	\$ 6,146	\$ -	\$ -	\$ -	\$ -
Floating rate instruments	28,466	807,568	-	-	-	-
	<u>\$ 65,144</u>	<u>\$ 813,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Thursday, December 31, 2020

	Weighted average effective interest rate (%)	Payment on demand or less than 1 month	1 to 3 months	3 months to 1 year	More than 1 year	Total
<u>Non-derivative financial liabilities</u>						
No interest-bearing liabilities	-	\$ 294,362	\$ 72,279	\$ 8,605	\$ -	\$ 375,246
Lease liability	1.44	1,178	2,291	9,548	3,878	16,895
Floating rate instruments	0.85~1.00	130	261	1,174	382,968	384,533
		<u>\$ 295,670</u>	<u>\$ 74,831</u>	<u>\$ 19,327</u>	<u>\$ 386,846</u>	<u>\$ 776,674</u>

Further information about maturity analysis of above-mentioned financial liabilities is as follows:

	Less than 1 year	1–5 years	5–10 years	10–15 years	15–20 years	More than 20 years
Lease liability	\$ 13,017	\$ 3,878	\$ -	\$ -	\$ -	\$ -
Floating rate instruments	1,565	382,968	-	-	-	-
	<u>\$ 14,582</u>	<u>\$ 386,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(2) Financing limit

	Friday, December 31, 2021	Thursday, December 31, 2020
Unsecured bank loan amount		
– The loan quota used	\$ 827,380	\$ 379,380
– The loan quota not yet used	<u>2,376,828</u>	<u>2,739,408</u>
	<u>\$ 3,204,208</u>	<u>\$ 3,118,788</u>

XXVII. Related Party Transaction

Except as disclosed in other notes, transactions between the Company and related parties, are also as follows:

(I) Name of the related party and Relationship

<u>Name of the related party</u>	<u>Relationship with the Company</u>
MA-tek International Inc.	Subsidiary
MA-tek Japan Inc.	Subsidiary
Workflow Enhancement Technology Inc. (Workflow Enhancement Technology)	Subsidiary
MA-tek (Shanghai) Ltd. (MA-tek Shanghai)	Subsidiary indirectly invested by the Company
MA-tek (Xiamen) Ltd. (MA-tek Xiamen)	Subsidiary indirectly invested by the Company

(II) Technical service income

<u>Category of the related party</u>	<u>2021</u>	<u>2020</u>
MA-tek (Shanghai) Ltd.	\$245,860	\$367,778
Other subsidiaries	<u>59,840</u>	<u>43,577</u>
	<u>\$305,700</u>	<u>\$411,355</u>

(III) Contracted testing expenses

<u>Category of the related party</u>	<u>2021</u>	<u>2020</u>
Subsidiary	<u>\$ 20,798</u>	<u>\$ 7,306</u>

(IV) Account receivable from related party

Category of the related party	Friday, December 31, 2021	Thursday, December 31, 2020
MA-tek (Shanghai) Ltd.	\$107,178	\$143,606
MA-tek Japan Inc.	91,700	111,051
MA-tek (Xiamen) Ltd.	79,567	25,444
Transfer to other account receivable from related party		
MA-tek (Shanghai) Ltd.	( 4,550)	( 4,969)
MA-tek (Xiamen) Ltd.	( 31,464)	( 3,590)
MA-tek Japan Inc.	( 89,489)	( 102,810)
	<u>\$152,942</u>	<u>\$168,732</u>

The outstanding receivables from the related party are without any guarantees collected. As of December 31, 2021 and 2020, part of the account receivable from subsidiary that has been overdue for a certain period has been transferred from account receivable from related party to other account receivable from related party. The account aging analysis is as follows:

Category of the related party	Friday, December 31, 2021			Total
	Overdue for 91 to 80 days	Overdue for 181 to 60 days	Overdue for more than 360 days	
MA-tek (Shanghai) Ltd.	\$ -	\$ -	\$ 4,550	\$ 4,550
MA-tek (Xiamen) Ltd.	7,348	16,217	7,899	31,464
MA-tek Japan Inc.	-	-	89,489	89,489
	<u>\$ 7,348</u>	<u>\$ 16,217</u>	<u>\$ 101,938</u>	<u>\$ 125,503</u>

Category of the related party	Thursday, December 31, 2020			Total
	Overdue for 91 to 80 days	Overdue for 181 to 60 days	Overdue for more than 360 days	
MA-tek (Shanghai) Ltd.	\$ 4,969	\$ -	\$ -	\$ 4,969
MA-tek (Xiamen) Ltd.	3,590	-	-	3,590
MA-tek Japan Inc.	6,333	27,564	68,913	102,810
	<u>\$ 14,892</u>	<u>\$ 27,564</u>	<u>\$ 68,913</u>	<u>\$ 111,369</u>

(V) Other account receivable from related party

<u>Category of the related party</u>	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
MA-tek Japan Inc.	\$ 96,224	\$103,893
MA-tek (Shanghai) Ltd.	62,557	15,118
MA-tek (Xiamen) Ltd.	31,465	3,590
Credit balance of long-term equity investment	-	( 10,203 )
	<u>\$190,246</u>	<u>\$112,398</u>

Other account receivable from related party is mainly the account from sale of equipment, other than the part that is transferred from account receivable from related party.

(VI) Account payable of related party

<u>Category of the related party</u>	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
MA-tek (Shanghai) Ltd.	\$ 31,057	\$ 6,478
Other subsidiaries	195	25
	<u>\$ 31,252</u>	<u>\$ 6,503</u>

On the technical service revenue and contract testing fees for the Company and related party, the agreed prices and collection terms are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party. For balance of payables to concerned parties outstanding, no guarantee has been provided.

(VII) Other account payable of related party

<u>Category of the related party</u>	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
MA-tek (Shanghai) Ltd.	\$ 8,115	\$ 31,692
Workflow Enhancement Technology Inc.	1,849	4
	<u>\$ 9,964</u>	<u>\$ 31,696</u>

(VIII) Acquired equipment

<u>Category of the related party</u>	<u>Prices of acquirements</u>	
	<u>Friday, December 31, 2021</u>	<u>Thursday, December 31, 2020</u>
MA-tek (Shanghai) Ltd.	<u>\$ 28,798</u>	<u>\$ 31,229</u>

(IX) Disposal of equipment

Category of the related party	Disposal price		Disposal profit	
	2021	2020	2021	2020
MA-tek (Shanghai) Ltd.	\$ 47,619	\$ 42,952	\$ 1,782	\$ 17,556
MA-tek Japan Inc.	<u>5,998</u>	<u>-</u>	<u>5,998</u>	<u>-</u>
	<u>\$ 53,617</u>	<u>\$ 42,952</u>	<u>\$ 7,780</u>	<u>\$ 17,556</u>

The acquired and disposed equipment between the Company and related party, its trade price and collection and payment terms are negotiated and determined by both parties. Profit from related disposal is recognized as unrealized profit.

(X) Loan release to related party (listed in other accounts receivable from related party)

Category of the related party	2021	2020
<u>Interest Revenue</u>		
MA-tek Japan Inc.	<u>\$ -</u>	<u>\$ 507</u>

The Company provide loan to MA-TEK Japan Inc., the interest is close to the market interest rate. Lending unsecured funds to subsidiaries in 2020. For the state of endorsements and guarantees, please refer to Attached Table II.

(XI) Salaries of managerial officers:

The total salaries amount for directors and other managerial officers in 2021 and 2020 are as follows:

	2021	2020
Short-term employee benefits	\$ 44,524	\$ 38,138
Retirement benefits	<u>355</u>	<u>452</u>
	<u>\$ 44,879</u>	<u>\$ 38,590</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

XXVIII. Pledged Assets

The below assets are provided as collaterals for customs:

	Friday, December 31, 2021	Thursday, December 31, 2020
Financial assets measured at amortized cost – Non-current	<u>\$ 6,000</u>	<u>\$ 6,000</u>



XXIX. Information on foreign currency assets and liabilities with significant impacts

The following information is expressed in foreign currencies other than the functional currencies of each entity within the Company; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Information on foreign currency assets and liabilities with significant impacts as below:

Friday, December 31, 2021

	<u>Foreign currency</u>	<u>exchange rates</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 3,504	27.68 (USD : NTD)	\$ 96,991
JPY	508,264	0.2405 (JPY : NTD)	122,237
CNY	56,315	4.344 (CNY : NTD)	244,632
<u>Non-monetary items</u>			
Subsidiaries accounted for under the equity method			
JPY	54,605	0.2405 (JPY : NTD)	13,132
Foreign currency liabilities			
<u>Monetary items</u>			
USD	263	27.68 (USD : NTD)	7,280
CNY	9,052	4.344 (CNY : NTD)	39,322
JPY	240	0.2405 (JPY : NTD)	58
Euro	174	31.32 (USD : NTD)	5,450

Thursday, December 31, 2020

	<u>Foreign currency</u>	<u>exchange rates</u>	<u>Carrying amount</u>
Foreign currency assets			
<u>Monetary items</u>			
USD	\$ 1,986	28.48 (USD : NTD)	\$ 56,561
JPY	625,059	0.2763 (JPY : NTD)	172,703
CNY	35,232	4.377 (CNY : NTD)	154,210
Foreign currency liabilities			
<u>Monetary items</u>			
USD	307	28.48 (USD : NTD)	8,743
CNY	8,728	4.377 (CNY : NTD)	38,202
<u>Non-monetary items</u>			
Subsidiaries accounted for under the equity method			
JPY	36,601	0.2763 (JPY : NTD)	10,113

The Company's (loss) gain on foreign currency exchange in 2021 and 2020 were NT\$(17,257) thousand and NT\$8,503 thousand, respectively. Due to the wide variety of functional currencies for the foreign currency transactions, it is difficult to disclose all exchange gains or losses for each material impact.

XXX. Additional Disclosure

- (I) Information about important transactions: Other than the below listed matters, there are no other matters that require disclosure for the Company.
  - 1. Lending Funds to Other Parties. (Attached Table I)
  - 2. Endorsements and guarantees for others. (Attached Table II)
  - 3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures). (None)
  - 4. The cumulative purchase or sale of the same security for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  - 5. The acquisition of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  - 6. The disposal of real estate for an amount exceeding NT\$300 million or 20% of paid-in capital. (None)
  - 7. The amount of purchase and sales with related parties has reached NT\$100 million or 20% or above of the paid-in capital. (Attached Table III)
  - 8. The amount of receivables from related parties reached NT\$100 million or 20% of the paid-in capital: (Attached Table IV)
  - 9. Trading in derivative instruments. (None)
- (II) Related information about reinvestment business: (Attached Table V)
- (III) Investment information in Mainland China:
  - 1. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gains or losses of current profit and loss and of recognized, ending balance, amount received as earnings distributions from the investment, and the limitations on investment. (Attached Table VI)
  - 2. Significant direct or indirect transactions with the investee in Mainland China, its prices and terms of payment, unrealized gain or loss: (Attached Table VII)
    - (1) Procurement amounts, percentages, balance, & percentages of relevant payables at end of the term.

- (2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term.
  - (3) Amount of property transaction and amount of the profit and/or loss so incurred.
  - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.
  - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.
  - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g. provision or acceptance of services.
- (IV) Information on major shareholders: Names of shareholders with a shareholding ratio of more than 5%, number of shares held, and percentage. (Attached Table VIII)

Materials Analysis Technology Inc.  
Lending Funds to Other Parties  
2021

Attached Table I

Unit: Unless stated otherwise, it is NTD in thousand

No. (Note 1)	Financing company	Counterparty	Transaction item (Note 2)	Are they related parties	Maximum balance for the period (Note 3)	Balance at end of period (Note 8)	Actual amount drawn	Interest range	Lending Funds and Their Nature (Note 4)	Transaction Amount (Note 5)	Reason for short-term financing (Note 6)	Allowance for bad debts	Collateral		Financing limits for each borrowing company (Note 7)	Financing company's total financing amount limits (Note 7)	Remarks
													Name	Value			
1	MA-tek (Shanghai) Ltd.	MA-tek (Xiamen) Ltd.	Other accounts receivable Related party	Yes	\$ 217,200	\$ 217,200	\$ -	4.25%	2	\$ -	Business operation turnover	\$ -	—	\$ -	\$ 361,426	\$ 722,852	—

Note 1: The column of Number is described as follows:

- (1) Please fill in 0 for the issuers.
- (2) Please fill in Arabic numerals sequentially numbered starting from 1 for the investee companies according to the company type.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Highest Balance for Lending Funds to Other Parties for the Current Year

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing, and also the method for the calculation of the upper limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies,” the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Materials Analysis Technology Inc.  
Endorsements and guarantees for others  
2021

Attached Table II

Unit: Unless stated otherwise, it is NTD in thousand

Name of the endorser/guarantor company	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party (Note 3)	Maximum balance of endorsements/guarantees for the current period	Balance of endorsements/guarantees at the end of the period	Actual amount drawn	Amount of endorsements/guarantees secured by property	Cumulative amount of endorsements/guarantees as a percentage of the net worth as stated in the latest financial statement	Ceiling on the total amount of endorsements/guarantees provided (Note 3)	Endorsements/guarantees by the Parent Company for the subsidiary	Endorsements/guarantees made by the subsidiary company for its parent	Endorsements/guarantees made for the entities in Mainland China
	Company name	Relationship										
Materials Analysis Technology Inc.	MA-TEK Japan Inc.	Note 1	\$ 1,141,581	\$ 553,150	\$ 553,150	\$ 142,617	\$ 72,150	16.96%	\$ 2,283,161	Yes	No	No
	MA-tek (Shanghai) Ltd.	Note 2	1,141,581	651,600	651,600	-	-	19.98%	2,283,161	Yes	No	Yes
	MA-tek (Xiamen) Ltd.	Note 2	1,141,581	78,192	78,192	-	-	2.40%	2,283,161	Yes	No	Yes

Note 1: Direct shareholding of the subsidiary at 100%

Note 2: Indirect shareholding of the sub-subsidiary at 100%

Note 3: The total amount of endorsements and guarantees provided by the Company are limited to 70% of the current net worth of the Company. The endorsement and guarantee amount to one single enterprise shall not exceed 35% of the current net worth of the Company. In addition to the requirement of the preceding paragraph, the endorsement and guarantee amount given to one single enterprise due to business dealings with the Company or subsidiaries, the amount shall not exceed the total amount (the purchase or sales amount, whichever is higher) of the dealing during the 12-month period before the endorsement and guarantee.

Materials Analysis Technology Inc.

The amount of purchase and sales with related parties has reached NT\$100 million or 20% or above of the paid-in capital.

2021

Attached Table III

Unit: Unless stated otherwise, it is NTD in thousand

Companies for purchase or sale of goods	Name of transaction counterparty	Relationship	Transaction status				Status and reasons for differences between the terms and conditions and general transactions		Notes and accounts receivables (payables)		Remarks
			Purchase or sale of goods	Amount	Ratio to total purchase or sale of goods	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivables (payables)	
The Company	MA-tek (Shanghai) Ltd.	Sub-subsidiary of the Company	Sale of goods (Note 1)	\$ 245,860	12.4%	Payment term is 180 days at close of the month	Note 2	—	\$ 107,178	18.75%	Note 2

Note 1: Refers to technical service income.

Note 2: On the technical service and contract testing fees for the related party, the agreed prices are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party.

Materials Analysis Technology Inc.

The amount of receivables from related parties reached NT\$300 million or 20% of the paid-in capital

Friday, December 31, 2021

Attached Table IV

Unit: NTD in thousand

Companies whose receivables are recognized	Transaction counterparty	Relationship	Other account receivable from related party, ending balance	Turnover	Overdue account receivable from related party		Recoverable amount for account receivable from related party after the period	Allowance for bad debts
					Amount	Treatment method		
The Company	MA-tek (Shanghai) Ltd.	Sub-subsidiary of the Company	\$ 107,178	1.96	\$ 4,550	—	\$ 77,211	\$ -

Note: On December 31, 2021, the account receivable from MA-tek (Shanghai) Ltd. was NTD107,178 thousand, of which account receivable of NTD4,550 thousand was transferred to other accounts receivable from related party due to it was overdue for a certain period of time.

Materials Analysis Technology Inc.  
Name of the investee company, location and other related information  
2021

Attached Table V.

Unit: NTD in thousand, USD in thousand and JPY in thousand

Investing company name	Investee company name	Location	Principal business items	Original investment amount		Held at end of period			Profit or loss of the investee company for the current period	Investment income (loss) recognized for the current period	Remarks
				End of current period	End of previous period	Number of shares (thousand shares)	Ratio (%)	Carrying amount			
Materials Analysis Technology Inc.	MA-tek International Inc.	Samoa	Holding company managing the reinvestment	USD 31,001	USD 31,001	-	100	\$ 2,031,571	\$ 538,960	\$ 542,078	Subsidiary of the Company (Note 1)
	MA-tek Japan Inc.	Japan	Engages in the market expansion and technical consultation of testing and analysis service	JPY95,000	JPY95,000	10	100	12,594	22,319	22,319	Subsidiary of the Company (Note 1)
	MA-tek US	United States of America	Engages in the market expansion and technical consultation of testing and analysis service	\$ -	\$ -	-	100	-	-	-	Subsidiary of the Company (Note 2 and 3)
	Workflow Enhancement Technology Inc.	Taiwan	Engage in electronics components manufacturing, wholesale, and device trading services	35,000	-	3,500	70	32,997	( 2,862 )	( 2,003 )	Subsidiary of the Company (Note 1)

Note 1: Calculated using the financial statements audited by CPAs for investee companies during the same period.

Note 2: Calculated using the financial statements audited by CPAs for investee companies during the same ending period.

Note 3: As of the financial statements date, there have been no outward remittance of investment funds.

Note 4: The above-listed securities on December 31, 2021 do not have provision of guarantee or pledge, or other restricted terms.



Materials Analysis Technology Inc.  
Investment information in Mainland China  
2021

Attached Table VI.

Unit: NTD in thousand and USD in thousand

Investee company in the Mainland Area Company name	Principal business items	Paid-in capital	Investment method	Accumulated outflow of investment from Taiwan at the beginning of current period	Current investment flows		Accumulated outflow of investment from Taiwan at the end of current period	Profit/loss of the investee company for the current period	% Ownership of Direct or Indirect Investment by the Company	Investment income recognized for the current period	Carrying value of investments at end of the period	Accumulated inward remittance of earnings as of the end of the current period
					Outward remittance	Redemption						
MA-tek (Xiamen) Ltd.	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	USD 7,500 ( NTD 207,600 )	Note 1	USD 7,500 ( NTD207,600)	\$ -	\$ -	USD 7,500 ( NTD207,600)	\$ 46,790	100%	\$ 46,790 (Note 3)	\$ 247,779	\$ -
MA-tek (Shanghai) Ltd.	Engage in the research and development of new electronic components and testing technologies and provide related technical consultation and services	USD 23,500 ( NTD 50,480)	Note 1	USD 23,500 ( NTD 60,480)	-	-	USD 23,500 ( NTD 60,480)	492,012	100%	492,170 (Note 3)	1,807,129	-
MA-tek Educational Company	Engage in educational support services and provide related technical consultation and services	-	Note 1 and 2	-	-	-	-	-	-	-	-	-
Xiamen Qingxi Huayi Equity Investment Partnership (Limited Partnership)	Holding company managing the reinvestment	CNY43,526 ( NTD 189,077 )	Note 1	-	-	-	- (Note 6)	60,949	45.95%	28,006 (Note 3)	117,792	-

Accumulated investment in Mainland China at end of the current period	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 4)
USD31,000 (NTD858,080)	USD31,000 (NTD858,080)	\$1,956,995

Note 1: Method of investment is establishing a company through a third region for reinvestment of company in Mainland China.

Note 2: As of the financial statements date, there have been no outward remittance of investment funds.

Note 3: Calculated using the financial statements, audited by CPAs, of the same period.

Note 4: Calculated based on the limit prescribed in the amended “Regulations Governing the Review of Investment or Technical Cooperation in Mainland China” of Investment Commission, MOEA on August 29, 2008.

Note 5: Based on the exchange rate calculation on December 31, 2021.

Note 6: Reinvestment is made by the funds owned by MA-tek (Xiamen) Ltd.

Materials Analysis Technology Inc.

Significant direct or indirect transactions with the investee in Mainland China, its prices and terms of payment, unrealized gain or loss, and other related information

2021

Attached Table VII.

Unit: Unless stated otherwise, it is NTD in thousand

Name of the investee company in the Mainland Area	Type of transaction	Purchase or sale of goods		Transaction terms and conditions (Note I)	Notes and accounts receivables (payables)		Unrealized gain or loss	Remarks
		Amount	Percentage		Amount	Percentage		
MA-tek (Shanghai) Ltd.	Technical service income	\$ 245,860	12.4%	—	\$ 107,178	18.8%	\$ -	Note 2
	Contracted testing expenses	20,628	1.3%	—	31,057	42.0%	-	-
	(Cash) Purchase of Fixed Assets	28,798	1.8%	—	8,115	11.0%	-	-
	Proceeds from Sale of Fixed Assets	47,619	2.4%	—	58,008	10.2%	1,782	-
MA-tek (Xiamen) Ltd.	Technical service income	53,869	2.7%	—	79,567	13.9%	-	Note 3
	Contracted testing expenses	170	-	—	190	0.3%	-	-

Note 1: On the technical service and contract testing fees for the related party, the agreed prices are with reference to market prices and decided by both parties, and the payment collection depends on the fund situation of the related party.

Note 2: On December 31, 2021, the account receivable from MA-tek (Shanghai) Ltd. was NTD107,178 thousand, of which account receivable of NTD4,550 thousand was transferred to other accounts receivable from related party due to it was overdue for a certain period of time.

Note 3: On December 31, 2021, the account receivable from MA-tek (Xiamen) Ltd. was NTD79,567 thousand, of which account receivable of NTD31,464 thousand was transferred to other accounts receivable from related party due was overdue for a certain period of time.

Materials Analysis Technology Inc.  
Information of major shareholders  
Friday, December 31, 2021

Attached Table VIII

Names of major shareholders	Shares	
	Number of shares held	Shareholding percentage
ERP Investment Corp.	6,279,119	10.07%
ARQ Consulting Company	4,725,526	7.58%

Note 1: The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares with dematerialized registration and delivery completed (including treasury stocks) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. The share capital recorded in the Company's consolidated financial statements and the number of shares actually delivered by the Company with the dematerialized registration completed may differ due to different calculation bases.

Note 2: If a shareholder delivers his or her shares to a trust, the above information shall be disclosed by the individual trustor account opened by the trustee. As for the shareholder's declaration of insider's equity with more than 10% shares in accordance with the Securities and Exchange Act, the shareholding of the shareholder includes his or her own shares plus the shares that he or she has delivered to a trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for information on insider's equity declaration.

## § List of Significant Accounting Items §

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Materials Analysis Technology Inc.  
Statement of cash and cash equivalents  
Friday, December 31, 2021

Statement I

Unit: NTD in thousand

Item	Amount
Demand deposits	\$267,447
Foreign currency deposits (Note I)	93,095
Checking deposits	205
Cash on hand and revolving funds	130
Cash equivalents	
Time deposits (Note II)	2,000
Securities sold under repurchase agreements (Note III)	<u>40,000</u>
	<u>\$402,877</u>

Note I: USD868 thousand @27.68; JPY98,971 thousand @0.2405; CNY10,423 thousand @4.344.

Note II: Maturity date is before March 24, 2022, with annual interest rate of 0.41%.

Note III: Maturity date is before January 4, 2022, with annual interest rate of 0.25%.

Materials Analysis Technology Inc.  
Statement of notes and accounts receivable  
Friday, December 31, 2021

Statement II

Unit: NTD in thousand

Name of customer	Amount
Notes receivable	<u>\$ 869</u>
Accounts receivable – Non-related party	
Company A	\$ 38,801
Company B	35,065
Company C	29,356
Other (Note)	<u>320,674</u>
	423,896
Allowance for losses	( <u>6,242</u> )
	<u>\$417,654</u>

Note: Customer balance has not exceeded 5% of the balance of this account title.

Materials Analysis Technology Inc.  
Statement of changes in investments accounted for using equity method  
January 1 to December 31, 2021

Statement III

Unit: Unless stated otherwise, it is NTD in thousand

Name	Balance at beginning of the year		Increase for the Year		Decrease for the Year		Investment profit recognized using the equity method	Adjustments not made based on shareholding percentage	Translation adjustments	Balance at end of year				Remarks
	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount	Number of shares (thousand shares)	Amount				Number of shares (thousand shares)	Shareholding percentage (%)	Amount	Equity net worth	
MA-tek International Inc.	-	\$ 1,500,941	-	\$ -	-	\$ -	\$ 542,078	( \$ 528 )	( \$ 10,920 )	-	100	\$ 2,031,571	\$ 2,054,908	Note I
MA-tek Japan Inc.	10	( 10,203 )	-	-	-	-	22,319	-	478	10	100	12,594	12,594	Note II
MA-tek US	-	-	-	-	-	-	-	-	-	-	100	-	-	Note II
Workflow Enhancement Technology Inc.	-	-	3,500	<u>35,000</u>	-	-	( <u>2,003</u> )	-	-	3,500	70	<u>32,997</u>	<u>47,138</u>	Note I
		1,490,738		<u>\$ 35,000</u>		<u>\$ -</u>	<u>\$ 562,394</u>	( <u>\$ 528</u> )	( <u>\$ 10,442</u> )			2,077,162	<u>\$ 2,114,640</u>	
Long term equity investment loan balance transferred to other account receivable from related party as a deduction		<u>10,203</u>										-		
		<u>\$ 1,500,941</u>										<u>\$ 2,077,162</u>		

Note I: MA-tek International Inc. and Workflow Enhancement Technology Inc. are calculated based on the financial statements of the investee companies of same period, audited and verified by the CPAs.

Note II: MA-tek Japan Inc. and MA-tek US are calculated based on the financial statements of the investee companies of same period, not yet audited and verified by the CPAs.

Note III: The above-listed securities on December 31, 2021 do not have provision of guarantee or pledge, or other restricted terms.

Materials Analysis Technology Inc.  
Statement of change to right-of-use assets  
January 1 to December 31, 2021

Statement IV

Unit: NTD in thousand

Item	Balance at beginning of the period	Increase for current period	Decrease for current period	Balance at end of period
Cost				
Land	\$ 23	\$ 23	(\$ 23)	\$ 23
Building	77,271	68,612	( 54,182)	91,701
Transport equipment	<u>4,395</u>	<u>1,694</u>	( <u>470</u> )	<u>5,619</u>
Total	<u>81,689</u>	<u>70,329</u>	( <u>54,675</u> )	<u>97,343</u>
Accumulated depreciation				
Land	( 23)	( 11)	23	( 11)
Building	( 63,487)	( 41,579)	53,586	( 51,480)
Transport equipment	( <u>2,104</u> )	( <u>1,651</u> )	<u>470</u>	( <u>3,285</u> )
Total	( <u>65,614</u> )	( <u>43,241</u> )	<u>54,079</u>	( <u>54,776</u> )
Net amount as of December 31, 2021	<u>\$ 16,075</u>	<u>\$ 27,088</u>	( <u>\$ 596</u> )	<u>\$ 42,567</u>



Materials Analysis Technology Inc.  
Statement of accounts payable  
December 31, 2021

Statement V

Unit: NTD in thousand

<u>Name of Supplier</u>	<u>Amount</u>
Supplier A	\$ 10,858
Supplier B	6,125
Supplier C	5,618
Supplier D	4,458
Supplier E	3,255
Supplier F	2,690
Other (Note)	<u>9,708</u>
	<u>\$ 42,712</u>

Note: Customer balance (related party excluded) has not exceeded 5% of the balance of this account title.

Materials Analysis Technology Inc.  
Statement of long-term debt  
Friday, December 31, 2021

Statement VI

Unit: NTD in thousand

Creditor bank	Maturity date and repayment method	Annual interest rate (%)	Loan amount	Pledge or collateral	Remarks
Taipei Fubon Bank	2020/5/4–2025/5/3, monthly amortized payment on principal and interest from June 2023.	0.85	\$ 71,750	—	None
Taipei Fubon Bank	2021/1/18–2026/1/18, monthly amortized payment on principal and interest from February 2023.	0.84	120,000	—	None
Taipei Fubon Bank	2021/4/9–2026/1/18, monthly amortized payment on principal and interest from February 2023.	0.84	50,000	—	None
Chang Hwa Bank	2020/7/22–2025/7/15, monthly amortized payment on principal and interest from July 2023.	1.00	12,230	—	None
Taiwan Bank	2018/7/2–2025/6/15, monthly amortized payment on principal and interest from July 2022.	0.95	84,600	—	None
Taiwan Bank	2020/7/22–2025/6/15, monthly amortized payment on principal and interest from July 2022.	0.95	60,000	—	None
Taiwan Bank	2020/9/29–2025/6/15, monthly amortized payment on principal and interest from July 2022.	0.95	5,400	—	None
E. SUN Bank	2020/5/25–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	50,000	—	None
E. SUN Bank	2020/9/28–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	31,000	—	None
E. SUN Bank	2021/10/6–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	70,000	—	None
DBS Bank	2020/7/22–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	13,800	—	None
DBS Bank	2020/6/3–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	20,000	—	None
DBS Bank	2020/9/28–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	25,000	—	None
DBS Bank	2020/9/29–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	5,600	—	None
DBS Bank	2021/10/7–2025/5/15, monthly amortized payment on principal and interest from June 2023.	0.90	108,000	—	None
Hua Nan Bank	2021/3/17–2026/3/17, monthly amortized payment on principal and interest from April 2023.	1.15	60,000	—	None
Hua Nan Bank	2021/12/27–2026/3/17, monthly amortized payment on principal and interest from April 2023.	1.15	<u>40,000</u>	—	None
Total			827,380		
Less: Long-term loans with maturity within one year			( 20,973 )		
Less: Listed as government grants discount			( <u>9,931</u> )		
Total			<u>\$ 796,476</u>		

Materials Analysis Technology Inc.

Statement of lease liabilities

Friday, December 31, 2021

Statement VII

Unit: NTD in thousand

<u>Name</u>	<u>Lease period</u>	<u>Discount rate</u>	<u>Amount</u>
Land	From 2021.01 to 2022.12	1.50%	\$ 11
Building	From 2020.06 to 2024.06	1.44%~1.50%	40,470
Transport equipment	From 2019.07 to 2024.10	1.44%~1.50%	<u>2,243</u>
Total			42,724
Less: Lease liability – current			( <u>36,294</u> )
Lease liability – non-current			<u>\$ 6,430</u>

Materials Analysis Technology Inc.  
Statement of Operating Cost  
January 1 to December 31, 2021

Statement VIII

Unit: NTD in thousand

<u>Item</u>	<u>Amount</u>
Depreciation expenses	\$ 429,050
Salary expenses	621,985
Consumables	263,487
Repair fees	130,593
Other (Note)	<u>165,058</u>
	<u>\$ 1,610,173</u>

Note: Every item balance has not exceeded 5% of the amount of this account title.

Materials Analysis Technology Inc.

Statement of Operating Expenses

January 1 to December 31, 2021

Statement IX

Unit: NTD in thousand

Item	Promotion Expenses	Management Expenses	R&D Expenses
Salary expenses	\$ 74,365	\$ 71,213	\$ 15,717
Director remuneration	-	16,049	-
Professional service fees	868	14,978	2,042
Depreciation	2,902	11,097	274
Appointed research fees	-	-	2,184
Transport fees	8,761	292	1
Other (Note)	<u>40,330</u>	<u>44,810</u>	<u>14,806</u>
	<u>\$ 127,226</u>	<u>\$ 158,439</u>	<u>\$ 35,024</u>

Note: Every item balance has not exceeded 5% of the amount of each account title.

Materials Analysis Technology Inc.

Main Table for Current Period Employee Benefits, Depreciation, Depletion and Amortization Expenses by Function

January 1 to December 31, 2020 and 2021

Statement X

Unit: NTD in thousand

	2021			2020		
	Recorded as operating costs	Recorded as operating expenses	Total	Recorded as operating costs	Recorded as operating expenses	Total
Employee benefits expenses						
Salary expenses	\$ 621,985	\$ 161,295	\$ 783,280	\$ 502,022	\$ 127,651	\$ 629,673
Labor and health insurance expenses	45,794	11,875	57,669	37,782	10,167	47,949
Pension expenses	21,125	5,579	26,704	19,374	4,989	24,363
Director remuneration	-	16,127	16,127	-	9,699	9,699
Other employee benefits expenses	18,652	4,437	23,089	16,948	5,083	22,031
Total	<u>\$ 707,556</u>	<u>\$ 199,313</u>	<u>\$ 906,869</u>	<u>\$ 576,126</u>	<u>\$ 157,589</u>	<u>\$ 733,715</u>
Depreciation expenses	<u>\$ 429,050</u>	<u>\$ 14,273</u>	<u>\$ 443,323</u>	<u>\$ 391,462</u>	<u>\$ 17,742</u>	<u>\$ 409,204</u>
Amortization expenses	<u>\$ 1,376</u>	<u>\$ 603</u>	<u>\$ 1,979</u>	<u>\$ 1,475</u>	<u>\$ 720</u>	<u>\$ 2,195</u>

Note:

- As of 2021 and 2020, the number of employees of the Company was 657 and 615 persons respectively, of which the number of directors who were not concurrently employees were 6 and 9 persons for the respective years.
- For companies that have issued stocks that is listed in Taiwan Stock Exchange Corporation (TWSE) or traded in Taipei Exchange shall disclose additional information as follows:
  - The average employee benefits expense of current period is NT\$1,368 thousand (which is calculated as “total amount of current employee benefits expense - total amount of directors’ remuneration” / “number of employee or current period - number of directors who have not served as an employee”).  
The average employee benefits expense of the previous year was NT\$1,195 thousand (which was calculated as “total employee benefits expense of the previous year - total directors’ remuneration” / “number of employees of the previous year - number of directors who have not served as employees”).
  - The average employee’s wages and salaries of the current period is NT\$1,203 thousand (which is calculated as the total amount of current employee’s wages and salaries / “number of employees of current period - number of directors who have not served as employees”).  
The average employee’s wages and salaries of the previous year was NT\$1,039 thousand (which was calculated as the total amount of employee’s wages and salaries of the previous year / “number of employees of the previous year - number of directors who have not served as employees”).
  - The range of adjustment in average employees’ wages and salaries is 16% (which is calculated as “current average employees’ wages and salaries - average employees’ wages and salaries of the previous year” / average employees’ wages and salaries of the previous year).
  - The supervisors’ remuneration of current period is NT\$0 thousand, whereas the remuneration of the previous year was NT\$1,559 thousand.
  - Describe the Company’s policy of salary and wages, and remuneration (including directors, supervisors, managers, and employees).  
On the related salaries and remuneration policy of the Company, please refer to the Company’s salaries management procedures and employee remuneration regulations on the establishment and process.

**Materials Analysis Technology Inc.**

**Chairperson: Yong-Fen Hsieh**