

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

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Taiwan Mask Corporation

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

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## Independent Auditors' Report

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

To Taiwan Mask Corporation,

### **Opinions**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

only opinion on these matters.

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

## **Evaluation of Inventories**

### Description

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

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

### How our audit addressed the matter

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

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

## **Income recognition**

### Description

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

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

### How our audit addressed the matter

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

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

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

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

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

no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC AS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, Individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent only financial statements.

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

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



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

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

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

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

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

PricewaterhouseCoopers Taiwan

Ya-Hui Cheng

Accountant

Chien-Yu Liu

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

Approval Certificate No. 0960072936

Financial Supervisory Commission of the Executive Yuan

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

March 3, 2023

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

Unit: NT\$Thousand

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

(Continued)

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

Unit: NT\$Thousand

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

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

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

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

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

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

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

Unit: NT\$Thousand

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

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang

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

Unit: NT\$Thousand

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

(Continued)

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

Unit: NT\$Thousand

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

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

Chairman: Sean Chen

Managerial Officer: Lidon Chen

Accounting Officer: Eve Yang



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

Unit: NT\$Thousand  
(Unless otherwise specified)

I. Company history

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

II. Date and procedures for passing the financial report

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

III. Application of New and Revised International Financial Reporting Standards

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

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

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

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

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

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

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

and Liabilities Arising from a Single Transaction"

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

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

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

Newly released / corrected / amended standards and interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 - "Sale or contribution of assets between an investor and its associate or joint venture"	To be determined by the IASB
Amendments to IFRS 16 - "Liabilities of Lease from the Leaseback"	January 1, 2024
IFRS 17 - "Insurance contracts"	January 1, 2023
Amendment to IFRS 17 - "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 - "First-time Adoption of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendment to IAS 1 - "Classification of Liabilities as Current or Non-Current"	January 1, 2024
Amendment to IAS 1 - "Non-Current Liabilities With Covenants"	January 1, 2024

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

IV. Summary of significant accounting policies

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

(I) Compliance statement

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

(II) Basis of Preparation

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

### (III) Foreign currency translation

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

#### 1. Foreign currency transactions and balances

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

#### 2. Translation of foreign operations

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

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

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

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

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

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

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

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

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

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

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

(VI) Cash equivalents

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

(VII) Financial assets measured at amortized cost

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

(VIII) Accounts and notes receivable

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

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

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

(IX) Impairment Loss of Financial Assets

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

(X) De-recognition of financial assets

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

(XI) Lessor's lease transaction - Operating lease

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

(XII) Inventories

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

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

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

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

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

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

(XIV) Property, plant and equipment

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

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

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

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

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

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

(XVI) Real estate investment

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

(XVII) Intangible assets

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

(XVIII) Impairment of non-financial assets

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

(XIX) Borrowings

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

(XX) Accounts and notes receivable

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

(XXI) Convertible bonds payable

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

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



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

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

## (XXII) Employee benefits

### 1. Short-term employee benefits

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

### 2. Pension

#### (1) Defined contribution plans

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

#### (2) Defined-benefit plans

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

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

retained earnings. .

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

3. Termination benefits

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

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

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

(XXIII) Share-based payment to employees

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

(XXIV) Income tax

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

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

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

(XXV) Capital

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

(XXVI) Dividend distribution

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

(XXVII) Recognized revenue

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

(XXVIII) Government subsidies

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

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

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

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

(I) Important judgments adopted by the accounting policies

None.

(II) Critical accounting estimates and assumptions

Evaluation of Inventories

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

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

VI. Summary of Significant Accounting Items

(I) Cash and Cash Equivalents

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

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

2. The Company has not pledged cash to others.

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

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

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

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss

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

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

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

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

(III) Financial assets measured at amortized cost

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

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

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

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

(IV) Notes and accounts receivable

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

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

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

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

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

(V) Inventories

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

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

The cost of inventories recognized as losses by the Company.

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

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

(VI) Investment under Equity Method

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

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

(VII) Property, plant and equipment

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



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

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

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

(VIII) Leasing arrangements - lessee

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

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

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

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

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

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

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

(IX) Leasing arrangements - lessor

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

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

(X) Real estate investment

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

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

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

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

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

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

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

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

(XI) Other Non-Current Assets

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

(XII) Short Term Loans

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

  

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

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

(XIII) Other Payables

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

(XIV) Corporate bonds payable

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

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

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

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

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

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

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

performance of corporate bonds signed by major banks.

4. Second series domestic secured convertible corporate bonds

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

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

(XV) Long-term Loans

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



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

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

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

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

(XVI) Pensions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

termination of employment.

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

(XVII) Capital

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

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

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

2. Treasury stock

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

		December 31, 2022	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	36,731	\$ 522,698
The Company	Transfer shares to employees	<u>14,485</u>	<u>1,256,281</u>
		<u>51,216</u>	<u>\$ 1,778,979</u>
		December 31, 2021	
Company name of the shareholding	Reasons for buyback	Number of shares (thousand)	Book value
Subsidiary - Youe Chung Capital Corporation	Subsidiary holds the company's stock	37,081	\$ 527,678
The Company	Transfer shares to employees	4,485	413,745
		<u>41,566</u>	<u>\$ 941,423</u>

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

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

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

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

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

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

(XVIII) Capital surplus

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

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

(XIX) Retained earnings

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

(XX) Other equity interests

2022



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

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

(XXI) Operating revenue

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

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

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

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

## 2. Contract Liabilities

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

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

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

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

### (XXII) Interest income

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

### (XXIII) Other Incomes

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

### (XXIV) Other Gains and Losses

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

### (XXV) Financial Costs

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

Interest expenses:		
Bank borrowings	\$ 66,804	\$ 41,930
Convertible bonds	18,103	8,392
Lease liabilities	6,787	5,596
	<u>\$ 91,694</u>	<u>\$ 55,918</u>
(XXVI) <u>Expenses by nature</u>		
	<u>2022</u>	<u>2021</u>
Employee benefits expenditure	\$ 467,529	\$ 592,890
Depreciation expense (Note)	513,116	355,573
Amortization expense	6,284	6,105
Less: Investment property and right-of-use assets		
(XXVII) <u>Employee benefits expenditure</u>		
	<u>2022</u>	<u>2021</u>
Payroll expenses	\$ 395,385	\$ 429,563
Employee stock options	14,131	119,544
Labor and health insurance fees	29,229	23,886
Pension expense	12,364	10,101
Other personnel expenses	16,420	9,796
	<u>\$ 467,529</u>	<u>\$ 592,890</u>

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

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

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

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

- (XXVIII) Income tax
1. Income tax expense

Components of income tax expense:

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

2. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

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

(XXIX) Earnings per share

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

2021

	Amount after tax	Average weighted share outstanding (thousand shares)	Earnings per share (NT\$)
<u>Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,146,610	209,770	\$ 5.47
<u>Diluted Earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,146,610	209,770	
Assumed conversion of all dilutive potential ordinary shares			
Convertible bonds	6,713	3,220	
Employee remuneration	-	1,791	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,153,323	214,781	\$ 5.37

The weighted average number of shares outstanding in 2022 and 2021 has deducted the number of shares held by the Company and the subordinate company Youe Chung Capital deemed as the Company's treasury stock (the number of shares is based on the Company's shareholding).

(XXX) Supplemental cash flow information

Investing activities with partial cash payments:

	2022	2021
Purchase of property, plant and equipment	\$ 2,044,326	\$ 925,545
Add: Opening balance of payable on equipment	44,545	41,895
Prepayments for equipment at the end of the period	1,322,877	643,858
Less: Ending balance of payable on equipment	( 105,604)	( 44,545)
Prepayments for equipment at the beginning of the period	( 643,858)	( 4,069)
Cash paid during the year	\$ 2,662,286	\$ 1,562,684

(XXXI) Changes in liabilities arising from financing activities

	Short Term Loans	Corporate bonds payable	Long-term borrowings (including current portion)	Lease liabilities	Guarantee Deposits Received	Total liabilities arising from financing activities
January 1, 2022	\$ 860,000	\$ 1,657,049	\$ 2,650,000	\$ 568,475	\$ 4,805	\$ 5,740,329
Change in cash flow from financing	194,934	997,095	740,000	( 29,737)	29,069	1,931,361

activities						
Interest Incomes	-	18,103	-	6,787	-	24,890
Interest Paid	-	-	-	( 6,787)	-	( 6,787)
Other non-cash transactions	-	( 63,203)	-	10,585	-	( 52,618)
December 31, 2022	<u>\$ 1,054,934</u>	<u>\$ 2,609,044</u>	<u>\$ 3,390,000</u>	<u>\$ 549,323</u>	<u>\$ 33,874</u>	<u>\$ 7,637,175</u>

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

## VII. Related Party Transactions

### (I) Related parties' names and relationship

<u>Name of the related parties</u>	<u>Relationship with the Company</u>
Miracle Technology Co., Ltd.	Subsidiary
Youe Chung Capital Corporation	Subsidiary
Innova Vision Inc.	Subsidiary
Aptos Technology Inc.	2nd-tier subsidiary
Miracle International Enterprise (Shanghai) Co., Ltd.	2nd-tier subsidiary
Xsense Technology Corporation	2nd-tier subsidiary (Note 1)
Xsense Technology Corporation (B.V.I.) Taiwan Branch	2nd-tier subsidiary (Note 2)
Digital-Can Tech. Co., Ltd.	2nd-tier subsidiary
Adl Engineering INC.	2nd-tier subsidiary
Weida Hi-Tech Co., Ltd.	Affiliates
Powerchip Technology Corporation	Other related party
Image Match Design Inc.	Other related party
BKS Tec Corp.	Other related party
Taiwan Mask Charity Foundation	Other related party

Note 1: In April 2021, the Company participated in the management and operating policies of Xsense Technology Corporation, including strategic decisions, and therefore included the firm in the consolidated financial statements as a consolidated entity as of that date.

Note 2: Xsense Technology Corporation underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corporation applied to have the shares of Xsense Technology Corporation (B.V.I.) Taiwan Branch it held transferred to the original shareholders of Xsense Technology Corporation according to the original shareholding percentage; as of December 31, 2022, Youe Chung Capital Corporation held 100% equity of Xsense Technology Corporation and 53.00% of Xsense Technology Corporation (B.V.I.) Taiwan Branch.

(II) Significant transactions with the related parties

1. Operating revenue

	<u>2022</u>		<u>2021</u>	
Product sales:				
Subsidiary	\$	14,828	\$	6,621
2nd-tier subsidiary		17,609		29,027
Affiliates		7,066		72
Other related party		1,169		1,171
	\$	<u>40,672</u>	\$	<u>36,891</u>

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

2. Account receivable from related parties

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
Accounts Receivables:				
Subsidiary	\$	5,221	\$	2,204
2nd-tier subsidiary		3,978		2,908
Affiliates		326		
Subtotal		<u>9,525</u>		<u>5,112</u>
Other receivables:				
Subsidiary		7,421		2,168
2nd-tier subsidiary		10,022		12,702
Subtotal		<u>17,443</u>		<u>14,870</u>
Total	\$	<u>26,968</u>	\$	<u>19,982</u>

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

	<u>2022</u>		<u>2021</u>	
	<u>Balance at the end of period</u>	<u>Interest income</u>	<u>Balance at the end of period</u>	<u>Interest income</u>
Subsidiary	\$ -	\$ -	\$ -	\$ 1,143
2nd-tier subsidiary	-	-	-	638
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,781</u>



The loans to subsidiaries and 2nd-tier subsidiaries are to be repaid within one year. The interests in 2021 were charged at an annual interest rate of 2%.

#### 4. Acquisition of other assets

		<u>2022</u>	<u>2021</u>
	Account item	Acquisition price	Acquisition price
Other related party	Intangible assets	\$ -	\$ 8,926
Other related party	Fixed assets	-	1,750
2nd-tier subsidiary	Fixed assets	32,884	-
Total		<u>\$ 32,884</u>	<u>\$ 10,676</u>

#### 5. Acquisition of financial assets

2022: None.

	<u>Account item</u>	<u>Number of shares acquired</u>	<u>2021</u> <u>Acquisition price</u>
Subsidiary	Investment under Equity Method	36,767,141	<u>\$ 367,671</u>

#### 6. Others

(1) Guarantee deposit received:	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 416	\$ 416
2nd-tier subsidiary	-	792
Other related party	95	95
	<u>\$ 511</u>	<u>\$ 1,303</u>

(2) Rental income:	<u>2022</u>	<u>2021</u>
Subsidiary	\$ 21,577	\$ 2,417
2nd-tier subsidiary	102,104	112,593
Affiliates	891	-
	<u>\$ 124,572</u>	<u>\$ 115,010</u>

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

(3) Prepayments for equipment:	<u>2022</u>	<u>2021</u>
2nd-tier subsidiary	\$ 71,804	\$ -

(4) The Company issued cash dividends of \$73,463 and \$55,622 to Youe Chung Capital in 2022 and 2021, respectively.

(5) In 2022 and 2021, the Company donated \$4,416 and \$31,801, respectively, in cash to the

Taiwan Mask Charity Foundation.

(III) Compensation of key management personnel

	2022	2021
Salary and short-term employee benefits	\$ 16,345	\$ 7,514
Other long-term employee benefits	14,852	18,082
Share-based payment to employees	-	13,990
	<u>\$ 31,197</u>	<u>\$ 39,586</u>

VIII. Pledged assets

Assets pledged by the Company as collateral are as follows:

Assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposit (Recognized as financial assets at amortized cost)	\$ 222,729	\$ 35,425	Guarantee of goods out of free trade zone and lease deposit
Demand deposit (Recognized as financial assets at amortized cost)	45		Short Term Loans
Stocks of publicly traded and OTC companies (recognized as "Financial assets at fair value through profit or loss")	640,740	149,500	Short Term Loans
Buildings and structures	608,646	623,354	Long-term Loans
Investment property	683,746	703,953	Long-term Loans
Machinery and equipment and equipment under acceptance	2,213,811	2,339,034	Long- and short-term borrowings
Office equipment	2,401		Long- and short-term borrowings
	<u>\$ 4,372,118</u>	<u>\$ 3,851,266</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

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

	December 31, 2022	December 31, 2021
Machine maintenance	<u>\$ 51,362</u>	<u>\$ 29,411</u>

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

	December 31, 2022	December 31, 2021
Property, plant and equipment	<u>\$ 15,539</u>	<u>\$ 119,059</u>

### 3. Lease agreement

Please see Note 6 (8) and (9)

#### X. Losses due to major disasters

None.

#### XI. Major Events after Financial Statement Date

The resolution of the Company's Board on March 3, 2023 passed the appropriation of earnings. Please refer to Note 6 (19) for details.

#### XII. Others

##### (I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the parent only balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the parent only balance sheet plus net debt. The Company maintained the same strategy in 2022 as in 2021. It is committed to keeping the debt-to-capital ratio under a reasonable risk level. For the years ended December 31, 2022 and 2021, the debt-to-capital ratios were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total borrowings	\$ 7,053,978	\$ 5,167,049
Less: Cash and cash equivalents	( 1,211,411)	( 1,798,841)
Net debt	5,842,567	3,368,208
Total equity	4,546,920	5,100,527
Total capital	<u>\$ 10,389,487</u>	<u>\$ 8,468,735</u>
Debt-to-equity ratio	<u>41.56%</u>	<u>25.11%</u>

##### (II) Financial instruments

###### 1. Types of financial instrument

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 1,232,454	\$ 1,121,358

Financial assets measured at amortized cost		
Cash and Cash Equivalents	\$ 1,211,411	\$ 1,798,841
Financial assets measured at amortized cost	225,774	38,425
Accounts receivable (Including related parties)	809,956	598,079
Other accounts receivable (Including related parties)	22,009	18,696
Refundable deposit	8,723	6,353
	<u>\$ 2,277,873</u>	<u>\$ 2,460,394</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Short Term Loans	\$ 1,054,934	\$ 860,000
Accounts Payable	109,004	81,451
Other Payables	520,173	446,349
Corporate bonds payable	2,609,044	1,657,049
Long-term borrowings (including current portion)	3,390,000	2,650,000
Guarantee Deposits Received	33,874	4,805
	<u>\$ 7,717,029</u>	<u>\$ 5,699,654</u>
Lease liabilities	<u>\$ 549,323</u>	<u>\$ 568,475</u>

## 2. Risk management policies

- (1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial position and performance.
- (2) Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. Company's finance department identifies, evaluates and hedges financial risks in close collaboration with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as currency exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments and investment of excess liquidity.

## 3. Significant financial risks and degrees of financial risks

### (1) Market risk

#### A. Foreign exchange risk

The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD)), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities

denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

		December 31, 2022		
<b>(Foreign currency: Functional currency)</b>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD 44,731	30.71	\$	1,373,703
JPY : NTD	JPY 1,496	0.2324		348
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD 3,422	30.71	\$	105,090
JPY : NTD	JPY 616,283	0.2324		143,224
		December 31, 2021		
<b>(Foreign currency: Functional currency)</b>	<u>Foreign currency (in thousands)</u>	<u>Exchange rate</u>	<u>Book value (In thousands of NTD)</u>	
Financial assets				
<u>Monetary items</u>				
USD : NTD	USD 14,010	27.68	\$	387,799
JPY : NTD	JPY 65,669	0.2405		15,793
Financial liabilities				
<u>Monetary items</u>				
USD : NTD	USD 2,099	27.68	\$	58,113
JPY : NTD	JPY 188,577	0.2405		45,353

B. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a gain of \$47,090 and a gain of \$12,107 for the years ended December 31, 2022 and 2021, respectively.

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

		2022	
		Sensitivity Analysis	
<b>(Foreign currency: Functional currency)</b>	<u>Fluctuation</u>	<u>Effect on profit or loss</u>	<u>Other comprehensive profit and loss affected</u>
<u>Financial assets</u>			

<u>Monetary items</u>				
USD : NTD	1%	\$	13,737	\$ -
JPY : NTD	1%		3	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD : NTD	1%	(\$	1,051)	-
JPY : NTD	1%	(	1,432)	-

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

#### Price risk

- A. The equity instruments owned by the Company exposing to the price risk are financial assets at fair value through profit or loss.
- B. The Company invests primarily in beneficiary certificates and equity instruments. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 1%, while all other factors remain unchanged, the net profit after tax affected by equity instruments at fair value through profit or loss after tax for 2022 and 2021 is an increase or decrease of \$12,325 and \$11,214, respectively.

#### Cash flow and fair value interest rate risk

- A. The Company's interest rate risk mainly comes from long-term borrowings issued at floating rates, which exposes the Company to cash flow interest rate risk. For 2022 and 2021, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan Dollars.
- B. The Company's borrowings are measured at amortized cost, and the annual interest rate is re-priced according to the contract, which exposes the Company to the risk of future market interest rate changes.

- C. If the long- and short-term borrowing rates increase or decrease by 0.25%, while all other factors remain constant, the net profit after tax for 2022 and 2021 is a decrease or increase of \$8,890 and \$7,020, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

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

reasonably expected to be recovered after recourse. However, the Company will continue the recourse to protect the rights of the claims.

H. The Company has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for the years ended December 31, 2022 and 2021 are shown as follows:

	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.01%	0.20%	1.85%	5.23%	56.58%~100%	
Total book value	\$ 723,205	\$ 72,473	\$ 13,355	\$ 1,581	\$ 1,248	\$ 811,862
Loss allowance	\$ -	\$ -	(\$ 729)	(\$ 554)	(\$ 623)	(\$ 1,906)
	Not past due	30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.01%	0.21%	2.03%	5.11%	57.18%~100%	
Total book value	\$ 504,835	\$ 81,417	\$ 11,447	\$ 1,465	\$ -	\$ 599,164
Loss allowance	\$ -	\$ -	(\$ 572)	(\$ 513)	\$ -	(\$ 1,085)

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

	2022	
	<u>Accounts Receivables</u>	
January 1	\$	1,085
Recognize impairment loss		821
December 31	\$	<u>1,906</u>
	2021	
	<u>Accounts Receivables</u>	
January 1	\$	968
Recognize impairment loss		117
December 31	\$	<u>1,085</u>

### (3) Liquidity risk

- A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's finance department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs.
- B. The remaining cash held by each operating entity will be transferred back to the Company's finance department. The finance department of the Company invests the remaining funds in interest-bearing demand deposits, time deposits, financial assets at fair value through profit or loss, financial assets at amortized cost (time deposits with a maturity of more than 3 months and less than 12 months), as the instruments chosen have appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. For the years ended December 31, 2022 and 2021, the position of money market held by the



Company is at \$1,214,411 and \$1,801,841, respectively, and is expected to generate immediate cash flow to manage liquidity risk.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Floating rate		
Mature within one year	\$ 255,100	\$ 900,000
Maturity of more than 1 year	120,000	-
	<u>\$ 375,100</u>	<u>\$ 900,000</u>

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

Non-derivative financial liabilities:

December 31, 2022	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 1,054,934	\$ -	\$ -	\$ -
Accounts Payable	109,004	-	-	-
Other Payables	520,173	-	-	-
Lease liabilities	36,293	33,544	89,277	469,121
Corporate bonds payable	-	-	2,696,140	-
Long-term borrowings (including current portion)	496,418	845,808	175,591	1,664,852
Guarantee Deposits Received	-	33,874	-	-
December 31, 2021	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities:</u>				
Short Term Loans	\$ 860,000	\$ -	\$ -	\$ -
Accounts Payable	81,452	-	-	-
Other Payables	446,349	-	-	-
Lease liabilities	33,601	31,696	89,142	490,467
Corporate bonds payable	-	-	1,741,300	-
Long-term borrowings (including current portion)	61,250	782,605	1,840,595	-

Guarantee Deposits Received	-	4,805	-	-
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(III) Fair value information

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

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

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

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

- Financial instruments not measured at fair value

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

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

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,153,154	\$ 79,300	\$ -	\$ 1,232,454
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Convertible bond call/put options	\$ -	\$ -	\$ 5,697	\$ 5,697

December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				

Financial assets at fair value through profit or loss - Equity securities	\$ 1,109,226	\$ -	\$ 7,132	\$ 1,116,358
Convertible bonds	-	-	5,000	5,000
Total	<u>\$ 1,109,226</u>	<u>\$ -</u>	<u>\$ 12,132</u>	<u>\$ 1,121,358</u>

4. The methods and assumptions adopted by the Company for assessing the fair value are as follows:

(1) The Company adopt market pricing as the input of fair value (i.e. Level 1), and the breakdown of the characteristics of the instrument is as follows:

Market price	Shares of listed and OTC company	Open-end funds
	Closing price	Net value

(2) Except for the abovementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained using valuation techniques. The fair value obtained through valuation techniques can refer to the current fair value of other financial instruments with similar substantive conditions and characteristics, discounted cash flow method, or other valuation techniques, including the use of market information available on the date of the parent only balance sheet (for example, the Taipei Exchange refers to the yield curve, the Reuters adopts the average quotation of interest rate of commercial promissory notes).

(3) The output of the valuation model is the estimated value, and the valuation technique may not reflect all the relevant factors of the financial instruments and non-financial instruments held by the Company. Therefore, the estimated value of the valuation model will be appropriately adjusted according to additional parameters, such as model risk or liquidity risk. According to the Company's fair value valuation model management policies and related control procedures, the management believes that in order to properly express the fair value of financial instruments and non-financial instruments in the parent only balance sheet, valuation adjustments are appropriate and necessary. The price information and parameters used in the valuation process are carefully assessed and appropriately adjusted according to current market conditions.

(4) The Company incorporates credit risk valuation adjustments into the consideration of fair value of financial instruments and non-financial instruments to reflect counterparty credit risk and the credit quality of the Company, respectively.

5. There were no transfers between Level 1 and 2 in 2022 and 2021.

6. The following table shows the changes in Level 3 in 2022 and 2021:

	Equity instruments
January 1, 2022	\$ 12,132
Disposal this period	( 7,132)
Recognized in profit or loss	<u>( 10,697)</u>

December 31, 2022	(\$ 5,697)
	<u>Equity instruments</u>
January 1, 2021	\$ 7,132
Recognized in profit or loss	5,000
December 31, 2021	\$ 12,132

7. The quantitative information about the significant unobservable input value of the valuation model and the sensitivity analysis of the significant unobservable input value change used in the Level 3 fair value measurements are explained as follows:

December 31, 2022: None.

December 31, 2021

	<u>Fair value</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Range (Weighted average)</u>	<u>Relationship between inputs and fair value</u>
Non-derivative equity instruments:					
Shares of non-listed and non-OTC company	\$ 7,132	Net asset value method	Net asset value		The higher the net - asset value, the higher the fair value

8. The Company has carefully assessed the valuation models and parameters used to measure fair value. However, use of different valuation models or parameters may result in different measurement. For financial assets or liabilities classified in Level 3, changes in valuation parameters have the following impacts on the income or other comprehensive income of the period:

December 31, 2022: None.

				<u>December 31, 2021</u>			
				<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Inputs</u>	<u>Changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>	<u>Favorable changes</u>	<u>Adverse changes</u>
Financial assets	Equity instruments	Net asset value	± 1%	\$ 71	(\$ 71)	\$ -	\$ -

(IV) Others

The Company has evaluated the Company's operations and financial information, and amid the novel coronavirus crisis, the Company's ability to continue as a going concern, asset impairment and financing risks have not been greatly affected.

XIII. Supplementary Disclosure

(I) Significant transactions information

- Loans to others: Please refer to Table 1.
- Provision of endorsements and guarantees to others: Please refer to Table 2.

3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to Table 4.
5. Acquisition of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate exceeding \$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Engaged in derivative trading: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 5.

(II) Information on investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Table 6.

(III) Information on investments in China

Please see Table 7.

(IV) Information on Major Shareholders

Please see Table 8.

XIV. Segments information

Not applicable.

Taiwan Mask Corporation and Subsidiaries

Loans to Others

January 1 to December 31, 2022

Table 1

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Company that lent	Borrowing party	General ledger account	Relate	Maximum	Balance at the	Amount Actually	Range of	Nature of loan	Amount of	Reason for	Amount of	Collateral		Limit on loans	Ceiling on total	Note
													Name	Value			
1	ADL Energy Corp	Aptos Technology INC.	Other Receivables— Related Parties	Y	\$ 28,000	\$ 7,200	\$ 7,200	2.7%	Short-term financing	-	Business operations	-	Promissory note	\$ 7,200	\$ 19,166	\$ 19,166	Note 3
2	Miracle Technology CO., LTD.	Aptos Technology INC.	Other Receivables— Related Parties	Y	170,000	170,000	170,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	170,000	178,503	178,503	Note 4
3	Youe Chung Capital Corporation	Aptos Technology INC.	Other Receivables— Related Parties	Y	650,000	150,000	150,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	150,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corp	Other Receivables— Related Parties	Y	470,000	270,000	270,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	270,000	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Xsense Technology Corporation	Other Receivables— Related Parties	Y	8,000	-	-	2.0%	Short-term financing	-	Working capital	-	-	-	1,698,869	1,698,869	Note 6
3	Youe Chung Capital Corporation	Innova Vision INC.	Other Receivables— Related Parties	Y	90,000	90,000	90,000	2.7%	Short-term financing	-	Working capital	-	Promissory note	90,000	1,698,869	1,698,869	Note 6

Note 1: The description of the number columns are as follows:

- (1). Fill in 0 for the issuer.
- (2). The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: Amendment to the Procedures for Lending Funds to Others:

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Company net value.

Note 3: Subsidiary - ADL Energy Corp Procedures for Lending Funds to Others:

- (1) The total loan amount shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed 40% of the Company net value.
- (2) In addition to the provisions in (1), the loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3) In addition to the provisions in (1), in which companies or businesses have a short-term financing need, and the loan amount of each individual borrowers not exceeding 40% of the Company net value, the financing amount refers to the accumulated balance of the company's short-term financing.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, or loans to the Company from any overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Company net value. The total amount of loans lent between the overseas companies or to the parent company and the limit for each limit are specified as follows:
  - I. The total amount loans to enterprises shall not exceed 50% of the Company's net value. However, for companies or businesses that have a short-term financing need, the loan amount of each individual borrower shall not exceed 40% of the Company net value.
  - II. For overseas companies that have business dealings with each other, the individual loan amount shall not exceed the amount of transactions between the two parties. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
  - III. If there is a need for short-term financing, the loan amount of each individual borrowers shall not exceed 40% of the company's net value, and the financing amount refers to the accumulated balance of the short-term financing between overseas companies.
- (5) The highest balance for the current period is the amount resolved by the board.

Note 4: Subsidiary - Miracle Technology Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have business dealings with the Company, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.
- (4) Inter-company loans of funds between overseas companies in which the Company owns, directly or indirectly, 100% of the voting shares, are not restricted by the abovementioned paragraphs. However, the total amount of loans and the amount of loan to a single party shall not exceed 50% of the Company net value.

Note 5: Subsidiary - Innova Vision Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) The loan amount of each individual borrower of companies or businesses that have business dealings with the Company shall not exceed the amount of transactions between the two parties in the past year. The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Note 6: Subsidiary - Youe Chung Capital Corporation Procedures for Lending Funds to Others

- (1) Total amount of loans: The total amount of the Company's loans shall not exceed 40% of the Company's net value.
- (2) For companies or businesses that have a short-term financing need, the loan amount of each individual borrowers shall not exceed the amount of transactions between the two parties in the most recent year and not exceed 40% of the Company net value.

Taiwan Mask Corporation and Subsidiaries  
Endorsements and Guarantees to Others  
January 1 to December 31, 2022

Table 2

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Endorser/guarantor	Guaranteed Party		Relationship and guarantee for a single enterprise (Note 3, 4, 5, 6)	Maximum Endorsement/ Guarantee Amount Allowable				Ratio of (Note 3, 4, 5, 6)	Guarantee	Guarantee	Guarantee	Note	
		Name of Company	(Note 2)		Maximum Balance	Ending Balance	Amount	Amount of						
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	2	\$ 229,550	\$ 225,505	\$ 214,970	\$ -	\$ -	4.73%	\$ 1,818,768	Y	N	N	Note 3
1	ADL Energy Corp	Aptos Technology INC.	3	14,374	19,500	19,500	19,500	19,500	40.70%	19,166	N	Y	N	Note 4
2	Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	3	344,788	224,808	224,808	224,808	224,808	65.20%	344,788	N	Y	N	Note 5
3	Miracle Technology CO., LTD.	Xsense Technology Corporation (B.V.I.)	1	178,503	150,000	150,000	150,000	150,000	33.61%	178,503	N	N	N	Note 6
3	Miracle Technology CO., LTD.	Aptos Technology INC.	1	178,503	150,000	-	-	-	-	178,503	N	N	N	Note 6

Note 1: The description of the number columns are as follows:

- (1). Fill in 0 for the issuer.
- (2). The investee company is numbered in sequence starting from Arabic numeral 1 according to company type.

Note 2: The relationship between the guarantor and the guarantee are one of the seven types indicated below:

- (1) A company with which it does business.
- (2) A company in which the Company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90%, or more of the voting shares may make endorsements/guarantees for each other.
- (5) A company that is mutually insured by a contract between peers or co-founders based on the needs of the contracted work.
- (6). A company that is guaranteed by all contributing shareholders in proportion to their shareholdings due to a joint investment relationship.
- (7). Companies that are engaged in joint and several guarantees for the performance guarantee of pre-sale housing sales contracts in accordance with the regulations of the Consumer Protection Act.

Note 3: The Company's endorsement and guarantee practices for others provide that:

- (1). The total amount of the Company's external endorsement guarantee shall not exceed 30% of the Company's paid-in capital.
- (2). The amount of business transactions refers to the higher of the amount of goods purchased or sold between the parties.
- (3). Companies with which the Company has a parent-child relationship: The amount of endorsement and guarantee for a single enterprise shall not exceed 10% of the Company's paid-in capital and the paid-in capital of the company being endorsed and guaranteed.
- (4). The aggregate amount of the endorsement and guarantee of the Company and its subsidiaries as a whole shall not exceed 40% of the net worth of the Company, of which the endorsement and guarantee of a single subsidiary shall not exceed 20% of the net worth.

Note 4: Subsidiary - ADL Energy Corp Endorsement and Guarantee Procedures:

- (1). The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.
- (2). The amount of the endorsement guarantee for a single enterprise shall not exceed 30% of the net value of the company's most recent audited or reviewed financial statements.
- (3). The Company and its subsidiaries shall state in the shareholders' meeting the necessity and reasonableness of any endorsement or guarantee of more than 50% of the net value of the Company's most recent audited or reviewed financial statements.

Note 5: Miko-China Enterprise (Shanghai) Co., Ltd. Endorsement and Guarantee Procedures:

The total amount of endorsement guarantee liability is limited to RMB 30 million, and the amount of endorsement guarantee for a single enterprise shall not exceed RMB 30 million; however, for the parent company that directly or indirectly holds, through a subsidiary,

Note 6: Subsidiary - Miracle Technology Co., Ltd. Endorsement and Guarantee Procedures:

The aggregate amount of cumulative external endorsement guarantees shall not exceed 40% of the net value of the Company's most recent audited or reviewed financial statements.

Taiwan Mask Corporation and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2022

Table 3

Unit: NT\$thousand  
(Unless otherwise specified)

Company name of the shareholding	Marketable securities	Relationship	General ledger account	Period end				
				Number of shares	Book value	Ownership	Fair value	Note
Taiwan Mask Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	7,554,000	\$ 307,448	0.06%	\$ 307,448	
Taiwan Mask Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	14,334,000	845,706	7.17%	845,706	
Taiwan Mask Corporation	Common stocks of Avision Inc. through private placement.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,000,000	79,300	5.18%	79,300	
Youe Chung Capital Corporation	Common stocks of United Microelectronics Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	6,000,000	244,200	0.05%	244,200	
Youe Chung Capital Corporation	Common stocks of Microtek International Corporation	None	Financial Assets at Fair Value Through Profit or Loss - Current	40,409,000	1,032,450	19.65%	1,032,450	
Youe Chung Capital Corporation	Common stocks of Taiwan Mask Corporation	Parent company	Financial Asset at Fair Value Through Profit or Loss - Non Current	36,731,440	3,111,153	14.37%	3,111,153	
Youe Chung Capital Corporation	Common stock of China Steel Structure Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	24,999,000	1,474,941	12.50%	1,474,941	
Youe Chung Capital Corporation	Common stocks of EVERBRITE Technology Image Match Design Inc.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	10,831,000	439,739	16.92%	439,739	
Youe Chung Capital Corporation	Image Match Design Inc.	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,890,000	3,213	3.17%	3,213	
Youe Chung Capital Corporation	B Current Impact Investment	The Company is a director of that company	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,000,000	10,000	10.00%	10,000	
Youe Chung Capital Corporation	B Current Impact Investment Partnership	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	250,000	2,500	-	2,500	
Youe Chung Capital Corporation	Intellectual Property Innovation Corporation Partnership Fund	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	-	20,000	-	20,000	
Jing Hao Investment Co., Ltd.	G-TECH ELECTRONICS LTD.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	1,097,092	-	8.08%	-	
Jing Hao Investment Co., Ltd.	Memchip Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	187,915	-	3.13%	-	
Aptos Technology INC.	Common stocks of TOPFUN TECHNOLOGY INC.	None	Financial assets measured at fair value through other comprehensive income - Non Current	100,000	-	12.27%	-	
ADL Energy Corp	Franklin Templeton SinoAm Asia Pacific Balanced Fund-Accu. Beneficiary Certificate	None	Financial Assets at Fair Value Through Profit or Loss - Current	50,000	500	-	500	
Miko-China Enterprise (Shanghai)	Common stocks of Shenzhen He Mei Jing Yi Semiconductor Technology Co., Ltd.	None	Financial Asset at Fair Value Through Profit or Loss - Non Current	400,000	21,158	0.31%	21,158	



Taiwan Mask Corporation and Subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

January 1 to December 31, 2022

Table 4

Unit: NT\$Thousand  
(Unless otherwise specified)

Company that buys	Marketable securities	General ledger account	Counterparty relationship		Beginning of period		Buy (Note 3)		Sell/Reduce (Note 3)				End of period		
			(Note 2)	(Note 2)	Number of	Amount	Number of shares	Amount	Number of shares	Selling Price	Book Cost	Gains and	Number of shares	Amount	
Taiwan Mask Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	6,980,000	\$ 413,216	7,354,000	\$ 432,193	-	\$ -	\$ -	\$ -	-	14,334,000	\$ 845,706
Youe Chung Capital Corporation	Microtek International	Financial Assets at Fair Value Through Profit or	-	-	-	-	46,599,000	705,222	( 6,190,000)	( 80,395)	( 69,019)	11,376	40,409,000	1,032,450	
Youe Chung Capital Corporation	Acer	Financial Assets at Fair Value Through Profit or	-	-	33,460,000	1,018,857	-	-	( 33,460,000)	( 817,942)	( 832,785)	( 14,843)	-	-	
Youe Chung Capital Corporation	United Microelectronics	Financial Assets at Fair Value Through Profit or	-	-	28,200,000	1,833,000	2,500,000	157,227	( 24,700,000)	( 1,000,186)	( 721,815)	278,371	6,000,000	244,200	
Youe Chung Capital Corporation	China Steel Structure Co., Ltd.	Financial Assets at Fair Value Through Profit or	-	-	15,923,000	942,642	9,076,000	540,483	-	-	-	-	24,999,000	1,474,941	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities of the abovementioned items.

Note 2: For marketable securities that adopt the equity method, the two fields should be filled out and the rest are not required.

Note 3: Acquisition or sale of the same securities should be calculated separately at market price to see if they reach NT\$300 million or 20% of the Company's paid-in capital.

Taiwan Mask Corporation and Subsidiaries  
Significant inter-company transactions during the reporting periods  
January 1 to December 31, 2022

Table 5

Unit: NT\$Thousand  
(Unless otherwise specified)

No. (Note 1)	Name of the counterparty	Counterparty	Relationship	General ledger account	Status of transaction		Percentage of consolidated total (Note 3)
					Amount	Transaction terms	
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Sales	14,828	Net 60	0.19%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Endorsement and guarantee	214,970	Same with other customers	1.20%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Accounts Receivables	5,221	Net 60	0.03%
0	Taiwan Mask Corporation	Miracle Technology CO., LTD.	1	Rental income	2,811	Same with other customers	0.04%
0	Taiwan Mask Corporation	Miracle International Enterprise(Shanghai) Co., Ltd.	1	Sales	17,172	Net 60	0.22%
0	Taiwan Mask Corporation	Miracle International Enterprise(Shanghai) Co., Ltd.	1	Accounts Receivables	3,978	Net 60	0.02%
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Rental income	53,332	Same with other customers	0.69%
0	Taiwan Mask Corporation	Aptos Technology INC.	1	Other Receivables	8,118	Same with other customers	0.05%
0	Taiwan Mask Corporation	Innova Vision INC.	1	Rental income	18,766	Same with other customers	0.24%
0	Taiwan Mask Corporation	Innova Vision INC.	1	Other Receivables	7,064	Same with other customers	0.04%
0	Taiwan Mask Corporation	Xsense Technology Corporation (B.V.I) Taiwan Branch	1	Rental income	48,735	Same with other customers	0.63%
0	Taiwan Mask Corporation	Xsense Technology Corporation (B.V.I) Taiwan Branch	1	Other Receivables	1,902	Same with other customers	0.01%
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	Equipment acquisition	23,087	Same with other customers	0.13%
0	Taiwan Mask Corporation	DIGITAL-CAN TECH. CO., LTD.	1	Prepayments for equipment	71,804	Same with other customers	0.40%
0	Taiwan Mask Corporation	ADL Energy Corp	1	Equipment acquisition	9,797	Same with other customers	0.05%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Other Receivables	170,000	Receipt and payment at an agreed time	0.95%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Interest income	3,319	Receipt and payment at an agreed time	0.04%
1	Miracle Technology CO., LTD.	Xsense Technology Corporation (B.V.I) Taiwan Branch	3	Endorsement and guarantee	150,000	Same with other customers	0.84%
1	Miracle Technology CO., LTD.	Miracle International Enterprise(Shanghai) Co., Ltd.	3	Sales	51,234	Net 30	0.66%
1	Miracle Technology CO., LTD.	Miracle International Enterprise(Shanghai) Co., Ltd.	3	Accounts Receivables	1,156	Net 30	0.01%
1	Miracle Technology CO., LTD.	Aptos Technology INC.	3	Sales	3,739	Net 60	0.05%
1	Miracle Technology CO., LTD.	ADL Energy Corp	3	Sales	6,894	Net 60	0.09%
2	Miko-China Enterprise (Shanghai) Co., Ltd.	Miracle Technology CO., LTD.	3	Endorsement and guarantee	224,808	Same with other customers	1.26%
3	Sichuan Miracle Power Technology Co., Ltd.	Miracle Technology CO., LTD.	3	Sales	17,081	Net 30	0.22%
4	Youe Chung Capital Corporation	Aptos Technology INC.	3	Other Receivables	150,000	Receipt and payment at an agreed time	0.84%
4	Youe Chung Capital Corporation	Aptos Technology INC.	3	Interest income	5,904	Receipt and payment at an agreed time	0.08%
4	Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I) Taiwan Branch	3	Other Receivables	270,000	Receipt and payment at an agreed time	1.51%
4	Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I) Taiwan Branch	3	Interest income	5,274	Receipt and payment at an agreed time	0.07%
4	Youe Chung Capital Corporation	Innova Vision INC.	3	Other Receivables	90,000	Receipt and payment at an agreed time	0.50%
5	Aptos Technology INC.	Miracle Technology CO., LTD.	3	Sales	6,038	Net 60	0.08%
6	ADL Energy Corp	Aptos Technology INC.	3	Other Receivables	7,200	Receipt and payment at an agreed time	0.04%
6	ADL Energy Corp	Aptos Technology INC.	3	Endorsement and guarantee	19,500	Same with other customers	0.11%
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Sales	24,812	Net 60	0.32%
7	Innova Vision INC.	Innova Vision Kabushiki Kaisha	3	Other Receivables	17,002	Receipt and payment at an agreed time	0.10%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is "0".
- (2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

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

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transac

Note 4: Only transactions with an amount of more than NT\$1 million will be disclosed, and transactions with related parties will not be disclosed separately.

Taiwan Mask Corporation and Subsidiaries  
Names, locations and other information of investee companies (not including investees in China)  
January 1 to December 31, 2022

Table 6

Unit: NT\$ Thousand  
(Unless otherwise specified)

Name of Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of the end of period					Note
				Investment amount at the end of period of the previous year	Investment amount	Number of shares	Ownership	Book value	Net profit (loss) of the year	Investment	
Taiwan Mask Corporation	SunnyLake Park International Holdings, Inc.	British Virgin Islands	Re-investment	\$ 103,045	\$ 103,045	3,120,000	100%	\$ 5,746	\$ 43	\$ 43	
Taiwan Mask Corporation	Youe Chung Capital Corporation	Taiwan	Re-investment	1,260,000	1,260,000	534,877,568	100%	1,140,806	( 1,379,376)	( 559,391)	
Taiwan Mask Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	165,691	165,691	12,549,652	25.43%	33,508	( 118,377)	( 30,116)	
Taiwan Mask Corporation	Miracle Technology CO., LTD.	Taiwan	Electronics components manufacturing, electronics materials	211,332	229,696	22,955,033	100%	482,368	63,131	63,131	
Taiwan Mask Corporation	Weida Hi-Tech Company	Taiwan	Display panel control chip and other module's research, design,	293,371	293,371	12,176,880	28.20%	84,080	( 20,213)	( 24,909)	
Taiwan Mask Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	578,321	578,321	36,793,135	91.53%	151,324	( 129,197)	( 125,646)	
Youe Chung Capital Corporation	Advagene Biopharma Co., Ltd.	Taiwan	Medical, R&D, manufacturing	60,021	60,021	2,613,223	5.30%	6,977	( 118,377)	( 6,271)	
Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I.)	British Virgin Islands	Precious metal coating	325,965	317,965	1	100.00%	6,319	( 540)	( 37,227)	Note 1
Youe Chung Capital Corporation	Xsense Technology Corporation (B.V.I.)	Taiwan	Precious metal coating	-	-	12,189,191	53.00%	( 5,469)	( 160,094)	( 18,228)	Note 1
Youe Chung Capital Corporation	Aptos Technology INC.	Taiwan	Design, packaging and testing of NAND flash memory, solid state drives	434,692	134,928	28,481,161	47.19%	( 89,485)	( 295,477)	( 130,031)	
Youe Chung Capital Corporation	Innova Vision INC.	Taiwan	Manufacturing, retail, wholesale and international trade of medical	151,533	151,533	94,370	0.23%	425	( 129,197)	( 303)	
Youe Chung Capital Corporation	Digital-Can Tech. Co., Ltd.	Taiwan	3D Printing and Plastic Mold Design	139,072	139,072	7,281,250	57.39%	113,858	( 20,631)	( 19,641)	
Aptos Technology INC.	ADL Energy Corp	Taiwan	Electronic parts and components and	413,050	413,050	11,984,526	100%	47,914	( 19,975)	( 19,975)	
Aptos Technology INC.	New Sunrise Limited	Samoa	Re-investment	-	-	-	100%	-	-	-	Note 2
ADL Energy Corp	Aptos Global Holding Corp.	Seychelles	Re-investment	29,795	29,795	10,000,000	100%	-	-	-	
Miracle Technology CO., LTD.	Jing Hao Investment Co., Ltd.	Taiwan	Re-investment	10,012	10,012	21,280,774	100%	285,851	50,890	50,890	
Jing Hao Investment Co., Ltd.	Miko Technology Co., Ltd	Hong Kong	Electronics components manufacturing, electronics materials	37	37	10,000	100%	6,740	( 50)	( 50)	
Innova Vision INC.	Innova Technology	Taiwan	Sales of contact lens	64,650	64,650	3,000,000	100%	( 3,338)	( 104)	( 104)	
Innova Vision INC.	Innova Vision (B.V.I) Inc.	British Virgin Islands	Re-investment	60,157	60,157	1,000,000	100%	14	( 573)	( 573)	
Innova Vision INC.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	84,204	84,204	6,400	52.03%	169	( 1,181)	( 614)	
Innova Vision (B.V.I) Inc.	Innova Vision Kabushiki Kaisha	Japan	Sales of contact lens	56,420	56,420	5,900	47.97%	( 156)	( 1,181)	( 567)	

Note 1: Xsense Technology Corporation underwent a physical capital reduction in November 2022, leaving only 1 share held by Youe Chung Capital Corporation; at the same time, Xsense Technology Corporation applied to have the shares of Xsense Technology Corporation (B.V.I.) Taiwan Branch it held

Note 2: As of December 31, 2022, the funds for shares have not been remitted.

Taiwan Mask Corporation and Subsidiaries  
Information on investments in China  
January 1 to December 31, 2022

Table 7

Unit: NT\$ thousand  
(Unless otherwise specified)

Investee in China	Main business activities	Paid-up capital	Investment method		Amount remitted from			Net profit (loss)	Ownership held by the	income (loss)			Note
			(Note 1)	Accumulated	Remitted to	Remitted back	Accumulated amount of			(Note 2)	Carrying	Accumulated	
Miko-China Enterprise (Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	\$ 3,283	1	\$ 3,283	\$ -	\$ -	\$ 3,283	\$ 60,510	100%	\$ 60,510	\$ 344,788	\$ -	Note 2 (2) B
Miracle International Enterprise(Shanghai) Co., Ltd.	Electronics components manufacturing, electronics materials and precision equipment distribution and power component design	10,215	1	10,215	-	-	10,215	3,393	100%	3,393	93,635	-	Note 2 (2) B Note 4
Sichuan Miracle Power Technology Co.,	IC product design,	53,676	3	-	-	-	- (	3,454)	100%	( 3,454)	58,754	-	Note 2 (2)

Name of Company	remittance from Taiwan to China as of the end of the	amount approved by the	China imposed by the Investment Commission
Miracle Technology CO., LTD.	\$ 13,498	\$ 13,498	\$ 267,755

Note 1: Investment methods are classified into the following three categories; fill in the number of categories each case belongs to:

- (1). Directly invest in a company in China.
- (2) Through investing in an existing company in the third area (please specify the company), which then invested in China.
- (3). Others

Note 2: Investment income recognized by the Company for the current period

- (1) If it is still under preparation with no actual gain or loss, it shall be indicated in the box.
- (2) The basis for recognition of the investment gains or losses is divided into the following three.
  - A. Financial statements audited and validated by an international accounting firm that has a collaborative relationship with CPA firms in Taiwan.
  - B. Financial statements audited and validated by a certified accountant or accounting firm who work with the parent company in Taiwan.
  - C. Unaudited financial statements.

Note 3: The relevant figures in this table should be presented in New Taiwan Dollars.

Note 4: It was originally invested through Misun Technology Co., Ltd. Since the aforementioned company has gone through dissolution and liquidation, it has been changed to Miracle Technology Co., Ltd. directly investing in Miracle International Enterprise (Shanghai) Co., Ltd.

Taiwan Mask Corporation and Subsidiaries  
Information on Major Shareholders  
December 31, 2022

Table 8

Name of Main Shareholders	Shares	
	No. of shares held	Ownership
Youe Chung Capital Corporation	36,731,440	14.32%
Taiwan Mask Corporation	14,485,000	5.64%

Taiwan Mask Corporation  
Cash and Cash Equivalents Schedule  
December 31, 2022

Schedule 1

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Bank deposits		
Demand deposits - NTD		\$ 321,485
- Foreign currency	USD 4,966, exchange rate 30.71	152,517
	JPY 1,496, exchange rate 0.2324	348
	EUR 1, exchange rate 32.72	21
Time deposits -- Foreign currency	USD 24,000, exchange rate 30.71	
	Duration: October 6, 2022 to January 20, 2023	
	Range of interest rate: 3.6% to 4.10%	737,040
		<u>\$ 1,211,411</u>

Taiwan Mask Corporation  
Accounts Receivable Schedule  
December 31, 2022

Schedule 2

Unit: NT\$Thousand

Customer Name	Summary	Amount	Note
General customers			
Company B		\$ 102,569	
Company A		92,572	
Company E		58,466	
Company F		48,854	
Company C		44,104	
Others		<u>455,772</u>	The balance of each separate account did not exceed 5% of this account. Account balance that has been more than a year is \$0
		802,337	
Less: Allowance for bad debts		( 1,906)	
		<u>\$ 800,431</u>	
Related party			
Miracle Technology Co., Ltd.		\$ 5,221	
Miracle International Enterprise (Shanghai) Co., Ltd.		3,978	
Weida Hi-Tech Co., Ltd.		<u>326</u>	Account balance that has been more than a year is \$0
		9,525	
Less: Allowance for bad debts		-	
		<u>\$ 9,525</u>	

Taiwan Mask Corporation  
Inventories Schedule  
December 31, 2022

Schedule 3

Unit: NT\$Thousand

Items	Summary	Amount		Note
		Cost	Market value	
Raw materials		\$ 99,179	\$ 101,269	Net realizable value as the market value
Work in process		22,831	22,496	Net realizable value as the market value
Finished goods		1,814	4,096	Net realizable value as the market value
		123,824	<u>\$ 127,861</u>	
Add: Loss on falling prices of inventory and inventory obsolescence		<u>( 5,115)</u>		
		<u>\$ 118,709</u>		



Taiwan Mask Corporation  
Financial assets schedule at fair value through profit and loss  
January 1 to December 31, 2022

Schedule 4

Unit: NT\$Thousand

Name	Opening Balance		Increase this period		Decrease this period		Balance at the end of period		Guarantee or pledge	Note
	Number of Shares	Book value	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Book value		
Common stocks of Pu-Shi Venture Capital	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	None
Common stocks of Athena Capital	82,810	-	-	-	( 82,810)	-	-	-	-	None
Common stocks of Fu-Run Investment	713,235	7,132	-	-	( 713,235)	( 7,132)	-	-	-	None
Common stocks of Unicon Vision	7,830,197	77,832	-	-	( 7,830,197)	( 77,832)	-	-	-	None
Common stocks of Acer	6,150,000	187,268	-	-	( 6,150,000)	( 187,268)	-	-	-	None
Common stock of China Steel Structure Co., Ltd.	6,980,000	413,216	7,354,000	432,490	-	-	14,334,000	845,706	Yes	
Common stocks of Avision Inc.	10,000,000	102,400	-	-	( 23,100)	23,100	10,000,000	79,300	None	
Common stocks of United Microelectronics Corporation	5,054,000	328,510	2,500,000	149,084	( 170,146)	170,146	7,554,000	307,448	None	
Convertible bond call/put options	-	5,000	-	-	( 5,000)	5,000	-	-	-	None
<b>Total</b>		<u>\$ 1,121,358</u>		<u>\$ 581,574</u>		<u>(\$ 470,478)</u>		<u>\$ 1,232,454</u>		

Taiwan Mask Corporation  
Schedule of Investments Changes Accounted for Using Equity Method  
January 1 to December 31, 2022

Schedule 5

Unit: NT\$ Thousand

Name	Opening Balance		Increase in investment for the period		Increase (decrease) in investments accounted for using the equity method (Note)	Balance at the end of period			Market value or equity net value		Guarantee or pledge	Remarks
	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Ownership	Amount	Unit price (NT\$)	Total amount		
SunnyLake Park International Holdings, Inc.	3,120,000	\$ 5,139	-	\$ -	\$ 607	3,120,000	100.00%	\$ 5,746	\$ -	\$ 5,746	None	
Youe Chung Capital Corporation	255,567,666	1,776,924	279,309,902	-	( 636,118)	534,877,568	100.00%	1,140,806	-	1,140,806	None	
Innova Vision INC.	36,793,136	235,591	-	-	( 84,267)	36,793,136	91.53%	151,324	-	151,324	None	
Advagene Biopharma Co., Ltd.	12,549,652	63,578	-	-	( 30,070)	12,549,652	25.43%	33,508	-	33,508	None	
Miracle Technology Co., Ltd.	22,955,033	430,778	-	-	51,590	22,955,033	100.00%	482,368	-	482,368	None	
Weida Hi-Tech Co., Ltd.	12,176,880	87,898	-	-	( 3,818)	12,176,880	28.20%	84,080	-	84,080	None	
<b>Total</b>		<b>\$ 2,599,908</b>		<b>\$ -</b>	<b>(\$ 702,076)</b>			<b>\$ 1,897,832</b>				

Note: Mainly the share of profit or loss of subsidiaries and affiliates accounted for using the equity method, the share of other comprehensive income, and the cash dividends received from investees.

Taiwan Mask Corporation  
Property, Plant and Equipment Cost Changes Schedule  
January 1 to December 31, 2022

Schedule 6

Unit: NT\$Thousand

<u>Items</u>	<u>Opening Balance</u>	<u>Increase this period</u>	<u>Decrease this period</u>	<u>Reclassification for the year</u>	<u>Balance at the end of period</u>	<u>Guarantee or pledge</u>	<u>Note</u>
Buildings and structures (including land)	\$ 1,692,966	\$ 363,662	\$ -	(\$ 172,500)	\$ 1,884,128	Yes	
Machinery and equipment	3,215,027	1,280,116	-	31,170	4,526,313	Yes	
Transportation equipment	5,635	657	-	-	6,292	None	
Office equipment	31,105	12,159	-	327	43,591	Yes	
Other equipment	10,942	24,528	-	279,588	315,058	None	
Unfinished construction and equipment under acceptance	149,749	363,204	-	( 148,171)	364,782	None	
	<u>\$ 5,105,424</u>	<u>\$ 2,044,326</u>	<u>\$ -</u>	<u>(\$ 9,586)</u>	<u>\$ 7,140,164</u>		

Taiwan Mask Corporation  
Property, Plant and Equipment Accumulated Depreciation Changes Schedule  
January 1 to December 31, 2022

Schedule 7

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Reclassification for the year	Balance of the period	Note
Buildings and structures	\$ 602,039	\$ 140,346	\$ -	(\$ 87,564)	\$ 654,821	
Machinery and equipment	1,304,734	309,183	-	1,616	1,615,533	
Transportation equipment	2,581	844	-	-	3,425	
Office equipment	16,357	7,737	-	-	24,094	
Other equipment	1,248	3,913	-	74,802	79,963	
	<u>\$ 1,926,959</u>	<u>\$ 462,023</u>	<u>\$ -</u>	<u>(\$ 11,146)</u>	<u>\$ 2,377,836</u>	

Taiwan Mask Corporation  
Right-of-Use Assets Schedule  
January 1 to December 31, 2022

Schedule 8

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 567,697	\$ 5,285	\$ -	\$ 572,982	
Buildings and structures	3,656	4	-	3,660	
Transportation equipment (company vehicles)	12,650	4,770	-	17,420	
Other equipment	26,733	526	-	27,259	
Total	<u>\$ 610,736</u>	<u>\$ 10,585</u>	<u>\$ -</u>	<u>\$ 621,321</u>	

Taiwan Mask Corporation  
Right-of-Use Assets Accumulated Depreciation Schedule  
January 1 to December 31, 2022

Schedule 9

Unit: NT\$ Thousand

Items	Opening Balance	Increase this period	Decrease this period	Balance at the end of period	Note
Land	\$ 41,403	\$ 24,679	\$ -	\$ 66,082	
Buildings and structures	2,653	936	-	3,589	
Transportation equipment (company vehicles)	3,265	5,092	-	8,357	
Other equipment	-	1,855	-	1,855	
<b>Total</b>	<b>\$ 47,321</b>	<b>\$ 32,562</b>	<b>\$ -</b>	<b>\$ 79,883</b>	

Taiwan Mask Corporation  
Short-Term Borrowings Schedule  
December 31, 2022

Schedule 10

Unit: NT\$ Thousand

Types of borrowings	Explanati on	Balance at the end of period	Contract Duration	Range of interest rate	Financing Amount	Pledge or Guarantee
Credit loan		\$ 60,000	2022.10.20~2023.01.18	1.890%	\$ 60,000	None
Credit loan		100,000	2022.11.28~2023.01.20	1.960%	300,000	None
Credit loan		100,000	2022.07.25~2023.07.25	1.701%	100,000	None
Credit loan		80,000	2022.12.28~2023.03.28	2.361%	80,000	None
Credit loan		119,840	2022.08.22~2023.03.20	1.06%~1.96%	379,840	None
Credit loan		21,534	2022.12.30~2023.03.30	4.000%	299,000	None
Credit loan		100,000	2022.12.19~2023.01.19	1.960%	100,000	None
Credit loan		293,560	2022.10.20~2023.06.17	1.16%~2.125%	393,560	None
Credit loan		80,000	2022.12.13~2023.02.09	1.958%	80,000	None
Credit loan		<u>100,000</u>	2022.12.20~2023.02.17	1.988%	100,000	None
		<u>\$ 1,054,934</u>				

Taiwan Mask Corporation  
Long-Term Borrowings Schedule  
December 31, 2022

Schedule 11

Unit: NT\$Thousand

<u>Creditors</u>	<u>Summary</u>	<u>Amount Borrowed</u>	<u>Contract Duration</u>	<u>Coupon rate</u>	<u>Pledge or Guarantee</u>	<u>Note</u>
King's Town Bank	Intermediate- and long-term secured loans	\$ 1,250,000	2021.12.28~2027.1.28	2.425%	Houses and buildings and machine and equipment	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	850,000	2022.12.28~2032.12.27	2.070%	Buildings and structures and investment properties	
King's Town Bank	Intermediate- and long-term secured loans	400,000	2022.12.21~2027.12.21	2.675%	Machinery and equipment	
Agricultural Bank of Taiwan	Intermediate- and long-term secured loans	400,000	2022.12.27~2027.12.27	2.000%	Machinery and equipment	
Taishin International Bank	Intermediate- and long-term secured loans	250,000	2021.12.27~2024.12.27	2.410%	Buildings and structures	
Shanghai Commercial and Savings Bank	Intermediate- and long-term secured loans	240,000	2021.12.27~2026.12.15	2.125%	Machinery and equipment	
		<hr/> 3,390,000				
Less: Mature within one year		( 484,737)				



Taiwan Mask Corporation  
Long-Term Borrowings Schedule  
December 31, 2022

Schedule 11

Unit: NT\$Thousand

\$ 2,905,263

Taiwan Mask Corporation  
Sales Income Schedule  
January 1 to December 31, 2022

Schedule 12

Unit: NT\$Thousand

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>
Photomask	66,608 pieces	\$ <u>3,887,648</u>

Taiwan Mask Corporation  
Operating Costs Schedule  
January 1 to December 31, 2022

Schedule 13

Unit: NT\$Thousand

<u>Items</u>	<u>Amount</u>	<u>Note</u>
Direct materials		
Opening raw materials	\$ 105,224	
Incoming materials in the current period	568,537	
Ending raw materials	<u>( 99,179)</u>	
Consumption in this period	574,582	
Director labor	86,206	
Manufacturing expenses	<u>1,150,656</u>	
Manufacturing cost	1,811,444	
Opening work-in-progress	9,596	
Ending work-in-progress	<u>( 22,831)</u>	
Cost of finished goods	1,798,209	
Add: Opening finished goods	1,071	
Less - Ending finished goods	<u>( 1,814)</u>	
Cost of manufacturing and sales	1,797,466	
Other operating costs		
Loss on falling prices of inventory and inventory obsolescence	<u>( 887)</u>	
Operating costs	<u>\$ 1,796,579</u>	

Taiwan Mask Corporation  
Manufacturing Expenses Schedule  
January 1 to December 31, 2022

Schedule 14

Unit: NT\$Thousand

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Note</u>
Depreciation		\$ 432,485	
Contract maintenance fee		310,038	
Salaries expense		182,619	
Utilities		72,671	
Others		<u>152,843</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 1,150,656</u>	

Taiwan Mask Corporation  
Operating Expenses Schedule  
January 1 to December 31, 2022

Schedule 15

Unit: NT\$Thousand

Items	Summary	Amount	Note
Marketing expenses:			
Shipping expenses		\$ 25,527	
Salaries expense		23,491	
Export declaration fee		7,231	
Others		<u>7,246</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 63,495</u>	
Administrative Expenses:			
Salaries expense		\$ 96,701	
Service charge		20,196	
Depreciation		59,320	
Others		<u>95,985</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 272,202</u>	
Research and development expenses:			
Salaries expense		\$ 26,842	
Research and experiment fee		35,466	
Experimental material costs		14,377	
Others		<u>16,287</u>	The balance of each separate account did not exceed 5% of this account.
		<u>\$ 92,972</u>	

Taiwan Mask Corporation  
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period  
January 1 to December 31, 2022

Schedule 16

Unit: NT\$ Thousand

Function Type	2022				2021			
	Operating costs	Operating expenses	Non-operating income and expenses	Total	Operating costs	Operating expenses	Non-operating income and expenses	Total
Employee benefits expenditure								
Payroll expenses	\$ 256,622	\$ 132,903	\$ -	\$ 389,525	\$ 190,628	\$ 207,880	\$ -	\$ 398,508
Employee stock options	-	14,131	-	14,131	-	119,544	-	119,544
Labor and health insurance fees	17,476	11,753	-	29,229	14,230	9,656	-	23,886
Pension expense	7,912	4,452	-	12,364	6,150	3,951	-	10,101
Director remuneration	-	5,860	-	5,860	-	31,055	-	31,055
Other employee benefit expenses	8,763	7,657	-	16,420	7,329	2,467	-	9,796
Depreciation	432,485	62,100	18,531	513,116	313,960	25,891	15,722	355,573
Amortization expense	3,153	3,131	-	6,284	3,640	2,465	-	6,105

1. As of the end of the current period and the previous year, there were 379 and 304 employees, respectively, and there were 5 and 5 directors, respectively, who did not hold a concurrent employee position.

2. Stocks are listed on the Taiwan Stock Exchange or the Taipei Exchange and the following information is disclosed:

(1) Average employee benefit expenses for the current year were \$1,234 thousand ("Total employee benefit expenses for the current year - total directors' remuneration"/"Number of employees for the current year - number of directors who are not also employees").

Average employee benefit expenses for the previous year were \$1,879 thousand ("Total employee benefit expenses for the previous year - total directors' remuneration"/"Number of employees for the previous year - number of directors who are not also employees").

(2) Average employee salary expense for the current year was \$1,042 thousand (Total salary expense for the current year / "Number of employees for the current year - Number of directors who were not also employees").

Average employee salary expense for the previous year was \$1,333 thousand (Total salary expense for the previous year / "Number of employees for the previous year - Number of directors who were not also employees").

(3) Change in average employee salary expense adjustment was 21.83% ("Average employee salary expense for the current year - Average employee salary expense for the previous year"/ Average employee salary expense for the previous year)

(4) The Company has an audit committee, so there is no supervisor's remuneration.

Taiwan Mask Corporation  
Employee Benefits, Depreciation, Depletion and Amortization in the Current Period (continued)  
January 1 to December 31, 2022

Schedule 16

Unit: NT\$Thousand

- (5) The Company has established and regularly reviewed the policies, systems, standards and structure of performance appraisal and salary remuneration of directors and managerial officers according to the Remuneration Committee charter, and abided by the following rules:
- A. The performance evaluation of the directors and managerial officer and their salary and compensation shall be considered in reference to the payment standard among industry peers and individual performances, in relevance to its reasonableness with the Company's operations performance and future risks.
  - B. Shall not lead directors and managerial officer to pursue salary and compensation, engaging in risky conducts that outstrip the company's capacity to handle.
  - C. The bonus proportion of short-term performance for directors and senior level managerial officer and partial changes to remuneration payment time shall be decided in consideration of the industrial characteristics and the nature of the Company's business.
- (6) Directors' remuneration and employee remuneration are subject to the Company's Articles of Incorporation. The distribution shall be executed after the resolution approval at the Board meeting with more than two-thirds of directors attending and of more than half of the attending directors agreed and passed the resolution, and reported to the shareholders meeting.
- A. Employee remuneration: Allocated based on the Company's operating condition, and is distributed based on employee's position, performance, and tenure of service.
  - B. Quarterly bonus: Allocated based on the Company's operating condition, and is given as an incentive for achieving the set targets.
  - C. Annual salary adjustment: Carried out in accordance with the Company's operating condition. The salary adjustment range takes into account the Company's operating condition, salary adjustment in the industry, domestic economic growth, price index, and individual performance appraisal.