

Stock Code: 3563



# MACHVISION Inc. Co., LTD

2021 Annual Report

**Notice to readers**

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Taiwan Stock Exchange Market Observation Post System:

<http://mops.twse.com.tw/>

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

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**Overseas Securities Exchange**

Not applicable.

**Corporate Website**

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## I. Letter to Shareholders

### 2021 Business Report

Thank you for visiting shareholders' meeting in 2022. Over the past year, the Group's revenue in 2021 was NT\$ 2.750 billion, increase of 14.70%. The net profit after tax in 2021 was NT\$826,469 thousand, increase of 26.27%. The operating net profit margin was 38.86%, the net profit after tax was 30.05%, the return on assets was 20.23%, and the return on equity was 29.70%

#### 1. Business Performance in 2021

##### (1) Business Performance

Unit: NTD thousands

	2021		2020		Increase(decrease)	
	Amount	%	Amount	%	Amount	%
Operating revenues	2,750,264	100.00	2,397,855	100.00	352,409	14.70
Gross profit	1,694,571	61.61	1,519,665	63.38	174,906	11.51
Operating income	1,068,766	38.86	869,096	36.24	199,670	22.97
Net income before income tax	1,044,967	38.00	804,407	33.55	240,560	29.91
Net income after income tax	826,469	30.05	654,515	27.30	171,954	26.27
Earnings per share (NT\$)	18.51		15.02		3.49	

##### (2) Budget execution

The company did not disclose financial forecasts in 2021.

##### (3) Financial income and expenditure and profitability analysis

			2021	2020	2019
Profitability	Return on assets (%)		20.23	19.45	26.66
	Return on equity (%)		29.70	28.15	40.19
	Rate to paid-up capital (%)	Operating income	239	194	251
		Pre-tax net profit	234	180	247
	Net profit ratio (%)		30.05	27.30	34.08
	Earnings per share (NT\$)		18.51	15.02	20.01

##### (4) Research and development status

The main research and development of the company in 2021 were as follows:

1. FPCB Assembly AVI
2. Multifield Laservia Inspector
3. Index 4W Teater

4.CSP 4W Tester

5. Inline Flip Chip Circuit AOI

## 2. Summary of the business plan for the year of 2021

Important production and sales policy and company development strategies :

With Taiwan's advantages in semiconductors, many customers have greatly expanded their IC substrate and FPC business in Taiwan. MACHVISION has not been absent and continued to cooperate in development to improve equipment testing efficiency and capabilities to make customers more competitive. Saving labor, costs, as well as management and operating expenses. In addition, 5G-related applications and other products have also continued to improve to maintain the core competitiveness.

Under the uncertainty of Global economic MACHVISION invest in the product " Index 4W Teater " that has allied with different industries. The equipment is mainly developed for HDI, 5G, and high-end circuits of automotive PCB. MACHVISION continues to innovate the products for the long-term competitiveness.

In order to cope with the changeable environment MACHVISION will execute the plans for staff training and organizational adjustment to enhance the core value. Besides MACHVISION invites supply chain to join carbon-neutral economy for Corporate Sustainability.

MACHVISION is the world's only one-stop supplier of optical inspection equipment. With more than two decades of professional operation, 90% of the world's top 100 PCB manufacturers are currently the loyal customers of MACHVISION. The strong R&D capabilities have always been one of our core competitiveness. The Company will continue to dedicate to developing three core technologies of automatic optical inspection, which would respectively be 2D/3D measurement, circuit inspection, and appearance defect inspection. In 2020, the Smart Image R&D Center was established to invest more R&D resources to develop new products, create a larger market, and improve business performance and profits.

Finally, I would like to thank all the shareholders for your support and kindness. The company's colleagues will continue to work hard to create greater value for all shareholders. We would hope that all Shareholders continuously to give MACHVISION support and encouragement just like the past.

Chairman: Wang, Guang-Shiah

General Manager: Chen, Fu-Sheng

Accounting Supervisor: Wen, Pei-Chun

## II. Company Profile

**2.1 Date of Incorporation:** June 9<sup>th</sup>, 1998.

### 2.2 Company History

Year	Milestones
<b>Jun. 1998</b>	Established the research and development center of Machvision Technology Co., Ltd., with a paid-up capital of NTD\$39,900 thousands. Started development of general-purpose 2.5D measuring machine
<b>Mar. 1999</b>	Started to develop linear scanning technology.
<b>Sep. 1999</b>	Started development of ultra-high-speed hole position measuring machine.
<b>Dec. 1999</b>	Approved to enter Science Park.
<b>Jan. 2000</b>	Started research and development of micro blind hole measuring machines.
<b>Mar. 2000</b>	Started development of BGA testing machines and related testing technologies.
<b>Mar. 2001</b>	Started research and development of thin and wide lines width measuring machines.
<b>May. 2001</b>	The business department was established.
<b>May. 2002</b>	Started research and development of gold finger detectors and related technologies. °
<b>Aug. 2002</b>	Promote Alpha2000 and Hole-AOI to overseas markets
<b>May. 2003</b>	Invested in the development of circuit AOI.
<b>Jun. 2003</b>	Capital increase by retain earnings of NTD\$17,800 thousands, and the amount of paid-up capital after capital increase was NTD\$57,700 thousands.
<b>Mar. 2004</b>	Established a manufacturing center in R&D 2nd Road.
<b>May. 2004</b>	Capital increase by retained earnings of NTD\$13,300 thousands, and the amount of paid-up capital after capital increase was NTD\$71,000 thousands.
<b>Dec. 2004</b>	Established Samoa MACHVISION INC.
<b>Jun. 2005</b>	Established Machvision (Dongguan) Testing Equipment Co., Ltd. The high-speed scanning 3D main body technology was successfully developed.
<b>Jun. 2005</b>	Capital increase of NTD\$29,000 thousands, and the amount of

Year	Milestones
	paid-up capital after capital increase was NTD\$100,000 thousands.
<b>Jan. 2006</b>	Established the Kaohsiung office and is committed to software development.
<b>Jun. 2006</b>	Expand the operations center.
<b>Jun. 2006</b>	Capital increase by retained earnings of NTD\$40,000 thousands, and the amount of paid-up capital after capital increase was NTD\$140,000 thousands.
<b>Feb. 2007</b>	The manufacturing center is expanding and moved.
<b>Feb. 2007</b>	Capital increase for NTD\$21,000 thousands, and the paid-up capital after the capital increase was NTD\$161,000 thousands.
<b>May. 2007</b>	Handle stock public offerings.
<b>Jun. 2007</b>	Company's stock is registered in the trading market.
<b>Aug. 2007</b>	Capital increase by retained earnings of NTD\$33,919 thousands, and the amount of paid-up capital after capital increase was NTD\$194,919 thousands.
<b>Sep. 2008</b>	Capital increase for NTD\$30,578 thousands, and the paid-up capital after the capital increase was NTD\$225,496 thousands.
<b>Dec. 2008</b>	Launched a 3D stereo measuring machine.
<b>Feb. 2009</b>	Launched CSP Bump detector and next-generation circuit AOI inspection machine.
<b>Mar. 2009</b>	Invested in the development of ultra-high-speed inner inspection machine and 3D AOI printing circuit stereo inspection machine.
<b>May. 2009</b>	Launched the second generation AFI automatic appearance final inspection machine.
<b>Aug. 2009</b>	Introduced ultra-high speed inner inspection machine.
<b>Nov. 2009</b>	Launched 3D AOI printed circuit stereo inspection machine.
<b>Dec. 2009</b>	Invested in the development of LED Lead Frame inspection machine.
<b>Sep. 2010</b>	Launched LED Lead Frame high precision measuring machines.
<b>Jan. 2011</b>	Capital increase for NTD\$30,070 thousands, and the paid-up capital after the capital increase was NTD\$255,566 thousands.
<b>Jan. 2011</b>	Company stock IPO.
<b>Mar. 2011</b>	Launched FGF flexible PCB gold finger inspection machines.
<b>Aug. 2011</b>	Launched a roll-to-roll AOI inspection machine.
<b>Aug. 2011</b>	Capital increase for NTD\$51,113 thousands, and the paid-up capital after the capital increase was NTD\$306,679 thousands.
<b>Dec. 2011</b>	Launched FVRS Gold Finger re-inspection machines.

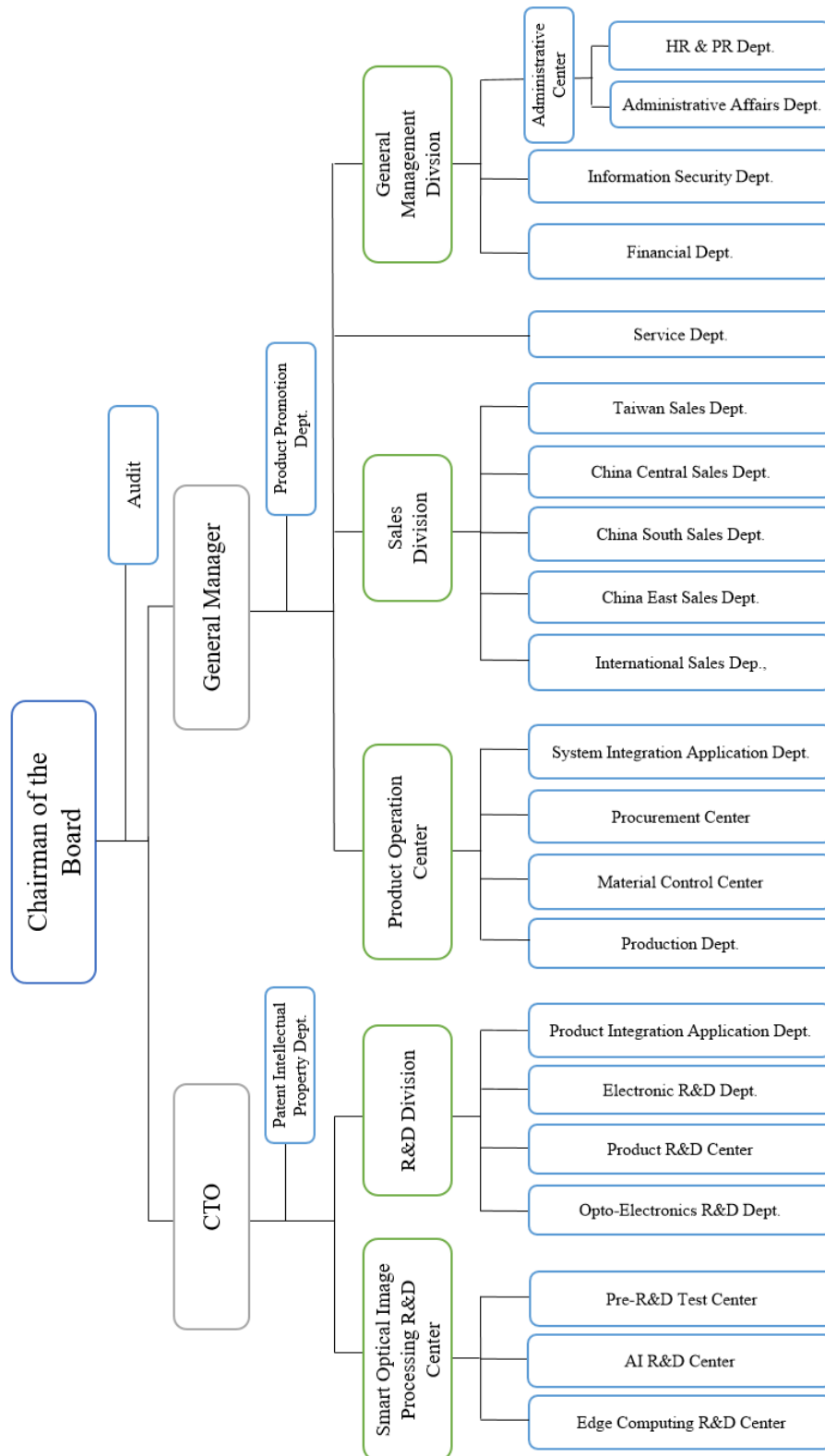


Year	Milestones
<b>Aug. 2012</b>	Capital increase by retained earnings for NTD\$30,668 thousands, and the paid-up capital after the capital increase was NTD\$337,347 thousands.
<b>Sep. 2012</b>	Launched FCCSP appearance inspection machine (elastic type).
<b>Oct. 2012</b>	Launched large countertop appearance inspection machine
<b>Dec. 2012</b>	Launched flexible appearance inspection machine.
<b>Jul. 2013</b>	Capital increase by retained earnings of NTD\$33,735 thousands, and the amount of paid-up capital after capital increase was NTD\$371,082 thousands.
<b>Aug. 2013</b>	Introduced new automatic appearance inspection machine AFI2 3000x400.
<b>Oct. 2013</b>	Capital increase for NTD\$55,000 thousands, and the paid-up capital after the capital increase was NTD\$426,735 thousands.
<b>Jan. 2014</b>	Moved to newly acquired building, No. 2~3, Industrial East 2nd Road, Hsinchu Science Park.
<b>Mar. 2015</b>	Launched PCB appearance inspection machine AOFI.
<b>May. 2016</b>	Introduced wafer appearance inspection machine Wafer AVI.
<b>Apr. 2017</b>	Introduced smart AOI 4.0.
<b>Dec. 2017</b>	Launched flexible PCB continuous circuit inspection machine
<b>Aug. 2018</b>	Launched thin film flip chip package appearance inspection machine and thin film flip chip packaging circuit inspection machine.
<b>Sep. 2018</b>	AI R&D Center established.
<b>Mar. 2019</b>	Established the Bethel Unicorn Incubation Center
<b>Apr. 2019</b>	Got listed on the Taiwan Stock Exchange Corporation (TSEC)
<b>Oct. 2019</b>	Introduced Color CSP AFI
<b>May 2020</b>	Capital increase for NTD\$21,200 thousands, and the paid-up capital after the capital increase was NTD\$447,282 thousands.
<b>Oct. 2020</b>	Introduced Tray In(Out) inspection equipment, including of AVI , bump, and board warpage.
<b>Apr. 2021</b>	Introduced Multifield Laservia Inspector
<b>Sep. 2021</b>	Introduced FPCB Assembly AVI

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department	Tasks and responsibility
Audit Department	<ol style="list-style-type: none"> <li>1. Check whether company's internal control system continues to operate effectively, whether operational activities are carried out according to established plan, whether laws and regulations are actually followed and propose improvements.</li> <li>2. Coordinate and promote self-inspection operations of relevant internal control implementations of various departments.</li> </ol>
Marketing Product Department	<ol style="list-style-type: none"> <li>1. Company image publication planning.</li> <li>2. Product Marketing Planning.</li> <li>3. Promotion activities.</li> </ol>
Business Department	<ol style="list-style-type: none"> <li>1. Responsible for sales, promotion and execution of various products.</li> <li>2. Responsible for business gathering and market development, analysis and forecasting.</li> </ol>
Customer Service Department	<ol style="list-style-type: none"> <li>1. Installation, testing, upgrade, customer education training and question and answer after sales of domestic and foreign machines.</li> <li>2. Various engineering support work within the company.</li> </ol>
Information Security Management Department	<ol style="list-style-type: none"> <li>1. Responsible for the planning, promotion and management of company information operations.</li> <li>2. Information computerization promotion center.</li> <li>3. Various computerized information collection, provision and control.</li> <li>4. Various software and hardware equipment planning and control.</li> <li>5. Various computer knowledge education and training implementation promotion center.</li> </ol>
System Integration Application Department	<ol style="list-style-type: none"> <li>1. Integrate system resources of various departments.</li> <li>2. Process improvement works in various departments.</li> </ol>

Department	Tasks and responsibility
Production Department	<ol style="list-style-type: none"> <li>1. Responsible for the assembly of all project machines.</li> <li>2. Support all projects to carry out a large number of on-site upgrades and installations.</li> <li>3. Technical data management.</li> <li>4. Responsible for the installation and testing of all project machines.</li> <li>5. Responsible for all project machines to be handed over to the quality assurance inspection assembly.</li> </ol>
Material Control Center	<ol style="list-style-type: none"> <li>1. Production scheduling.</li> <li>2. Production/logistics/warehousing management.</li> </ol>
Procurement Center	<ol style="list-style-type: none"> <li>1. Plan various direct/indirect material procurement strategies and formulate procurement performance targets.</li> <li>2. Collect market information on supply and demand and prices of materials in the industry, and maintain good relations with various manufacturers.</li> <li>3. Integrate production schedule and material balance, and is responsible for production and sales coordination.</li> <li>4. Inventory management.</li> </ol>
Intellectual Property Management Department	<ol style="list-style-type: none"> <li>1. Patent application planning.</li> <li>2. Patent management and dispute resolution.</li> </ol>
Smart Optical Image R&D Center	<p>Pre-development testing center:</p> <ol style="list-style-type: none"> <li>1. Core algorithm development.</li> <li>2. New technology integration design.</li> <li>3. Feasibility assessment of new product development.</li> </ol> <p>Artificial Intelligence R&amp;D Center:</p> <ol style="list-style-type: none"> <li>1. Develop and improve AI technologies.</li> <li>2. AI technologies import to AOI and AVI products</li> </ol> <p>Edge Computing R&amp;D Center</p> <ol style="list-style-type: none"> <li>1. Cloud system integration technology.</li> <li>2. Computing efficiency improvement technology for AI application terminal equipment.</li> </ol>
R&D Department	<p>Optics-Electronics R &amp; D Department:</p> <ol style="list-style-type: none"> <li>1. Support the core technologies required for each project development.</li> <li>2. Optical machine designs and optical machine experiments.</li> <li>3. Project image data maintenance.</li> <li>4. Collection and summary of project documents.</li> <li>5. R&amp;D to production data and technology transfer.</li> <li>6. Engineering change data transfer (drawing, material list, checklist).</li> </ol>

Department	Tasks and responsibility
	Product research and development: 1. Develop and develop new products. 2. Control and conduct development projects. 3. Support the core technologies required for each project development. 4. Collection/induction of project documentations.
	Electronic R&D Department: 1. Design of electronic hardware system. 2. Electronic circuit design and unit functional verification.
	Product Integration Application Department 1. Product review in the initial R&D process and the improvement process. 2. Assembling and installing of all R&D machines. To improve and manage the technical and testing documents. 3. Support R&D Demo and PK.
Administration center	Administrative Personnel Center: 1. Coordinating administrative, general affairs, and human resources matters. 2. Planning, coordination and promotion of project plans. 3. Company image and marketing affairs planning and execution. Information Management Center: 1. Responsible for the management of the issuance, recycling, destruction and archiving of related documents. 2. Production, modification, filing and storage of technical documents. 3. Technical drawings, engineering specifications, BOM changes/releases/management. Labor Safety Center: 1. Responsible for work environment safety measures. 2. Emergency response plan. 3. Health implementation of labor safety operations.
Human resources Department	1. Human resources. 2. Responsible for shaping of the corporate image and developing PR strategies and campaigns.
Financial Department	1. Responsible for accounting operations, business analysis and tax planning. 2. Responsible for financing planning, fund management and scheduling, and customer credit management. 3. Long-term and short-term investment evaluation and management.

### 3.2 Directors and Management Team

#### 3.2.1 Directors

March 28, 2022

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected MM/DD/YYYY	Term (Years)	Date First Elected MM/DD/YYYY	Shareholding when		Current		Spouse & Minor		Shareholding by		Experience ( Education )	Other Position	Executives, Directors or			Remark(s) (Note)
							Elected		Shareholding		Shareholding		Nominee				Supervisors Who are			
							Shares	%	Shares	%	Shares	%	Shares	%			Spouses or within Two Degrees of Kinship			
Chairman	R.O.C.	WANG/ GUANG-SHIAH	Male/ 60-70	07/20/2021	3	05/26/1998	1,426,740	3.19%	1,426,740	3.19%	72,426	0.16%	-	-	Ph.D., Institute of Industrial Engineering, Pennsylvania State University Professor, Department of Industrial Engineering Management, Chung Hua University	Company's chief technical officer Director of Machvision (Dongguan) Inc.. Chairman of Autovision Technology Inc. Ltd. (legal representative) Chairman of Sigold Optics Inc. (legal representative) Chairman of SISSCA Co.,Ltd. (legal representative)	-	-	-	
Director	R.O.C.	CHUANG/ YUNG-SHUN	Male/ 61-70	07/20/2021	3	12/07/2005	417,711	0.93%	417,711	0.93%	-	-	-	-	Master of International Business Studies, National Taiwan University Master of Business Administration, Tulane University, USA Bachelor of Electronic Engineering, National Taiwan University of Science and Technology Chairman of AAEON Technology Co., Ltd.	Chairman of AAEON Technology Co., Ltd. (legal representative) Chairman of AAENO Investment Co., Ltd. (legal representative) Chairman of ONYX Healthcare Inc. (legal representative) Chairman of AAEON Technology (Suzhou) Co., Ltd. (legal representative)	-	-	-	Please see note 1 for other concurrent positions.

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected MM/DD/YYYY	Term (Years)	Date First Elected MM/DD/YYYY	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	YU/ MING-CHANG	Male/ 61-70	07/20/2021	3	08/07/2008	1,073,940	2.40%	1,073,940	2.40%	16,636	0.04%	—	—	Master of Electrical Engineering, Tsinghua University Deputy General Manager of Stark Technology Co., Ltd.	Director of Stark Technology Inc. Director of Aspeed Technology Co., Ltd. (legal representative) Director of Atech OEM Technology Inc. Director of Autovision Technology Co., Ltd. (legal representative) Director of board of ChipAI Co., LTD.(legal representative) Independent director of CipherLab Co., Ltd.				
Director	R.O.C.	CHANG/ YUNG-YANG	Male/ 71-80	07/20/2021	3	05/25/2007	1,333,904	2.98%	1,336,904	2.99%	—	—	—	—	Doctor of Science and Technology, Institute of Science and Technology Management, Chung Hua University Associate Professor, Kainan University Vice-principal of Taoyuan community college Consultant of Changqiao Accounting firm	Chairman of Changhong Enterprise Management Consulting Co., Ltd. Director of JUIC International corporation Supervisor of Avountes Co., Ltd.				

Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected MM/DD/YYYY	Term (Years)	Date First Elected MM/DD/YYYY	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	YAN/ WEI-CHYUN	Male/ 61-70	07/20/2021	3	06/10/2013	275,998	0.62%	275,998	0.62%	—	—	—	—	Master of Business Administration, City University of New York, USA Chairman and General Manager of Atech OEM Co., Ltd.	Chairman and General Manager of Atech OEM Co., Ltd. Director of CipherLab Co., Ltd. Director of AAEON Technology (Suzhou) Co., Ltd. (legal representative)				Please note 2 for other concurrent positions
Director	R.O.C.	CHEN/ FU-SHEN	Male/ 41-50	07/20/2021	3	05/29/2019	27,034	0.06%	27,034	0.06%	—	—	—	—	Master of Industrial Engineering, Tsinghua University Wafer works Group Chairman Special Assistance and Deputy General Manager of Subsidiary Operations	Company's general manager Chairman of Avountes Co., Ltd.(legal representative) Chairman of ChipAI Co., LTD.(legal representative) Director of board of SISSCA Co.,Ltd.(legal representative)				
Director	R.O.C.	LEE/ TSU-DER	Male/ 71-80	07/20/2021	3	05/27/2016	—	—	—	—	1,000	—	—	—	Bachelor of Dental Medicine, Taipei Medical University Chairman of Taipei Medical University	Chairman of Handing Medical Electronics Biotechnology Management Consultancy Co., Ltd				Please see note 3 for other concurrent positions



Title	Nationality/ Place of Incorporation	Name	Gender/ Age	Date Elected MM/DD/YYYY	Term (Years)	Date First Elected MM/DD/YYYY	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remark(s) (Note)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	R.O.C.	YEN/ TZONG-MING	Male/ 71-80	07/20/2021	3	05/26/2017	—	—	—	—	—	—	—	—	Master of Economics, Soochow University Director of Science and Technology Parks Professor, Department of Business Administration, Hsuan Chuang University	Independent director of ACTION ELECTRONICS CO., LTD. Director of Private Hsinchu Guangfu Senior High School Senior Consultant of Wholtech System Hitech Limited				
Director	R.O.C.	DU/ MING-HAN	Male/ 61-70	07/20/2021	3	12/24/2018	—	—	—	—	—	—	—	—	Master of Management Science, Tamkang University Senior Deputy General Manager of Taiwan Microsoft Corporation President of Taiwan World Vision	Independent director of Machvision Inc.				

Note 1: Director of AAEON electronics Inc., director of AAEON TECHNOLOGY (Europe) BV, director of AAEON TECHNOLOGY GMBH, director of AAEON TECHNOLOGY SINGAPORE PTE. LTD., director of Mcfees Group Inc., director of Allied Biotech Corp., director of sunengine corporation LTD (legal representative), director of XAC AUTOMATION CORP. (legal representative), director of Atech OEM Co., Ltd., director of Outstanding Electronics (dongguan) manufacturer Co., Ltd., director of Danyang Qiye Technology Co.,Ltd, director of CHC Healthcare Group (legal representative), director of Machvision (Dongguan) Co., Ltd. (legal representative), chairman of Yanxin Investment Co., Ltd., director of Top union Electronics (Suzhou) Co., Ltd. (legal representative), Independent director of Top union Electronics Co., Ltd., director of board of Allied Oriental International Ltd. (legal representative), , chairman of Fu Li Investment Co., Ltd., director of Litemax Electronics Inc., director of Litemax Technology Inc., director of king core electronic Inc., chairman of EVERFOCUS ELECTRONICS CORP, chairman of Onyx Healthcare (Shanghai)Inc.(legal representative), director of ONYX Healthcare Europe B.V., director of ONYX Healthcare USA, INC., director of yibao-jhthren Inc.(legal representative), director of Winmate Inc.(legal representative), director of IBASE TECHNOLOGY INC.(legal representative), director of Fengxin venture capital Inc. (legal representative), chairman of the AAEON Culture and Education Foundation.

Note 2: Director of board of AAEON TECHNOLOGY (Europe) BV, Director of board of AAEON Technology Inc.(legal representative), Chairman of Danyang Qiye Technology Co.,Ltd. (legal representative), Chairman of Outstanding Electronics (dongguan) manufacturer Co., Ltd. (legal representative), Chairman of ATECH (Yichang) Electronics Co., Ltd. (legal representative), director of ATECH Technology (SAMOA) Ltd. (legal representative) ), director of Growth Profits Group Limited (legal representative), director of Outstanding Electronics Manufacturer Group Co., Ltd. (legal representative), Supervisor of Autovision Technology Inc., independent director of Abico Avy Co., Ltd., director of Sigold Optics Co., Ltd. (legal representative) , director of Avountes co., Ltd. (legal representative), director of QQE TECHNOLOGY CO., LTD. (legal representative).

Note 3: Independent director of China general plastics corporation, director of Diamond capital management Ltd. (legal representative), director of Diamond biotechnology investment Ltd. (legal representative), director of Xinyao biotechnology investment Ltd.(legal representative), director of MICROBIO (shanghai) CO., LTD., director of Onyx Healthcare Ltd., director of yibao-jhthren Inc.

Note4: Where the Chairman of the Board of Directors and the President or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

**Major shareholders of the institutional shareholders:** None.

**Major shareholders of the Company's major institutional shareholders:** None.

### 3.2.1.1 Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

March 28, 2022

Criteria Name	Independent director	Audit Committee Member	Professional qualification and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
WANG/ GUANG-SHIAH	-	-	Please refer to page 12.	Not applicable	0
YU/ MING-CHANG	-	-			1
CHANG/ YONGYING	-	-			0
CHUANG/ YUNGSHIN	-	-			1
YAN/ WEI-CHYUN	-	-			1
CHEN/ FU-SHEN	-	-			0

LEE/ TSU-DER	V	V Convener	Please refer to page 12	Independent directors are in compliance with Regulations	1
YEN/ TZONG-MING	V	V	Not been a person of any conditions defined in Article 30 of the Company	Governing Appointment of Independent Directors and	1
DU/ MING-HAN	V	V	Law.	Compliance Matters for Public Companies	0

### 3.2.1.2 Board Diversity Policy and Implementation Status

Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.

Core goals for diversification Name of director	Nationality	Age	Gender	Employee	Operational management and business judgment	Finance and accounting	Crisis handling	Industry knowledge	Global market perspectives	Leadership
WANG/ GUANG-SHIAH	R.O.C	61~70	Male	Yes	V		V	V	V	V
YU/ MING-CHANG	R.O.C	61~70	Male	No	V		V	V	V	V
CHANG/ YONGSHUN	R.O.C	61~70	Male	No	V		V	V	V	V
CHANG/ YUNG-YANG	R.O.C	71~80	Male	No	V	V	V	V	V	V
YAN/ WEI-CHYUN	R.O.C	61~70	Male	No	V	V	V	V	V	V
CHEN/ FU-SHEN	R.O.C	41~50	Male	Yes	V		V	V	V	V
LEE/ TSU-DER	R.O.C	71~80	Male	No	V		V	V	V	V
YEN/ TZONG-MING	R.O.C	71~80	Male	No	V	V	V	V	V	V
DU/ MING-HAN	R.O.C	61~70	Male	No	V		V	V	V	V

### 3.2.2 Management Team

Title	Nationality	Name	Gender	Date Effective MM/DD/YY	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman and Chief Technology Officer of R/D dept.	R.O.C.	WANG/GUANG-SHIAH	Male	07/01/06	1,426,740	3.19%	72,426	0.16%	—	—	Ph.D., Institute of Industrial Engineering, Pennsylvania State University Professor, Department of Industrial Engineering Management, Chung Hua University	Director of Machvision (Dongguan) Inc.. Chairman of Autovision Technology Inc. Ltd. (legal representative) Chairman of Sigold Optics Inc. (legal representative) Chairman of SISSCA Co.,Ltd. (legal representative)	—	—	—	
General Manager	R.O.C.	CHEN/FU-SHEN	Male	04/10/14	27,034	0.06%	—	—	—	—	Master of Industrial Engineering, Tsinghua University Wafer works Group Chairman Special Assistance and Deputy General Manager of Subsidiary Operations Associate deputy	Chairman of Avountes Co., Ltd.(legal representative) Chairman of ChipAI Co., LTD.(legal representative) Director of SISSCA Co. Ltd. (legal representative) Chairman of Machvision Korea Co., Ltd	—	—	—	

Title	Nationality	Name	Gender	Date Effective MM/DD/YY	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark(s) (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Business Deputy General Manager	R.O.C.	TSENG/WEI-LUN	Male	07/01/19	—	—	—	—	—	—	EMBA of National Chiao Tung University(Studying) Section manage of Chip Power Technology Corp.	NA	—	—	—	
Research and Development Deputy General Manager	R.O.C.	WANG/YUAN-NAN	Male	07/01/19	4,000	0.01%	—	—	—	—	Master of Taiwan University Department of Mechanical Engineering General manager of Sigold Optics Inc. General manager of Anderson Industrial Corp. General manager of Lianyuan Inc.	NA	—	—	—	
Financial and accounting officer corporate governance officer	R.O.C.	WEN/PEI-CHUN	Female	04/15/20	—	—	—	—	—	—	Bachelor of Public Finance, National Taipei University Assistant manager of KPMG Taiwan	NA	—	—	—	Note1

Note1: Where the President or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

### 3.2.3 Remuneration of Directors, Independent Directors, President, and Vice Presidents

#### Remuneration of Directors and Independent Directors

Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company (Note 1)
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Director	WANG/GUANG-SHIAH	-	-	-	-	8,554	8,554	95	95	1.04%	1.04%	11,337	11,337	108	108	21,184	-	21,184	-	4.99%	4.99%	-
	YU/MING-CHANG																					
	CHANG/YONGSHUN																					
	CHUANG/YUNGSHUN																					
	YAN/WEI-CHYUN																					
	CHEN/FU-SHEN																					
Independent Director	LEE/TSU-DER	-	-	-	-	4,277	4,277	155	155	0.54%	0.54%	-	-	-	-	-	-	-	-	0.54%	0.54%	-
	YEN/TZONG-MING																					
	DU/MING-HAN																					
<p>1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:</p> <p>2.In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.</p> <p>3. The remuneration of directors and the remuneration of employees have not yet been decided, which is based on the percentage of the allocation in previous year.</p>																						



Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements (I)
Less than NT\$ 1,000,000	-	-	-	-
NT\$1,000,000 ~ NT\$1,999,999	WANG/GUANG-SHIAH、 CHUANG/YUNG-SHUN、 YU/MING-CHANG、 CHANG/YUNG-YANG、 YAN/WEI-CHYUN、 LEE/TSU-DER、 YAN/ZONGMING、 DU/MINGHAN、 CHEN/FU-SHEN	WANG/GUANG-SHIAH、 CHUANG/YUNG-SHUN、 YU/MING-CHANG、 CHANG/YUNG-YANG、 YAN/WEI-CHYUN、 LEE/TSU-DER、 YAN/ZONGMING、 DU/MINGHAN、 CHEN/FU-SHEN	CHUANG/YUNG-SHUN、 YU/MING-CHANG、 CHANG/YUNG-YANG、 YAN/WEI-CHYUN、 LEE/TSU-DER、 YAN/ZONGMING、 DU/MINGHAN	CHUANG/YUNG-SHUN、 YU/MING-CHANG、 CHANG/YUNG-YANG、 YAN/WEI-CHYUN、 LEE/TSU-DER、 YAN/ZONGMING、 DU/MINGHAN
NT\$2,000,000 ~ NT\$3,499,999				
NT\$3,500,000 ~ NT\$4,999,999				
NT\$5,000,000 ~ NT\$9,999,999				
NT\$10,000,000 ~ NT\$14,999,999				
NT\$15,000,000 ~ NT\$29,999,999			WANG/GUANG-SHIAH、 CHEN/FU-SHEN	WANG/GUANG-SHIAH、 CHEN/FU-SHEN
NT\$30,000,000 ~ NT\$49,999,999				
NT\$50,000,000 ~ NT\$99,999,999				
Greater than or equal to NT\$100,000,000				
Total	9	9	9	9

### Remuneration of the President and Vice Presidents

Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company  (Note)
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chief Technical Officer	WANG/GUANG-SHIAH	11,745	11,745	324	324	7,172	7,172	25,792	-	25,790	-	5.44%	5.44%	-
General Manager	CHEN/FU-SHEN													
Business Deputy General Manager	TSENG/WEI-LUN													
Research and Development Deputy General Manager	WANG/YUAN-NAN													

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements (E)
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-
NT\$5,000,000 ~ NT\$9,999,999	TSENG/WEI-LUN 、 WANG/YUAN-NAN	TSENG/WEI-LUN 、 WANG/YUAN-NAN
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	WANG/GUANG-SHIAH 、 CHEN/FU-SHEN	WANG/GUANG-SHIAH 、 CHEN/FU-SHEN
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	4	4

**Names of managerial officers with compensation as employees and the status of payment**

	Title	Name	Stock	Cash	Total	Proportion of total to net profit after tax of parent company only (%)
Managerial Officers	Chief Technical Officer	WANG/GUANG-SHIAH	-	22,808	22,808	2.76%
	General Manager	CHEN/FU-SHEN				
	Business Deputy General Manager	TSENG/WEI-LUN				
	Research and Development Deputy General Manager	WANG/YUAN-NAN				
	Financial and accounting officer	WEN/PEI-CHUN				

### 3.2.4 Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice presidents of the Company, to the net income.

Year	Ratio of total remuneration paid to president and vice presidents to net income (%)		Ratio of total remuneration paid to directors to net income (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
2020	5.48%	5.49%	6.03%	6.03%
2021	5.53%	5.53%	5.44%	5.44%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance.

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage in Article 26 of the Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, No less than 5% shall be taken for employee compensation, and no more than 3% taken for directors' compensation, provided that the amount of accumulated loss, if any, be first withheld." The annual earning distribution status is submitted to the Board of Directors for discussion before being sent to the shareholders' meeting for resolution.

The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends.

The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages. It has a positive correlation with the performance of the Company's business.

### 3.3 Implementation of Corporate Governance

#### 3.3.1 Board of Directors

##### A. Operations of the Board of Directors

A total of 8 (A) meetings of the Board of Directors were held in the previous period.

The attendance of director and supervisor were as follows:

The eighth session 3 times and the ninth session 5 times.

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	WANG/GU ANG-SHI AH	8	0	100.00	Note
Director	YU/MING- CHANG	8	0	100.00	Note
Director	CHANG/Y ONGSHU N	8	0	100.00	Note
Director	CHUANG/ YUNGSH ON	8	0	100.00	Note
Director	YAN/WEI- CHYUN	8	0	100.00	Note
Director	CHEN/FU- SHEN	8	0	100.00	Note
Independent director	LEE/TSU- DER	8	0	100.00	Note
Independent director	YEN/TZO NG-MING	8	0	100.00	Note
Independent director	DU/MING- HAN	8	0	100.00	Note

Note : Re-elected as the ninth director (independent director) of the company at the shareholders' meeting on July 20, 2021.

Other mentionable items:

1. If any of the following circumstances occur,, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
  - (1) Matters referred to in Article 14-3 of the Securities and Exchange Act.
  - (2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors.

Date	Proposal and resolution	Matters referred to in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
2021/2/3 Eighth 17th time	1. The amendments to the company's "Regulations Governing Remuneration to Directors and Managerial Officers.	yes	no
	2. The 2020 yearend bonus to managerial officers.	yes	no
	3. The 2020 remuneration to directors (including independent directors) and employees.	yes	no
	4. The election of the company's directors and independent directors.	yes	no
	5. The lifting of the non-compete restrictions on the company's newly elected directors.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	1. Resolution (1~3): Reviewed by Compensation Committee and all attendees of directors and independent directors passed without objection expect CTO (WANGGUANG-SHIAH) and General Manager (CHEN FU-SHEN) were not participate in discussions and voting due to interest avoidance. 2. Resolution (4~5): All Attendees of directors and independent directors passed without objection.		
2021/5/4 Eighth 18th time	1. Investment in SISSCA Co., Ltd. proposed by the company.	yes	no

Date	Proposal and resolution	Matters referred to in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
	2. Company's newly formulated "Procedures for Whistleblower Channel and Protection".	yes	no
	3. The amendments to the company's "Rules of Procedure for Board of Directors Meetings".	yes	no
	4. The amendments to the company's "Rules Governing the Scope of Powers of Independent Directors".	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	Resolution: All Attendees of directors and independent directors passed without objection.		
2021/6/4 Eighth 19th time	The proposal to postpone the date and place of the 2021 Shareholders' Meeting.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	Resolution: All Attendees of directors and independent directors passed without objection.		
2021/7/20 ninth first	MACHVISION, INC. Board of Directors elected Mr. Wang, Guang-Shiah as Chairman.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	Resolution: All Attendees of directors and independent directors passed without objection.		
2021/8/3 ninth second	1.The distribution of remunerations to directors (including independent directors) for 2020.	yes	no

Date	Proposal and resolution	Matters referred to in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
	2. The distribution of remunerations to key management and employees for 2020.	yes	no
	3. The routine adjustment in the salary of key management for 2021.	yes	no
	4. The revision of the car rental subsidy policy for key manager.	yes	no
	5. The design of the company's new building and the plan.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	1. Resolution (1~4): Reviewed by Compensation Committee and all attendees of directors and independent directors passed without objection expect CTO (WANGGUANG-SHIAH) and General Manager (CHEN FU-SHEN) were not participate in discussions and voting due to interest avoidance. 2. Resolution (5): All Attendees of directors and independent directors passed without objection.		
2021/11/3 ninth third	1. Renewal of the "Liability Insurance of Directors, Supervisors, and Managerial Officers" from Tokio Marine Nawa Insurance Co., Ltd.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		



Date	Proposal and resolution	Matters referred to in Article 14-3 of the Securities and Exchange Act	Other matters involving objections or expressed reservations by independent directors
	Resolution: All Attendees of directors and independent directors passed without objection.		
2021/11/3 ninth fourth	1.Proposition for senior manager pension plan.	yes	no
	2. 2021 proposition for distribution amount of year-end bonus for managerial officers.	yes	no
	3. Proposition for MACHVISION 2022 Certified Public Accountant.	yes	no
	Independent directors' opinions: NA		
	The reaction of independent directors' opinions: NA		
	1. Resolution (1~2): Reviewed by Compensation Committee and all attendees of directors and independent directors passed without objection expect CTO (WANGGUANG-SHIAH) and General Manager (CHEN FU-SHEN) were not participate in discussions and voting due to interest avoidance. 2. Resolution (3): All Attendees of directors and independent directors passed without objection.		

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: Please refer previous item.

## B. Implementation Status of Board Evaluations

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	2021/01/01 ~ 2021/12/31	Board of Directors, individual directors, and functional committees	internal self-evaluation by the Board of Directors, self-assessment by directors, peer evaluation	Note 1、2
Once three year	2020/11/01 ~ 2020/10/31	Board of Directors, individual directors, and functional committees	Hiring an external professional organization. Taiwan Corporate Governance Association	Note 1、2

Note 1: According to the scope of evaluation, evaluation items must at least include the following items:

- (1) Board performance evaluation: At least includes level of participation in company operations, the quality of Board decisions, Board composition and structure, appointment of directors and their continued development, and internal controls.
- (2) Individual director performance evaluation: At least includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.
- (3) Functional committee performance evaluation: Participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

Note 2: The composition of the board of directors, the guidance of the board of directors, the authorization of the board of directors, the supervision of the board of directors, the communication of the board of directors, internal control and risk management, the self-discipline of the board of directors and other (board meetings and support systems, etc.).

### 3.3.2 Audit Committee

#### A. Audit Committee

A total of 6 (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

The first session twice and the second session 4 times

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent director	LEE/TSU- DER	6	-	100.00%	
Independent director	YEN/TZO NG-MING	6	-	100.00%	
Independent director	DU/MING -HAN	6	-	100.00%	

Other mentionable items:

1.If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

Date	Proposal and resolution	Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.
2021/2/3 1 <sup>st</sup> 14th time	2020 annual financial report.	yes	no
	The company's newly formulated "Procedures for Reporting Major Incidents".		
	2020 Internal Control System Statement.	yes	no
	Election of the company's directors and independent directors.	yes	no
	Audit Committee's resolution : Agree.		
	Company's response to the Audit Committee's opinion : Agree.		
2021/5/4 1 <sup>st</sup> 15th time	The company's newly formulated "Procedures for Whistleblower Channel and Protection".	yes	no
	Amendment to the company's "Rules of Procedure for Board of Directors Meetings".	yes	no

Date	Proposal and resolution	Article 14-5 of the Securities and Exchange Act	Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.
	Amendment to the company's "Rules Governing the Scope of Powers of Independent Directors".	yes	no
	Amendment to the company's "Audit Committee Charter".	yes	no
	The investment in SISSCA Co., Ltd. proposed by the company.	yes	no
	Audit Committee's resolution : Agree.		
	Company's response to the Audit Committee's opinion : Agree.		
2021/8/3 2 <sup>nd</sup> 1 <sup>st</sup>	Approved the financial statements for the second quarter of 2021.	yes	no
	Approved the design of the company's new building and the plan.	yes	no
	Audit Committee's resolution : Agree.		
	Company's response to the Audit Committee's opinion : Agree.		
2021/11/3 2 <sup>nd</sup> 2 <sup>nd</sup>	Renewal of the "Liability Insurance of Directors, Supervisors, and Managerial Officers" from Tokio Marine Nawa Insurance Co., Ltd.	yes	no
	Audit Committee's resolution : Agree.		
	Company's response to the Audit Committee's opinion : Agree.		
2021/12/29 2 <sup>nd</sup> 4 <sup>th</sup>	The revision of renaming "Corporate Social Responsibility Best Practice Principles for Listed Companies" as "Sustainable Development Best Practice Principles for Listed Companies" and the revision of partial clauses.	yes	no
	The revision of some clauses from "Corporate Governance Best Practice Principles."	yes	no
	MACHVISION 2022 audit plan.	yes	no
	Proposition for MACHVISION 2022 Certified Public Accountant.	yes	no
	Audit Committee's resolution : Agree.		
	Company's response to the Audit Committee's opinion : Agree.		

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: Please refer previous item.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

Date	Communications
Feb. 2021	Discuss the financial report and related issues with the financial and accounting supervisor and the audit supervisor °
May 2021	Discuss the new amendments to laws and regulations with the financial and accounting supervisor and the audit supervisor °
Aug. 2021	Discuss the financial report, new amendments to laws and regulations, and other related issues with the accounting supervisors and audit supervisors.
Dec. 2021	Meeting with the accounting supervisor and the audit supervisor to explain the relevant matters of the audit matters. Discuss with the audit supervisor about issues related to the 2022 annual audit plan and risk assessment.
Independent directors have direct communication channels with internal audits and accountants. The internal audit supervisor reports to the audit committee in the audit committee held every quarter. Accountants attend audit committees held from time to time.	

### 3.3.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders’ suggestions, doubts, disputes and litigation.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?			The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?			Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. In addition, the “Criteria of Internal Control Mechanism for a Public Company”, outlined by the Financial Supervisory Commission when drafting the guidelines for the “Supervision and Governance of Subsidiaries”, was followed in order to implement total risk control with respect to subsidiaries.	
(4) Does the company establish internal rules			To protect shareholders’ rights and fairly treat shareholders, the Company has established the	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
against insiders trading with undisclosed information?			internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?  (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit	V		<p>Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification.</p> <p>The Company has set up the Remuneration Committee and the Audit Committee according to the law; the establishment of other committees</p>	None



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p>			<p>is under evaluation.</p> <p>The company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board.</p> <p>1. Self-assessment of Board members</p> <p>Board members fill in the” Self-Assessment Questionnaire for Board Members” at the end of each year. To evaluate the performance of each members effectively, the questionnaire contains the following factors:</p> <p>A. Their grasp of the Company's goals and missions;</p> <p>B. Their recognition of director's duties;</p> <p>C. Their degree of participation in the Company's operations;</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>D. Their management of internal relationships and communications;</p> <p>E. Their professionalism and continuing professional education;</p> <p>F. Internal controls.</p> <p>2. Assessment of the Board:</p> <p>The Secretary Office of the Board conducts the assessment of the Board’s performance. The following aspects are taken into consideration:</p> <p>A. The degree of participation in the Company's operations;</p> <p>B. Improvement in the quality of decision making by the Board of Directors;</p> <p>C. The composition and structure of the Board of Directors;</p> <p>D. The election of the directors and their</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the independence of CPAs?			<p>continuing professional education.</p> <p>E. Internal controls.</p> <p>The Company conducts director self-assessments and peer assessments in the first quarter each year. Assessment results were reported to the Board of Directors in (month/year), and are referenced when determining the remuneration of individual directors and nominations for reelection.</p> <p>The Company evaluates the independence of CPAs annually, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.</p>	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not			The board of directors approved the appointment of corporate governance officer on November 3, 2020. The responsibility of for corporate	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?			governance officer include corporate governance-related matters, providing information required by directors and functional committees to perform their business, drafting agendas of the board of directors and shareholders' meeting and assisting the board of directors to strengthen their functions	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?			The Company designates Agency Department of Chinatrust to deal with shareholder affairs.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<b>7. Information Disclosure</b> (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?  (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed			<p>The Company has set up a Chinese/English website (www.machvision.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status.</p> <p>The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.</p> <p>The Company has reported annual financial statements within two months after the end of each fiscal year and announced them on the company website.</p> <p>The Company announced and reported its</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
time limit?			financial statements for Q1, Q2, and Q3 and filed monthly operating status before the deadline.	
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?Please refer to note2.				
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures. Every year, the company reviews the indicators that have not yet met the scoring standards based on the recent corporate governance evaluation results and the corporate governance evaluation indicators released in the most recent year, arranges improvement schedules, and has completed the improvement of most of the projects that did not meet the standards.				

Note1 : CPAs' independence evaluation criteria

Items for Evaluation	Evaluation Result	Compliance with Independence
Does/do the CPA and/or his/her spouse and dependent relative(s) have any direct or significantly indirect financial interest relationship with the Company?	No	Yes
2. Does/do the CPA and/or his/her spouse and dependent relative(s) have any financing or guarantee with the company or the directors ?	No	Yes
3. Does/do the CPA and/or his/her spouse and dependent relative(s) have any close business relationship and potential employment relationship with the company?	No	Yes
4. Does/do the CPA and audit team member serve as a director, manager or having a significant influence on the audit work of the company last two years?	No	Yes
5. Does the CPA provide non-audit service items that may directly affect the audit work	No	Yes
6. Does the CPA broker of shares or other securities issued by the company?	No	Yes
7. Does the CPA act as the company's defender or coordinating conflicts with other third parties on behalf of the company?	No	Yes
8.Does the CPA have a relative relationship with the company's directors, managers or persons who have a significant impact on the audit case?	No	Yes

Note2 : Other important information to facilitate a better understanding of the company's corporate governance practices

1. Employees' rights and interests, employee care, investor relations, supplier relationship, and stakeholders' rights

The Company's culture is Service, Elaboration, Family and Innovation. Making considerable investment in employee benefits & work rights and investor relations. The company has been held Badminton Competition since 2016.

In terms of employees' rights & interests and employee care, the Company takes relevant government laws and regulations such as Labor Standards Act, Act of Gender Equality in Employment, Sexual Harassment Prevention Act, etc. as benchmarks for the formulation of personnel management regulations to protect employees' rights and interests. In addition to the announcement and implementation of the said regulations, labor-management meetings are regularly held to facilitate effective communication.

Moreover, "Employee Welfare Committee" has been set up, and funds are allocated on a monthly basis for organizing regular activities to enhance employees' welfare. Detailed benefits programs and budget planning are carried out every year, including gift vouchers for festivals, health-promotion and leisure activities for employees, family days, local/overseas tours, wedding and funeral subsidies, hospitalization subsidies for employees and their families, prizes for year-end parties, health check, labor/health/group insurance, etc.

In terms of investor relations, the Company has set up a dedicated Investor Relations Department to act as a communication bridge between the Company and investors for investors to fully and promptly understand the Company's business achievements/performance and long-term operational strategies/direction, thereby providing investors, analysts and domestic/international professional investment institutions with the best services.

In regards to supplier selection, the Company continues to promote green procurement by requiring raw material suppliers to



provide declarations guaranteeing that their products do not contain prohibited substances that are harmful to the environment.

With respect to stakeholders' rights, the Company has created a Stakeholder section on its website, and has set up Independent Director's Mailbox to establish a direct communication channel between the Company and employees, shareholders and stakeholders for the protection of stakeholders' rights.

## 2. Continuing studying status for directors and independent directors.

Name	Date	Organizer	Course	Training hours
WANG/GUANG-SHIAH	2021/09/01	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6
CHANG/YUNG-YANG	2021/8/17	Taiwan Corporate Governance Association	AML/CFT	3
CHANG/YUNG-YANG	2021/09/01	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum (afternoon session)	3
YU/MING-CHANG	2021/09/01	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6
CHUANG/YUNG-SHUN	2021/3/15	Taiwan Listed Companies Association	Taiwan looks ahead 50 years: talent cultivation and disaster prevention	2
CHUANG/YUNG-SHUN	2021/4/26	National Innovation and Entrepreneurship Association	Enterprise digital transformation strategy and new thinking of enterprise risk management in the digital age	3
CHUANG/YUNG-SHUN	2021/5/4	Taiwan Corporate Governance Association	Innovation, digital technology and competitive advantage	3
CHUANG/YUNG-SHUN	2021/5/5	Taiwan Corporate Governance Association	Discussion on Legal Issues of Instant Messaging	3
CHUANG/YUNG-SHUN	2021/8/31	Taipei Exchange	Sustainable upgrade online forum	2

Name	Date	Organizer	Course	Training hours
YAN/WEI-CHYUN	2021/9/1	Financial Supervisory Commission	The 13 <sup>th</sup> Taipei Corporate Governance Forum	6
CHEN/FU-SHEN	2021/8/16	The Institute of Internal Auditors	Audit work discussion on annual operating plan and budget preparation	6
LEE/TSU-DER	2021/9/1	Securities & Futures Institute	The value of information security in the epidemic and the China-US trade war	3
LEE/TSU-DER	2021/10/7	Securities & Futures Institute	Insider Trading Case Study	3
YEN/TZONG-MING	2021/8/14	Chinese Professional Management Association of Hsinchu	New trends in legal compliance risk management in the digital age and trends and practices in intellectual property and regulatory management	3
YEN/TZONG-MING	2021/9/15	Chinese Professional Management Association of Hsinchu	Technology Supply Chain Responses to International Sanctions and Bans	3
DU/MING-HAN	2021/8/6	Taiwan Corporate Governance Association	Our distance from insider trading	3
DU/MING-HAN	2021/8/23	The Institute of Internal Auditors	War and Protection of Invisible Assets--Business Secrets and Non-compete	6

### 3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Compensation Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

The Chairman of the Compensation Committee convened four regular meetings in 2020. The Compensation Committee Charter is available on the Company's corporate website.

#### A. Professional Qualifications and Independence Analysis of Compensation Committee Members

Title	Criteria Name	Professional qualification and experience	Independence Criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member
Independent Director	LEE/ TSU-DER	Please refer to page 12 of this Directors.	Independent directors are in compliance with Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies	0
Independent Director	YEN/ TZONG-MING			0
Other	HE/ LI-XING	<ol style="list-style-type: none"> <li>1. SHENG YI DEVELOPMENT CO., LTD. Independent Director</li> <li>2. Evaluation member of the Vocational Training Bureau of the Labour Council</li> <li>3. Hsinchu County Government County Political Consultant</li> <li>4. Municipal Consultant of Hsinchu City Government</li> <li>5. Major in Technology Management and Industrial Engineering</li> <li>6. Lecturer in colleges and universities</li> </ol>		0

## B. Attendance of Members at Compensation Committee Meetings

There are 3 members in the Compensation Committee. A total of 3 (A) Remuneration Committee meetings were held in the previous period. The attendance record of the Compensation Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	YEN/TZONG-MING	3	-	100%	-
Committee Member	LEE/TSU-DEER	3	-	100%	-
Committee Member	HE/LI-XING	3	-	100%	-

Other mentionable items:

1. Scope of Compensation Committee's duties: To ensure sound corporate governance, strengthen the Board functions, assist the board of directors in implementing and evaluating the Company's overall remuneration and benefits policy, and the compensation for managerial officers
2. If the Board of Directors does not accept or amends the suggestions made by the Remuneration Committee, the board meeting date, term/session, content of proposal(s), the board's resolution result, and the Company's handling of Remuneration Committee's opinions should be stated (for example, if the remuneration approved by the Board is better than that suggested by Compensation Committee, the difference and its reason(s) should be stated): None.
3. If any of the members has a dissenting or qualified opinion on Compensation Committee's resolutions, and such opinion has been recorded or declared in writing, the Compensation Committee meeting date, term/session, content of proposal(s), opinions of all members, and the handling of the members' opinions should be stated: None.
4. Compensation Committee's discussion and resolution result, and the Company's handling of members' opinions:

Compensation Committee Meeting Date	Content of Proposal and Subsequent Handling
2021/2/3	Amendment to the company's "Regulations Governing Remuneration to Directors and Managerial Officers".
	The 2020 remuneration to directors (including independent directors) and employees
	Unanimously approved by all committee members.
	The Company's handling of Compensation Committee's resolutions: CTO (WANGGUANG-SHIAH) and General Manager (CHEN FU-SHEN)

Compensation Committee Meeting Date	Content of Proposal and Subsequent Handling
	voluntarily avoided the discussion and the proposals involved personal interest, all proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.
2021/8/3	Elected convener of Remuneration Committee , Yen, Tsung-Ming was be elected.
	The distribution of remunerations to directors (including independent directors) for 2020.
	The distribution of remunerations to key management and employees for 2020.
	The routine adjustment in the salary of key management for 2021.
	The revision of the car rental subsidy policy for key manager.
	<b>Unanimously approved by all committee members.</b>
	The Company's handling of Compensation Committee's resolutions: CTO (WANGGUANG-SHIAH) and General Manager (CHEN FU-SHEN) voluntarily avoided the discussion and the proposals involved personal interest, all proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.
2021/12/29	Proposition for senior manager pension plan.
	2021 proposition for distribution amount of year-end bonus for managerial officers.
	<b>Unanimously approved by all committee members.</b>
	The Company's handling of Compensation Committee's resolutions: All proposals suggested by the Compensation Committee were unanimously approved by other directors who were present.

### 3.3.5 Implementation of Sustainable Development Promotion

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Has the company established a governance structure to promote sustainable development, and set up a dedicated (or non-dedicated) unit to promote sustainable development, relevant affairs of which are handled by senior managerial officer under the Board’s authorization and supervision?	V		In order to fulfill the social responsibilities, the company takes the administrative center as the authority and responsibility dept. to promote corporate social responsibility. Convene relevant departments quarterly to discuss and promote the social responsibility plan. Regularly report processing and implementation to the board of directors. This project has been reported to the board of directors on Dec. 29, 2021.	None
2. Did the company conduct risk assessment of environmental, social and corporate governance issues for its operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		The Company integrates and manages the potential risks of all strategies, operations, financial activities, and hazards that may affect its operations and profits. The Company implements enterprise risk management to provide suitable risk management for all stakeholders, and uses a risk map to assess the frequency of risk events and severity of impact on the Company's operations. The priority and level of risks are defined on the basis, and risk management strategies are adopted for each risk level. The Company's risk management involves the management of strategy risks, operational risks, financial risks, hazard risks, as well as risks associated with climate change and non-compliance with environmental protection and	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			climate-related regulations and other international conventions.	
3. Environmental issues (1) Does the company establish proper environmental management systems based on the characteristics of the industries?	V		The company develops and assembles machines. The production process does not produce harmful substances and waste water. The administrative center establishes and promotes an environmental management system, focusing on greenhouse gas management	None
(2) Does the Company made effort to enhance the resources efficient use and used regenerated materials to mitigate the impact on the environment?	V		The company regularly reviews the materials and sluggish inventory to increase the utilization rate and reduce the burden on the environment.	None
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		The company pays attention to the impact of climate change on the company's operating activities. And actively improves the utilization rate, reduces waste, and reduces the impact on the environment	None
(4) (4) Does the company take	V		The company development and assembly equipment. It does not require large	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons												
	Yes	No	Abstract Explanation													
inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?			<p>amounts of water and special gases during production. The company focus on CO2 management. The goal is to decrease by 50% in 2025 from 2016.</p> <table><tr><th>Item/Unit</th><th>2020</th><th>2021</th></tr><tr><td>Greenhouse gas emissions /CO2e</td><td>586</td><td>769</td></tr><tr><td>Water consumption / kWh</td><td>6,725</td><td>8,471</td></tr><tr><td>Total weight of waste /Ton</td><td>-</td><td>-</td></tr></table>	Item/Unit	2020	2021	Greenhouse gas emissions /CO2e	586	769	Water consumption / kWh	6,725	8,471	Total weight of waste /Ton	-	-	
Item/Unit	2020	2021														
Greenhouse gas emissions /CO2e	586	769														
Water consumption / kWh	6,725	8,471														
Total weight of waste /Ton	-	-														
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p><u>Comply with Relevant Regulations</u> Machvision not only complies with local regulations but also upholds the internationally-recognized human rights of workers and respects the United Nations Universal Declaration on Human Rights, and the International Labor Organization’s fundamental conventions on core labor standards. Machvision hires all employees equally based on his or her job qualifications regardless of gender, religion, race, nationality or political affiliation.</p> <p><u>Human Resource Policies and Measures</u> The following is an overview of relevant human resource policies and measures: (a)Labor Insurance, National Health Insurance, and group insurance coverage from the first day of work. (b) The Company has specific Employee Retirement Guidelines. In February</p>	None												



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			1998, we established a Labor Pension Supervision Committee approved by the Taipei City Government. Since May 1998, we have been allocating a retirement pension equivalent to 2% of employees’ monthly salaries on a monthly basis. In 2005, the new Labor Pension Act came into force. Consequently, Machvision now deposits 6% of each employee's monthly salary into a dedicated account at the Labor Insurance Bureau. When employees reach the age of 60, they may collect their pension from their personal retirement fund account.	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>Employee welfare: The Company provides an employee cafeteria, café, fitness room, lounge, and parking lot.</p> <p>Business performance reflects on employee bonuses: The Company is required to allocate no less than 5% of profits as employee bonuses each year.</p>	None
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		Machvision regularly conducts work safety promotion. Regularly inspect the equipment of the building to maintain a safe working environment. Apply for labor insurance, health insurance and group insurance in accordance with the law. Not only provide Health checkups, health education courses and flu vaccines annually but also on-site nurses and physicians.	None
(4) Does the company provide	V		Machvision has plan of jobs inherited. Machvision not only assesses and	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
its employees with career development and training sessions?			provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.	
(5) Does the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		The company has set up a "Quality Service Center" to provide after-sales services, provide instant contact windows for customers, protect consumer rights, and actively ask customers for their opinion.	None
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection,	V		In order to implement Sustainable Development Promotion the company has established supplier management operating procedures to communicate with suppliers on issues such as environmental protection, safety and hygiene.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
occupational health and safety, or labor and human rights? If so, describe the results.				
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		√	Please refer to Taiwan Stock Exchange Market Observation Post System ( <a href="http://mops.tse.com.tw/">http://mops.tse.com.tw/</a> ) and Company Website ( <a href="http://www.machvision.com.tw">http://www.machvision.com.tw</a> )	None
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: None				
7. Other useful information for explaining the status of corporate social responsibility practices: Please refer to the Sustainable Development Promotion section of the company's website for other company's corporate social responsibility operations.				

### 3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>			<p>The Board of Directors passed the Company's Ethical Corporate Management Best-Practice Principles. The Principles is a guideline to provide high ethical standards for all employees. The principles are disclosed in the annual report and on the company website. The Board of Directors and senior management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Bribery, corruption, deception, and all other forms of improper conduct are prohibited.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?			<p>The Company conducts quarterly evaluations of operating activities with relatively high risk of unethical conduct. The Company’s Ethical Corporate Management Best-Practice Principles have established preventive measures against the following:</p> <ul style="list-style-type: none"> <li>(a) Offering and acceptance of bribes;</li> <li>(b) illegal political donations;</li> <li>(c) improper charitable donations or sponsorship;</li> <li>(d) offering or acceptance of unreasonable presents or hospitality, or other improper benefits;</li> <li>(e) misappropriation of trade secrets and</li> </ul>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>infringement of trademark rights, patent rights, copyrights, and other intellectual property rights;</p> <p>(f) engaging in unfair competitive practices;</p> <p>(g) damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.</p> <p>The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline.</p> <p>In order to prevent any unethical conduct, all</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			employees must disclose any matters that have or may have the appearance of undermining the Principle, such as any actual or potential conflict of interest. Key employees and senior officers must periodically declare their compliance status with the Principle. Machvision requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or provide unethical conduct when dealing with the Company or our officers and employees. Internal and external online hotlines have been established for any relevant persons to use in reporting any ethical irregularities for personal investigation by a designated senior management of Machvision. The Company reviews and revises the principle each year.	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?</p>			<p>The Company holds annual business meetings, conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.</p> <p>The administrative center is a dedicated unit for promoting corporate integrity management. If there is a violation of integrity, an inter-departmental meeting will be held for deliberation, and if it is a major violation of integrity, it will be reported to the audit committee or the board of directors in accordance with</p>	None



Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			<p>relevant laws and procedures. Report to the audit committee or the board of directors on relevant implementation status every year.</p> <p>The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also conducts due diligence before trading with upstream and downstream companies to minimize the risks. At the same time, the Company has made a hotline available for submissions of regarding conflicts of interest.</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>			<p>The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to the risk evaluation results, the Company will compile them into an audit report.</p> <p>The Company carries out regular training for employees every quarter. For new employees, training on ethical rules, conflicts of interest, business morals, and all other related subjects are carried out during their first week of work. All employees are required to receive integrity training for at least two hours each year.</p>	

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p>			<p>The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company’s regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well.</p> <p>The Company has in place SOPs authorized by the Board which could be applied on any confidential investigations and follow-up actions on such cases after completing investigation.</p>	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?			The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated hotline for whistleblower protection whether first-line managers and the Board if necessary, can directly review and determine appropriate actions against reprisal of complaints.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?			The Company’s Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company’s Chinese / English website and MOPS.	None

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies). (a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE -Listed Companies, and other laws and decrees concerning business transactions. (b) The Company has set up the "Management Procedures for Preventing Insider Trading", which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope. (c) For more detailed information, please refer to the Company’s official website: <a href="http://www.machvision.com.tw/index.php/zh-tw/responsibility/03">http://www.machvision.com.tw/index.php/zh-tw/responsibility/03</a>				

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

### 3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at [www.machvision.com](http://www.machvision.com)

### 3.3.8 Other Important Information Regarding Corporate Governance

None.

### 3.3.9 Internal Control Systems

#### Disclosures Required for the Implementation of the Internal Control System

Please refer to page 48 of the Chinese annual report.

### 3.3.10 Penal Provisions

If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

### 3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Shareholders' meeting

Date 2021/07/20

Major resolutions	Results
2020 annual financial report and annual business report.	Comply with the resolution result. Please refer to the Company's website.
2020 earnings distribution.	Ex-dividend record date: 2021/07/26 Cash dividends payment date: 2021/08/13. NTD9(Per Share)
Amendment to the Procedures for Loaning of Funds	Approved. Please refer to the Company's website.

Board meeting

Date	Major resolutions
2021/2/3 The 8 <sup>th</sup> Session of	1. Amendments to the company's "Regulations Governing Remuneration to Directors and Managerial Officers" . 2. 2020 yearend bonus to managerial officers.

Date	Major resolutions
17th Board Meeting	<p>3. 2020 remuneration to directors (including independent directors) and employees.</p> <p>4. The company's newly formulated "Procedures for Reporting Major Incidents" .</p> <p>5. The company's 2020 "Internal Control System Statement" .</p> <p>6. The company's 2020 financial reports.</p> <p>7. The company's 2020 business report.</p> <p>8. The explanations on the company's outstanding account receivable over the granted 3-month term for a significant amount.</p> <p>9. The company's 2020 earnings distribution proposal.</p> <p>10. The company's cash dividend distribution proposal.</p> <p>11. The company's cash dividend distribution from the additional paid-in capital proposal.</p> <p>12. The election of the company's directors and independent directors.</p> <p>13. The lifting of the non-compete restrictions on the company's newly elected directors.</p> <p>14. The shareholders' nomination for directors and independent directors related matters.</p> <p>15. The company's 2021 regular shareholders meeting related matters.</p>
2021/5/4 The 8 <sup>th</sup> Session of 18th Board Meeting	<p>1. The company's newly formulated "Procedures for Whistleblower Channel and Protection" .</p> <p>2. The amendments to the company's "Rules of Procedure for Board of Directors Meetings" .</p> <p>3. The amendments to the company's "Rules Governing the Scope of Powers of Independent Directors" .</p> <p>4. Amendment to the company's "Audit Committee Charter" .</p> <p>5. The explanations on the company's outstanding account receivable over the granted 3-month term for a significant amount.</p> <p>6. The investment in SISSCA Co., Ltd. proposed by the company.</p>
2021/6/4 The 8 <sup>th</sup> Session of 19th Board Meeting	<p>1. Approved the proposal to postpone the date and place of the 2021 Shareholders' Meeting.</p>

Date	Major resolutions
2021/7/20 The 9 <sup>th</sup> Session of 1st Board Meeting	<ol style="list-style-type: none"> <li>1. MACHVISION, INC. Board of Directors elected Mr. Wang, Guang-Shiah as Chairman.</li> <li>2. MACHVISION, INC. announces board resolution to appoint members of the Remuneration Committee.</li> </ol>
2021/8/3 The 9 <sup>th</sup> Session of 2nd Board Meeting	<ol style="list-style-type: none"> <li>1.The financial statements for the second quarter of 2021.</li> <li>2.The distribution of remunerations to directors (including independent directors) for 2020.</li> <li>3.The distribution of remunerations to key management and employees for 2020.</li> <li>4.The routine adjustment in the salary of key management for 2021.</li> <li>5.The revision of the car rental subsidy policy for key manager.</li> <li>6.The explanations on the company’ s outstanding account receivable over the granted 3-month term for a significant amount.</li> <li>7.The design of the company’ s new building and the plan.</li> </ol>
2021/11/3 The 9 <sup>th</sup> Session of 3rd Board Meeting	<ol style="list-style-type: none"> <li>1. The signing and renewal of short-term loan facility agreements.</li> <li>2. The proposed renewal of the “Liability Insurance of Directors, Supervisors, and Managerial Officers” from Tokio Marine Nawa Insurance Co., Ltd.</li> </ol>
2021/12/3 The 9 <sup>th</sup> Session of 4th Board Meeting	<ol style="list-style-type: none"> <li>1. The business report for the first half of 2021.</li> <li>2. The distribution of earnings for the first half of 2021.</li> </ol>
2021/12/29 The 9 <sup>th</sup> Session of 5th Board Meeting	<ol style="list-style-type: none"> <li>1.Proposition for senior manager pension plan.</li> <li>2.2021 proposition for distribution amount of year-end bonus for managerial officers.</li> <li>3. Revision of renaming “Corporate Social Responsibility Best Practice Principles for Listed Companies” as “Sustainable Development Best Practice Principles for Listed Companies” and the revision of partial clauses.</li> <li>4. Revision of some clauses from “Corporate Governance Best Practice Principles.”</li> <li>5. MACHVISION 2022 audit plan.</li> <li>6. Proposition for MACHVISION 2022 Certified Public Accountant.</li> <li>7. The signing and renewal of short-term loan facility agreements</li> </ol>



Date	Major resolutions
	8.2022 MACHVISION Business Plan.

**3.3.12 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors:** None

**3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:** None

### **3.4 Information Regarding the Company's Audit Fee and Independence**

#### **3.4.1 Audit Fee**

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Note
KPMG	HUANG/BO-SHU	2021.1.1~2021.12.31	2,180	250(Note)	2,430	
	WU/ CHUNG-SHUN					

Note: KPMG is the CPA firm entrusted by the Company for the service of " Profit-seeking Enterprise Annual Income Tax Return "

(1) If there is a change in the accounting firm, and the audit fees paid for the fiscal year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.

(2) When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: N/A.

### 3.4.2 Replacement of CPA: None

### 3.4.3 Audit Independence

The chairman, president, chief financial or accounting manager of the Company who holds position in the business under the commissioned CPA firm or its affiliates in 1 year:None

## 3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares					
Title	Name	2021		As of Mar. 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	WANG/GUANG-SHIAH	-	-	-	-
Director	YU/MING-CHANG	-	-	-	-
Director	CHANG/YUNG-YANG	3,000	-	-	-
Director	CHUANG/YUNG-SHUN	-	-	-	-
Director	YAN/WEI-CHYUN	-	-	-	-
Director General Manager	CHEN/FU-SHEN	-	-	-	-
Independent Director	LEE/TSU-DER	-	-	-	-
Independent Director	YEN/TZONG-MING	-	-	-	-
Independent Director	DU/MING-HAN	-	-	-	-
Business Deputy General Manager	TSENG/WEI-LUN	-	-	-	-
R&D Deputy General Manager	WANG/YUAN-NAN	-	-	-	-
Finance and Accounting Officer Corporate governance officer	WEN/PEI-CHUN	-	-	-	-

### 3.5.1 Shares Trading with Related Parties: None

### 3.5.2 Shares Pledge with Related Parties: None

### 3.6 Relationship among the Top Ten Shareholders

As of 03/28/2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
WANG/GUANG-SHIAH	1,426,740	3.19%	72,426	0.16%	-	-	EN-LIN Investment	Spouses	-
CHANG/YUNG-YANG	1,336,904	2.99%	-	-	-	-	-	-	-
AAEON Technology Inc.	1,180,198	2.64%	-	-	-	-	-	-	-
Representative: CHUANG/YUNG-SHUN	417,711	0.93%	-	-	-	-	FU-LI Investment	Shareholder	-
YU/MING-CHANG	1,073,940	2.40%	16,636	0.04%	-	-	-	-	-
FU-LI Investment and Trading Limited	957,209	2.14%	-	-	-	-	-	-	-
Representative: CHUANG/YUNG-SHUN	417,711	0.93%	-	-	-	-	AAEON Technology Inc.	Shareholder	-
Qunyi Jinding Securities Co., Ltd. is entrusted with the custody of the investment account of Ruili International Co., Ltd	840,000	1.88%							
Representative: NA									
EN-LIN Investment	745,455	1.67%	-	-	-	-	-	-	-
Representative: :WU/HSIU-MEI	72,426	0.16%	1,426,740	3.19%	-	-	WANG/GUANG-SHIAH	Spouses	-
HU/CHUN-MEI	719,000	1.61%							
Nan Shan Life Insurance Company, Ltd	578,000	1.61%	-	-	-	-	-	-	-
Representative : Chen /Tang	-	-	-	-	-	-	-	-	-
CAPITALSECURITIES CORP. Customer Investment Account	496,000	1.11							
Representative: NA									

### 3.7 Ownership of Shares in Affiliated Enterprises

12/31/2021

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
MACHVISION INC. (Samoa)	3,463,650	100.00%	-	-	3,463,650	100.00%
Autovision Technology Inc.	900,000	45.00%	60,000	3.00%	960,000	48.00%
Sigold Optics Inc.	6,316,330	49.47%	261,744	2.05%	6,578,074	51.52%
Machvision Korea Co., Ltd.	10,000	100.00%	-	-	10,000	100.00%
ChipAI Co., LTD.	1,800,000	90.00%	-	-	1,800,000	90.00%
Avountes Inc.( Note 2)	900,000	45.00%	75,000	3.75%	975,000	48.75%
SISSCA Co.,Ltd.( Note 3)	3,629,500	36.30%	4,480,000	44.80%	8,109,500	81.10%
Dongguan muxin intelligent equipment Co., Ltd	-	-	510,000	51.00%	510,000	51.00%

Note 1: Investment using the equity method.

Note 2: In order to integrate group resources, RedPay Co., Ltd (Dissolved company) and Avountes Inc. (Surviving company) merged. The base date of the merger was March 5, 2020. It was completed on April 15, 2020.

Note 3: Board of directors of SISSCA Co Ltd. resolved to increase cash capital by NTD89,000 thousand on July 30, 2021. (Machvision invested NTD 36,295 thousand and Sigold Optics Inc. invested NTD 35,600 thousand, separately)

#### IV. Capital Overview

##### 4.1 Capital and Shares

##### 4.1.1 Source of Capital

##### A. Issued Shares

Unit: NTD\$/share

Date	Par Value (NT\$)	Authorized Capital		Paid-up capital		Remarks		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
06/98	10	3,990,000	39,900,000	3,990,000	39,900,000	Set up capital 39,900,000	-	Note 1
06/03	10	10,000,000	100,000,000	5,770,000	57,700,000	Capital increase by retained earnings 15,960,000 Employee bonus 1,840,000	-	Note 2
05/04	10	10,000,000	100,000,000	7,100,000	71,000,000	Capital increase by retained earnings 11,540,000 Employee bonus 1,760,000	-	Note 3
06/05	10	10,000,000	100,000,000	10,000,000	100,000,000	Capital increase by retained earnings 25,560,000 Employee bonus 3,440,000	-	Note 4
06/06	10	25,000,000	250,000,000	14,000,000	140,000,000	Capital increase by retained earnings 35,500,000 Employee bonus 4,500,000	-	Note 5
02/07	20	25,000,000	250,000,000	16,100,000	161,000,000	Capital increase 21,000,000	-	Note 6
08/07	10	25,000,000	250,000,000	19,491,939	194,919,390	Capital increase by retained earnings 28,175,000 Employee bonus 5,744,390	-	Note 7
09/08	10	25,000,000	250,000,000	22,549,635	225,496,350	Capital increase by retained earnings 25,339,520 Employee bonus 5,237,440	-	Note 8
01/11	26	50,000,000	500,000,000	25,556,635	255,566,350	Capital increase by cash 30,070,000	-	Note 9
08/11	10	50,000,000	500,000,000	30,667,962	306,679,620	Capital increase by retained earnings 51,113,270	-	Note 10
08/12	10	50,000,000	500,000,000	33,734,758	337,347,580	Capital increase by retained earnings 30,667,960	-	Note 11
07/13	10	50,000,000	500,000,000	37,108,234	371,082,340	Capital increase by retained earnings 33,734,760	-	Note 12
10/13	56	50,000,000	500,000,000	42,608,234	426,082,340	Capital increase by cash 55,000,000	-	Note 13
05/20	250	50,000,000	500,000,000	44,728,234	447,282,340	Capital increase by cash 21,200,000	-	Note 14

Note 1: The capital increase was approved by the Construction Department of Taiwan Provincial Government on June 9, 1998. The approved no. was: 87 Jiansanfa No. 178035.

Note 2: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 27, 2003. The approved no. was: No. 0920024715.

Note 3: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 12, 2004. The approved no. was: No. 0930021607.

Note 4: The capital increase was approved by the Hsinchu Science and Technology Park Administration on October 3, 2005. The approved no. was: No. 0940026593.

Note 5: The capital increase was approved by the Hsinchu Science and Technology Park Administration on September 19, 2006. The approved no. is: No. 0950024184.

Note 6: The capital increase was approved by the Hsinchu Science and Technology Park Administration on February 27, 2007. The approved no. is: No. 0960005155.

Note 7: The capital increase was approved by the Hsinchu Science and Technology Park Administration on September 24, 2007. The approved no. is: No. 0960022602.

Note 8: The capital increase was approved by the Hsinchu Science and Technology Park Administration on September 24, 2008. The approved no. is: No. 0970026326.

Note 9: The capital increase was approved by the Hsinchu Science and Technology Park Administration on February 10, 2011, and approval number was: No. 1000004086.

Note 10: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 23, 2011. The approved number was: No. 100025501.

Note 11: The capital increase was approved by the Hsinchu Science and Technology Park Administration on August 10, 2010. The approved number was: No. 1010024643.

Note 12: The capital increase was approved by the Hsinchu Science and Technology Park Administration on July 31, 2013. The approved number was: No. 1020022636.

Note 13: The capital increase was approved by the Hsinchu Science and Technology Park Administration on November 14, 2013. The approved number was: 1020032941.

Note 14: The capital increase was approved by the Hsinchu Science and Technology Park Administration on May 22, 2020. The approved number was: 1090013900.

## B. Type of Stock

March 28, 2022

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common stock	44,728,234	5,271,766	50,000,000	-

## C. Information for Shelf Registration: not applicable.

### 4.1.2 Status of Shareholders

March 28, 2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	3	202	16,222	70	16,497
Shareholding (shares)	-	621,199	4,892,808	35,359,904	3,854,323	44,728,234
Percentage	-	1.39%	10.94%	79.05%	8.62%	100%

### 4.1.3 Shareholding Distribution Status

#### A. Common Shares

March 28, 2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	8,664	413,471	0.92%
1,000-5,000	6,615	11,587,204	25.91%
5,001-10,000	670	4,965,318	11.10%
10,001-15,000	211	2,633,181	5.89%
15,001-20,000	105	1,881,681	4.21%
20,001-30,000	87	2,164,261	4.84%
30,001-40,000	41	1,436,532	3.21%
40,001-50,000	20	922,456	2.06%
50,001-100,000	46	3,208,999	7.17%
100,001-200,000	18	2,548,073	5.70%
200,001-400,000	6	1,858,820	4.16%
400,001-600,000	6	2,828,792	6.32%
600,001-800,000	2	1,464,455	3.27%
800,001-1,000,000	2	1,797,209	4.02%
1,000,001 股以上	4	5,017,782	11.22%
合計	16,497	44,728,234	100.00%

B. Preferred Shares: not applicable.

### 4.1.4 List of Major Shareholders

March 28, 2022

Shareholder's Name	Shares	Percentage
WANG/GUANG-SHIAH	1,426,740	3.19%
CHANG/YUNG-YANG	1,336,904	2.99%
AAEON Technology Inc.	1,180,198	2.64%
YU/MING-CHANG	1,073,940	2.40%
FU-LI Investment and Trading Limited	957,209	2.14%
Qunyi Jinding Securities Co., Ltd. is entrusted with the custody of the investment account of Ruili International Co., Ltd	840,000	1.88%
EN-LIN Investment	745,455	1.67%
HU/CHUN-MEI	719,000	1.61%
Nan Shan Life Insurance Company, Ltd	578,000	1.29%
CAPITALSECURITIES CORP. Customer Investment Account	496,000	1.11%

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items	2020	2021	01/01/2022-03/31/2022
<b>Market Price per Share</b>			
Highest Market Price	439.5	302	285
Lowest Market Price	201.5	206	207.5
Average Market Price	314.64	256.32	232.41
<b>Net Worth per Share</b>			
Before Distribution	56.31	63.76	(Note 2)
After Distribution	47.31	53.76	(Note 2)
<b>Earnings per Share</b>			
Weighted Average Shares (thousand shares)	43,952	44,728	(Note 2)
Diluted Earnings Per Share	15.02	18.51	(Note 2)
Adjusted Diluted Earnings Per Share	15.02	18.51	(Note 2)
<b>Dividends per Share</b>			
Cash Dividends	3	11( Note 1)	(Note 2)
Stock Dividends			
• Dividends from Retained Earnings	-	-	(Note 2)
• Dividends from Capital Surplus	9	1	(Note 2)
Accumulated Undistributed Dividends	-	89,457	(Note 2)
<b>Return on Investment</b>			
Price / Earnings Ratio	20.95	13.85	(Note 2)
Price / Dividend Ratio	26.22	21.36	(Note 2)
Cash Dividend Yield Rate	0.04	0.05	(Note 2)

Note 1: Dividend of first half of a year NT\$2 / Dividend of second half of a year NT\$9.

Note 2: As of March 28, 2022, there are no related data because the period is not over yet.



#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

If earnings are available for distribution at the end of a fiscal year, 10% of net earnings – that is, after offsetting any loss from prior year(s) and paying all taxes and dues – shall be set aside as legal reserve and appropriated in accordance with the Securities Exchange Law. The remaining net earnings can be distributed along with prior accumulated unappropriated retained earnings. The Board of Directors will consider the above-mentioned factors when making the dividend distribution proposal. Cash Dividends will be distributed in accordance with the resolution approved by the Board of Directors. Stock dividend will be distributed in accordance with the resolution approved by the Board of Directors and discussed at the annual shareholders' meeting.

##### **B. Proposed Distribution of Dividend**

The Board of Directors approved the proposal for the distribution of first half 2021 profits on Dec. 3<sup>rd</sup> 2022. Cash dividend of NT\$89,456,468, allotted for each share of NT\$2.

The Board of Directors approved the proposal for the distribution of 2021 profits on Feb.. 9th 2022. Cash dividend of NT\$402,554,106, allotted for each share of NT\$9 and Cash Dividend of APIC NT\$44,728,234, allotted for each share of NT\$1.

#### **4.1.7 Compensation of Employees and Directors**

##### **A. Information Relating to Compensation of Employees and Directors in the Articles of Incorporation**

Article 26 of the Articles of Incorporation stipulates that: "From the profit earned by the Company as shown through the annual account closing, no less than 5% shall be taken for employee compensation, and no more than 3% taken for directors' and supervisors' compensation, provided that the amount of accumulated loss, if any, be first withheld."

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

C. Remuneration distribution approved by the board of directors:

The allocated cash compensation for employees was NT\$92,107,249 and NT\$12,830,861 for directors, which was not different from the amount estimated when the expenses were recognized.

C. Distribution of Compensation of Employees, Directors for 2021 Approved in the Board of Directors Meeting: EPS is NT\$18.51 after the compensation of employees, directors and supervisors.

D. Information of 2020 Distribution of Compensation of Employees, Directors and Supervisors (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed) and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor compensation, additionally the discrepancy, cause, and how it is treated.

Employee Compensation – in Cash	62,278
Directors' and Supervisors' Compensation	10,623

The above-mentioned actual distribution of compensation of employees, directors and supervisors was in line with the resolution of the Board of Directors.

**4.1.8 Buy-back of Treasury Stock:** Not applicable.

**4.2 Status of Corporate Bond:** Not applicable.

**4.3 Status of Preferred Stocks:** Not applicable.

**4.4 Status of GDR/ADR:** Not applicable.

**4.5 Status of Employee Stock Option Plan:** Not applicable.

**4.6 Status of New Employee Restricted Stock Issuance:** Not applicable.

**4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions:**  
Not applicable.

**4.8 Financial Plans and Implementation:** Not applicable.

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

(1) Main contents of business

CB01010 Mechanical equipment manufacturing

CE01010 General Instrument manufacturing

CE01030 Optical instrument manufacturing

I301010 Information software service

F401010 International trade

Research, develop, manufacture and market following products:

(a) Non-contact mechanical vision inspection system equipment (detection accuracy below 10μm)

a. BGA, CSP substrate inspection system equipment

b. LCD PANEL detection system equipment.

c. PCB high-speed hole measurement equipment

(b) Smart vision module

(c) Wire width detector

(d) Drill needle detector

(e) Arrow target analysis software

(f) Concurrently engage in import and export trade related to the above products

(2) Business share of major products

Item	Product value	2021	
		Revenue (NTD\$ thousand)	Operating proportion (%)
Appearance inspection series		1,041,471	37.87%
Circuit inspection series		897,013	32.62%
Laservia series		311,798	11.34%
2D/3D series		208,722	7.59%
Other testing series		146,708	5.33%
Service		144,552	5.25%
合 計		2,750,264	100.00%

(3) Company's current commodity (service) projects

The company's specialization technology is divided into three parts, the first is appearance inspection (generalized AVI) technology, the second is two-dimensional and three-dimensional measurement (2D/3D measurement) technology, and the third is circuit inspection (general circuit AOI) technology,

these three technologies can be applied in different industries, such as AVI can be applied to PCB and COF appearance final inspection, IC carrier appearance inspection, semiconductor Wafer Die visual inspection, active and passive components visual inspection and LCD defect inspection; The three-dimensional measurement technology is more widely used, such as PCB copper filling inspection, BGA Bump inspection, Wafer Bump inspection, SMT solder paste thickness inspection, etc.; in addition, circuit inspection technology can be used in PCB and COF circuit inspection, LCD Array end glass substrate and Touch panel circuit inspection. Since company's main testing core technology has been modularized, it is possible to quickly complete new testing system needed to develop in different industries. At the same time, AI deep learning technology is introduced and integrated into various testing devices, which can reduce false positive rate and reduce the manpower of rechecking. The following is a summary of existing developed test products in PCB/semiconductor/COF industry as follows:

- (A) PCB drilling and forming process measurement and testing series
  - (a) High-speed hole position measuring machine Hole-AOI
  - (b) High speed hole inspection machine
  - (c) Universal size measuring machine EZ3D.
- (B) PCB/COF circuit inspection series
  - (a) Film circuit inspection machine
  - (b) Wire width measure gauge
  - (c) Inner and outer circuit inspection machine
- (C) HDI and IC carrier board inspection series
  - (a) Laser blind hole inspection machine Laservia-AOIM
  - (b) Blind hole filling copper depression detector 3D Profiler
  - (c) Tin ball bump detecting device
  - (d) 3D scanning inspection machine
  - (f) Auto stereoscopic image measuring machine
  - (g) Hard board appearance inspection machine
  - (h) Appearance inspection machine after flexible PCB/flexible PCB assembly
  - (i) IC carrier board inspection machine
  - (j) HDI circuit inspection machine
  - (k) Substrate Taster
- (D) Semiconductor packaging and inspection series
  - (a) Wafer appearance visual inspection machine
  - (b) COF Package appearance visual inspection machine

(E) Taster series

- (a) High precision Taster
- (b) Substrate Taster
- (c) Needle point and contour machine

4. New product (service) project planned to be developed

Introduce Industry 4.0 to assist customers in transforming smart manufacturing. In the high-end PCB market, such as: high-end HDI, soft boards, similar carrier boards and carrier boards, develop online circuit inspection machines and online blind hole inspection machines. Among them, the high-end PCB online line inspection machine is expected to develop a line specification of 15/15um line width and line spacing, and the corresponding minimum aperture developed by the online blind hole inspection machine is 40um. This specification complies with the application of the 5G market.

In the Flip Chip market, three types of automated inspection equipment are developed: Bump 3D inspection of Tray In / Tray Out, 3D inspection of plate warpage and appearance inspection. At the same time, it satisfies the various testing needs of customers for Flip Chip.

Develop Index AW Tester and Substrate Taster. Use AOI technology to assist the installation and adjustment of electric measuring fixtures. It can greatly simplify the fixture installation process and shorten the time to increase production capacity. In addition, it can detect the deviation of the probe during the learning process to assist in the correction of the needle offset to reduce the number of electrical retests. It can also reduce time waste and increase productivity.

### 5.1.2 Industry Overview

(1) Current status and development of industry

This company is specialized in machine vision inspection and measurement system equipment, with integrated optical imaging system, image processing, precision machinery and motion control technology. Our products are non-contact precision measurement and Automated Optical Inspection (AOI), provides a complete solution for mechanical vision applications. In addition to their ability to identify good and defective products, they also have high-precision 2D/3D measurement and quality control statistics functions. Company's current main products are used in printed PCB industry, including:

PCB drilling and forming process measurement and testing, PCB circuit inspection, HDI and IC carrier board inspection equipment, etc. In recent years, we have also developed semiconductor packaging and testing industry detection of products. current status and development of related industries are as follows:

(A) Analysis of industrial development

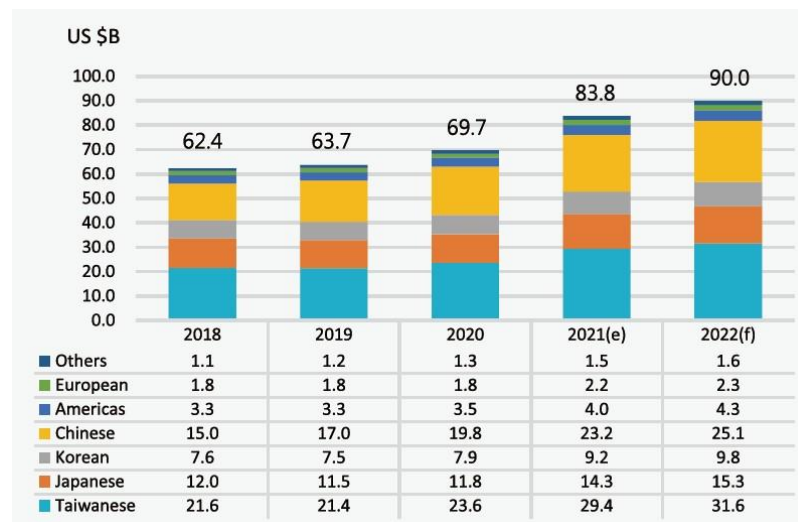
Printed PCB (PCB) is a circuit design formed by printed PCBs by various electronic components, it serves as an important medium and carrier for communication between components, so that the functions of various components can be realized. It can be said that it is the foundation of electronic products, and is widely used in all electronic, communication, information appliances, automotive and aerospace products. Its categories are traditional single/double panels, multi-layer boards, HDI high-density inter-connection boards, IC carrier boards and flexible PCB. As the demand for electronic information and communication products expands, and tends to be light, thin, and multi-functional, the demand for PCB products (such as HDI, IC carrier boards and flexible boards) is going to be higher-order and finer, so for precision measurement or testing equipment, the demand will be more and more eager. Semiconductors are even more necessary for the development of high-precision detection of high-precision detection.

(a) Overview of the global PCB and semiconductor industry

According to the statistics from IEK and TPCA as shown in the below chart, the global PCB (Printed Circuit Board) industry achieved a staggering high growth rate of 20.6% in 2021, with a total production output volume of 84 billion USD (including that of the back-end component assembly from the PCBA vendors). Although the growth was driven primarily by the substrate industry, boards such as multi-layer, flexible, etc. also achieved remarkable growth courtesy of the strong demands from the associated end user applications. Looking ahead to the year 2022, it remains as the focus of attention whether or not the global PCB industry will continue to hit yet another record high. Apart from that, several key factors continue to affect the future development of the PCB industry. The global PCB production volume (including the back-end component mounting done by the PCA vendors) is expected to reach approximately 90 billion USD in 2022, an annual growth rate of 7.4% if compared with the same period of 2021. In the turmoil of the Covid-19 pandemic, the segment growth

is projected to be attributed to the below six key factors:

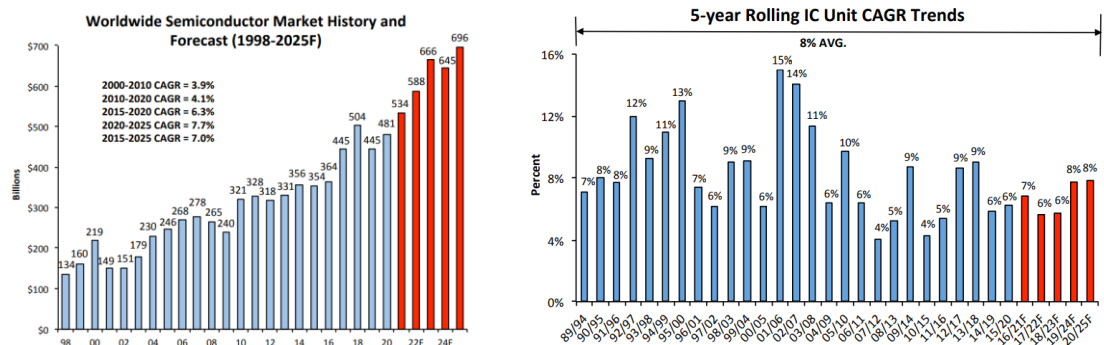
1. The substrate industry continues to invest heavily in the expansion, rolling out new capacities consecutively as planned.
2. The 5G handset is expected to further expand its penetration into the market and, as a result of the upgrade of handset specifications, the production volume and unit price of the PCBs will be lifted accordingly.
3. Under the tide of environmental protection resulting from the International Carbon Neutral framework, and in view of the incentive policies from the US, China, and the EU, the EV (Electric Vehicle) shipments will continue to increase and hence the production ramp-up of the automotive electronics, which contributes to the upside of the PCB volume and the unit price.
4. As a result of the demand generation of 5G, AIoT, and HPC, etc., the server market is expected to demonstrate strong growth.
5. The global policy trend is to “coexist with the virus”, which helps to bring the overall economy back on track.
6. Other new emerging application developments (MiniLED, Low-earth-orbit Satellite, etc.).



Source: TPCA; ITRI IEK (2021/11) Global and national PCB

As to the semiconductor industry, according to the market research (IC Insights) statistics as shown in the following chart, the global semiconductor market grows at a steady pace. In 2021, the global semiconductor sales were approximately 534 billion USD (YoY +11%) and are expected to reach 588 billion USD (YoY +10%) in

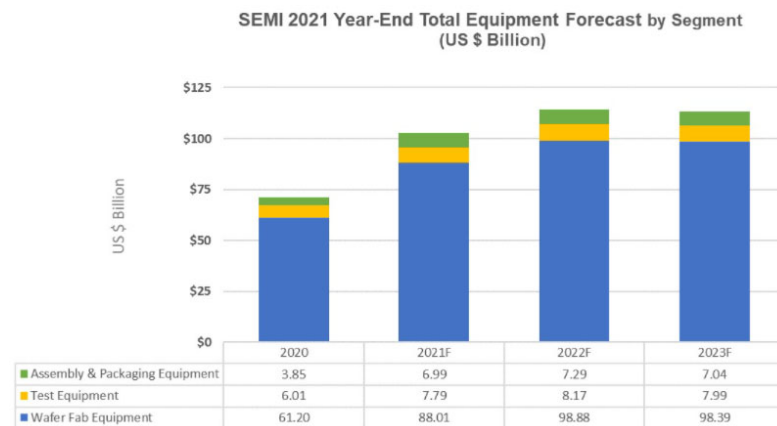
2022, with a growth forecast to remain stable in the coming few years. IC Insights has projected a CAGR of +7.7% for the semiconductor industry from 2020 through 2025, and a CAGR of +8% for the semiconductor components in the same period projected. With the increase of penetration rate for semiconductors in the end products, plus the trend of demand growth generated by 5G, AI, EV, IoT, and HPC, etc., the component usage will continue to grow.



Source: IC Insights

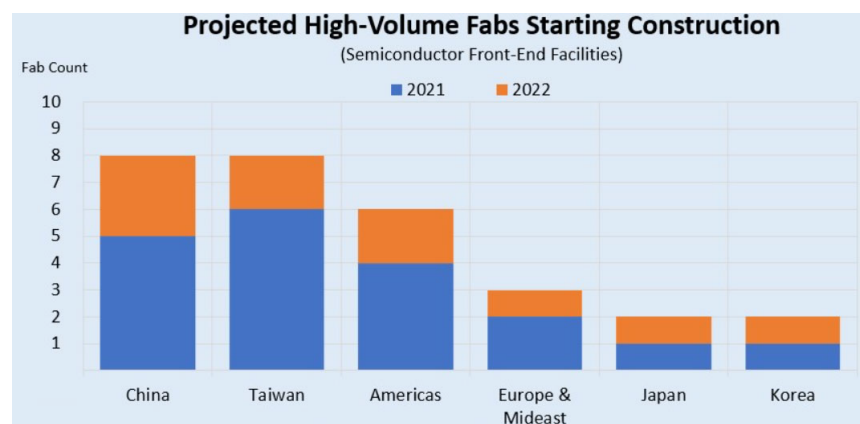
As indicated by SEMI in the following chart, global semiconductor equipment expenditures have continuously hit record highs. In 2021, the global semiconductor equipment sales reached 103 billion USD (YoY +44.7%) and will grow to be 114.3 billion USD to mark a consecutive record high in 2022, while sales for 2023 is expected to remain at the high end of 113.4 billion USD. Front-end (including wafer fab process equipment, fab facilities, and photomask equipment) and back-end (including assembly, packaging, and testing) equipment demands grow simultaneously. The demands for advanced and mature processes remain strong and, as a result, boost the growth of contract manufacturing and logic department; enterprises and consumers are still in need of storage devices and hence a steady growth, which drives the equipment sales for DRAM and NAND products.





Source: SEMI

As depicted in the following chart, SEMI expected the global semiconductor manufacturers to build a total of 19 wafer fabrication sites by the end of 2021, and 10 more by the year 2022 to remedy the supply shortage issue associated with the semiconductor chips, also to fulfill the strong semiconductor demands resulted from such new applications as an autonomous vehicle (AV), AI, HPC, and 5G, etc. The new wafer fabrication sites will be primarily for the 12" wafers, with China and Taiwan as the major contributors, each planning to build 8 new sites from 2021 to 2022, followed by the US with 6 projected new sites. The overall equipment spending for the 29 wafer fabrication sites is estimated to be over 140 billion USD.

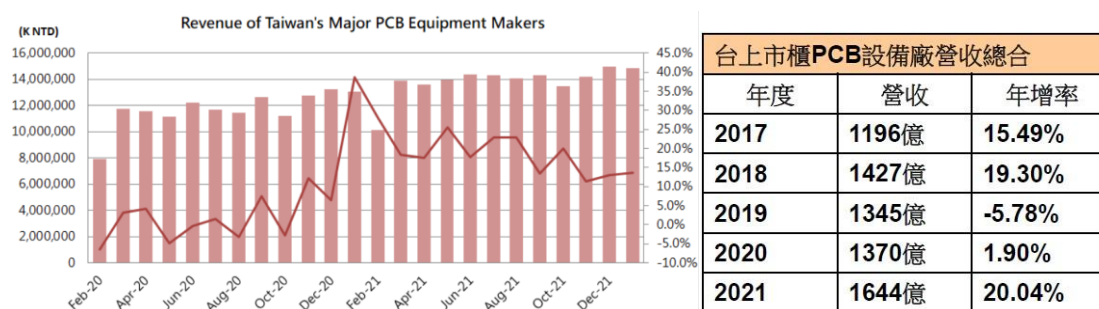


Source: SEMI

## (B) Taiwan PCB Industry Overview

Regarding the Taiwanese invested PCB industry, and according to the TPCA statistics as shown in the below chart, for the full year of 2019 and 1H of 2020 there was a slow down in customer investments, coupled with shipment delays caused by the Covid-19 pandemic. Sales of the PCB equipment, in that particular period, suffered from slower growth. Beginning 2H20 when the PCB manufacturers started to again expedite the equipment deliveries, the YoY sales growth rate for the PCB equipment manufacturers has returned to normal. For the full year of 2021, the total revenue for the PCB equipment reached 164.4 billion NTD (YoY +20.04%). In addition to the above positive scenario, the Taiwanese PCB manufacturers are also planning to invest aggressively in the expansion of the substrate production capacities. For example, capital expenditures for NYPCB (Nan Ya Printed Circuit Board Corporation) in 2022 will double that of 2021 to reach 17 billion NTD, and its substrate capacity is projected to increase by 20% consequently. By the year 2024, the total investment by NYPCB will reach 40 billion NTD, with its Shulin and Kunshan factories as the major areas of capacity expansion. As a result, the total capacity for the year 2024 will increase by 70% when compared with the same period of 2020. Kinsus, on the other hand, will continue to expand the ABF (Ajinomoto Build-up Film) production capacities at its Fu-yang and May sites, with a target to increase the capacity by 30% to 40% for 2022 and 2023 respectively. Capital expenditures for Kinsus in 2022 are estimated to be somewhere around 8 billion NTD. Boardtek, too, had an aggressive investment initiative in 2021 for its sites across the Taiwan Strait. Capital expenditure for 2021 was 31.1 billion NTD and is expected to continue the increment in 2022. The area of focus for the next 10 years would be the IC substrates. An annual budgeted expenditure of 15 billion NTD will be poured in for the next 4 years, with total expenditure reaching more than 60 billion NTD for the capacity expansion of the ABF and BT (Bismaleimide Triazine) substrate production lines at its manufacturing sites in Shenzhen and Qinhuangdao. The goal is for its substrate business to grow more than 50% annually for the next 4 years, and to constitute 15% of its total revenue generated by the entire business group by the year 2025. Ultimately, Boardtek expects both its BT and ABF substrate operations to enter the top 5 worldwide suppliers by the year 2030. At this moment, long-term supplier agreements have been secured with multiple customers on the part of ABF substrate up to the year 2027. Courtesy of all the investments initiated by the substrate manufacturers in

2022, it is expected that the Taiwanese PCB equipment manufacturers will all enjoy strong order bookings and their revenues are to continue growing as expected. Apart from the substrate suppliers in Japan, South Korea, and Taiwan, the Chinese PCB manufacturers are also keen to enter the substrate business arena. The process of substrates is similar to that of the semiconductors and, as such, requires more sophisticated process equipment, which results in an increase in the unit price and the improvement of the gross profit for the substrate equipment suppliers and hence their future revenue growth.



Source: TPCA

Total revenue for the full year of 2021 was 817.8 billion NTD (approximately 29.3 billion USD), a growth of 17.5% when compared with the revenue of 696.3 billion NTD in 2020. This was a historical new high and the first time to exceed the 800 billion NTD milestone, also the highest annual growth rate ever since the last high in 2010.

As illustrated in the following chart and measured in US dollars of the original order bookings, production output for this quarter amounts to 8.743 billion USD, an annual growth rate of 18.5% which is better than that measured in NT dollars. Extending the development in 2020, the exchange rate for NTD/USD in the fourth quarter remains in an uptick trend but has, nonetheless, slowed down sharply. The average exchange rate in this quarter is 27.53, an appreciation of 1.23% if compared with that of the third quarter. If compared with the average exchange rate of 28.94 in the fourth quarter of 2020, the appreciation would then be 5.12%. The NT dollar has appreciated sharply for ten consecutive quarters since the third quarter of 2019, leaving an apparent gap between production outputs measured in NTD and USD.

Source: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2021/01)

PCB Cross strait quarterly production value – NTD

	2020 Q4	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1(e)	2022(e)
產值 (億新台幣)	2,123	6,963	1,734	1,823	2,214	2,407	8,178	1,925	8,711
Q/Q	14.2%	--	-18.3%	5.1%	21.4%	8.7%	--	-20.0%	--
Y/Y	12.6%	5.1%	26.7%	13.1%	19.1%	13.4%	17.5%	11.0%	6.5%

	2020 Q4	2020	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021	2022 Q1(e)	2022(e)
產值 (百萬美金)	7,377	23,609	6,108	6,513	7,943	8,743	29,308	6,987	31,447
Q/Q	17.0%	--	-17.2%	6.6%	22.0%	10.1%	--	-20.1%	--
Y/Y	19.4%	10.2%	34.5%	20.9%	26.0%	18.5%	24.1%	14.4%	7.3%
匯率	28.94	29.49	28.39	27.99	27.87	27.53	27.90	27.55	27.70

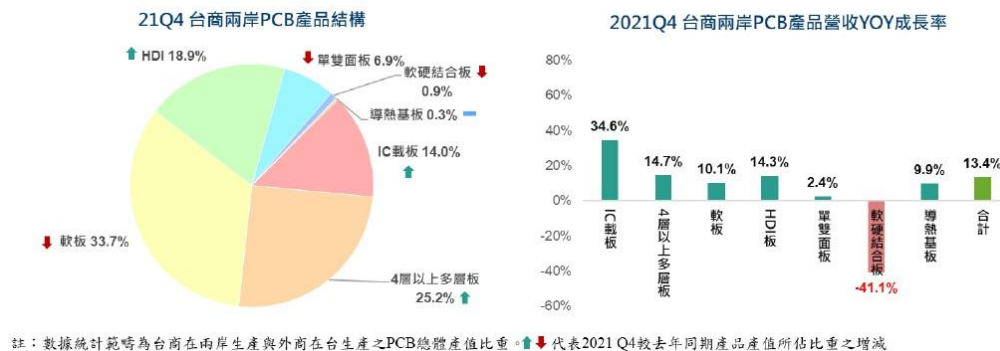
註：數據統計範圍為台灣地區之台商與外商在台，和台商在中國大陸生產 PCB 之總體產值

Source: TPCA, Industrial Economics and Knowledge Center (IEK) at ITRI (2021/02)

In the fourth quarter of 2021, and as illustrated in the following chart, the Taiwanese manufacturers across the Taiwan Strait produced an assorted product mix. In the substrate segment, the ABF substrates were still in tight supply; Demands for the SiP/AiP packaging modules required by the handsets contributed significantly to the volume increase of BT substrates. As a result, IC substrates enjoyed the top growth rate among all the PCB products courtesy of these two mainstream product segments, hitting an annual growth rate of 34.6% with a new high in production output. On the part of the multi-layer PCBs, the demands for computer-related products continued to increase, driven by business opportunities generated by the WFH (Work from Home) and Stay-at-Home Economy; the growth momentum was also fueled by the stronger demands of the server products required by customers in Europe and the US. The annual growth rate of the multi-layer PCBs in this quarter was 14.7%, second only to the IC substrates.

Flexible boards in this quarter grew by 10.1%, courtesy of the momentum in iPhone and other Apple-related products. Traditional products that prevail in this peak season such as tablets, laptops, and wearable products also contributed significantly to the growth of the flexible boards in this season. HDI (High-Density Interconnect) in this season grew by 14.1%, assisted by the pulling demands from the laptops and the consumer electronics. That being said, the growth rate of the Taiwanese handset HDI manufacturers who are under direct threat from their Chinese counterparts, is no longer as strong as it

used to be. Some Taiwanese manufacturers are diverting their focus toward computers and automotive electronics for redeployment.

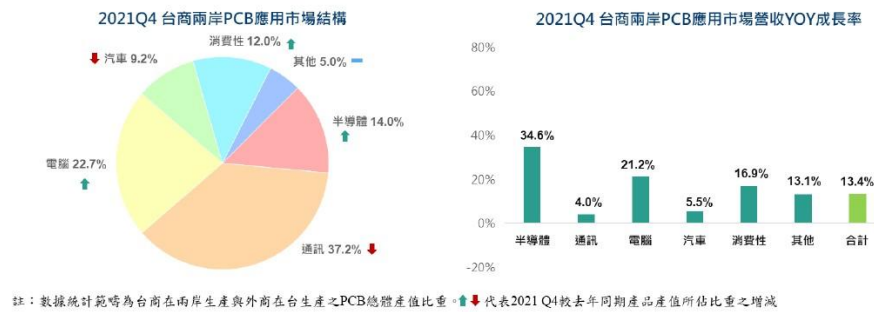


Sources: TPCA, IEK of Industrial Technology Research Institute 2021Q4 PCB Product Mix and Revenue Growth Rate

Taking a look at the overall performance of the PCBs from the application market perspective, for the communication application market, handsets in the 4<sup>th</sup> quarter suffered from supply chain constraints and chip shortage issues and, as a result, declined compared with the same period last year. Despite the fact that customers continued to pull for inventory and the market managed to maintain its growth momentum, the supply chain issues nonetheless limited the growth rate, which wound up a mere 4.0% in this quarter. For the computer application market, not only the personal computer demands extended the growth, but also the cloud services and data centers boosted the shipments of the servers and thereby enlarged the market share of computer applications. The growth rate in this quarter, extending the high tide of the previous quarter, hit an annual growth rate of 21.2%.

For the automobile application market, the global sales of the automobile market extended the decline in the 4th quarter due to the automobile chip shortage issues, which are yet to be relieved. Nevertheless, owing to the continuous trend of automobiles turning more and more electronic, products of automotive electronics increased, and so did the number of automotive boards. Despite the downward trend of the overall automobile market, automotive boards managed to maintain their growth, which ended up at 5.5% in this quarter. For the consumer electronics application market, thanks to the traditional peak season effect that drove the market spending, wearable devices and home appliances were both stimulated to contribute significantly

to the growth rate of consumer electronics applications in this quarter, which ended up at 16.9%.



Source: TPCA, Industrial Economics and Knowledge Center (IEK)

### (C) Overview of PCB industry in mainland China and other countries

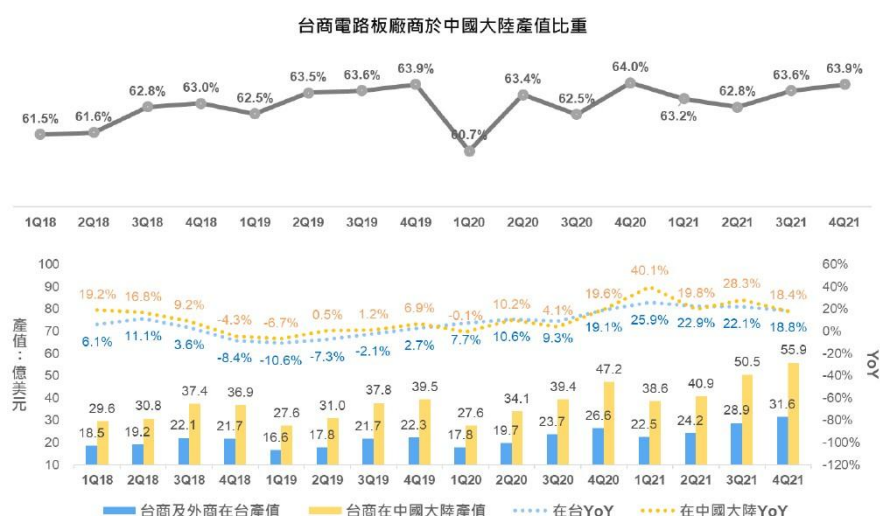
In the fourth quarter and for the Taiwanese PCB manufacturers, the percentage of production output in Mainland China reached 63.9%, a slight increase if compared with the previous quarter but a decline of 0.1% if compared with the same period last year. Looking at the overall trend for the past few quarters and excluding the first quarter of 2020 when the Covid-19 pandemic first broke out, in which period the Taiwanese manufacturers in Mainland China were forced to shut down their factories and hence a significant drop of their production output percentage in Mainland China, for the rest of the quarters the said percentage remained somewhere between 63% and 64% - an indication that despite the continuous record-breaking of the Taiwanese PCB production outputs, the percentages of productions across the Taiwan Strait did not lose the balance.

Based on the statistics for the full year of 2021 and in comparison of the product mix for the Taiwanese manufacturers operating across the Taiwan Strait, the substrate was obviously the No. 1 product manufactured in Taiwan, constituting 12.0% of their total production outputs, and is the only product segment among the four major PCB product segments with its percentage in Taiwan exceeding that in Mainland China, a clear indication that the substrate product is the core product segment for the Taiwanese manufacturers operating in Taiwan. On the other hand, the No. 1 product produced by the Taiwanese manufacturers in Mainland China turned out to be the multi-layer boards which constitute 22.1% of their overall production outputs, followed by flexible boards (19.4%) and HDI (12.1%).

Looking at the application market, on the other hand, the major PCB application for the Taiwanese manufacturers operating in Taiwan was for the semiconductor products, constituting 12.0% of their total production output

and followed by the communication application (11.1%); the major application for Taiwanese manufacturers operating in Mainland China was for the communication application, with a percentage of 23.2% of their total production outputs and followed by the computer application (19.0%).

In summary the above, driven by the recent trends of the global competitive scenario, the Covid-19 pandemic, the advanced process in Taiwan, and the next phase of the paradigm shift for the semiconductor industry, the Taiwanese PCB manufacturers already have distinct plans for investment deployment and product placement across the Taiwan Strait.



Source: TPCA, Industrial Economics and Knowledge Center (IEK)(2022/02)

The global PCB industry achieved a staggering high growth rate of 20.6% in 2021, with a total production output volume of 84 billion USD (including that of the back-end component assembly from the PCBA vendors). Although the growth was driven primarily by the substrate industry, boards such as multi-layer, flexible... etc. also achieved remarkable growth courtesy of the strong demands from the associated end user applications.



Source: TPCA, Industrial Economics and Knowledge Center (IEK)(2022/02)



(D) Development of application markets

After experiencing the COVID-19 epidemic, the overall demand for the global electronic terminal product market will gradually increase in 2020. The following table shows the results of Gartner's statistics for 2020Q4. Mobile phones have grown slightly, but under the fermentation of the housing economy, PCs and tablets have both experienced double-digit growth. , Only servers declined 5.5% compared to 2019Q4. The overall trend is explained below.

Item	Shipments (million/pcs)	Growth rate
Cell phone	456.7	3.0%
PC	91.6	26.1%
Pad	52.2	19.5%
Server	3.7	-5.5%

Source : Gartner; IDC; IEK

Global shipment statistics in 2020

(a) Mobile phone market development

The global shipments of smartphones in 2021 were projected to be 1.369 billion units, with 40% of them being 5G handsets; global shipments for the year 2022 are projected to be 1.42 billion units and for the first time the number of 5G handsets will exceed that of 4G to reach 763 million units. Market Intelligence & Consulting Institute (MIC) has projected that the shipments of the Taiwanese smartphone manufacturers will reach 348 million units, accounting for 23.9% of the worldwide market share. Although the component shortage issues have somehow been relieved compared with the first half of the year, the effect is likely to continue into 2022. It is strongly advised to watch out for the price increase from the upstream, which may drive up the end product prices and thereby impact the consumer sentiment.

In view of the relief of the Covid-19 pandemic situation, and the fact that lock downs all over the world have been lifted one after another, the global handset industry is expected to recover in 2021. MIC has projected that the global shipments of smartphones will reach 1.369 billion units in 2021, with an annual growth rate of 7.8%. Looking ahead to the year 2022, global shipments of smartphones will reach 1.42 billion units, with an annual growth rate of 3.7%. The projection for 2025 will be for shipments to



increase to 1.517 billion units, with a compound annual growth rate (CAGR) of 2.34%.

5G mobile is the primary driving force for the global smartphone market and has been the major attraction of flagship new models for all the major brands. The shipments of 5G handsets in 2021 were projected to be 549 million units, with an annual growth rate of 129%; 5G handsets in 2022 are estimated to be 762 million units and with a penetration rate of 53.7%. Due to the instability of semiconductor supplies and in view of the profitability concerns, all the manufacturers are set to prioritize the manufacturing of 5G models. On the other hand, iPhone 12 has enjoyed a continuous high tide, shipping approximately 85 to 87 million units of the new model to boost the market share for Apple in the 5G handset marketplace. The Android camp, on the other hand, takes aggressive price actions in order to grab the market share. By rolling out mid to low-end 5G models for price-sensitive users, the effort is to stimulate the consumers to switch to the new phones. The 5G handset shipments are expected to exceed that of the 4G handsets in the year 2022, with a penetration rate of 53.7%.

Huawei handsets have been blocked by the US, leaving them no alternatives but to purchase 4G chips from Qualcomm, or to survive on the inventory procured prior to the blockage. As a result of the blockage, the shipments, as well as the market share of the Huawei handsets, dropped dramatically by 50.2%, falling out of the top 5 handset manufacturers' list. On the contrary, the rest of the major suppliers each enjoyed a shipment increment of more than 40 million units this year. According to the estimates from MIC, Apple has secured its position as the leading supplier for the 5G handsets this year by growing 126% annually to ship 168 million units, taking over the lost share of Huawei's high-end handsets. Samsung, the South Korean major handset manufacturer, suffered from the Covid-19 pandemic and the resulted turmoils in their factories in Vietnam and India. Samsung's overseas markets are being challenged by the Chinese phone manufacturers and in the meantime outperformed by OPPO, Vivo, and other Chinese competitors in the Chinese market due to its persistent low market share in Mainland China. The Chinese handset manufacturers are

striving to pivot from 4G to 5G, in an effort to walk away from the mid-end market and embrace the more lucrative mid-to-high-end market. Although they were unable to compete effectively with Apple and Samsung in terms of market share in North America, the Chinese handset manufacturers do have a competitive advantage in the Asian marketplace.

The Chinese handset market is primarily dominated by its domestic brands. That being said, the same market is also Apple's third largest revenue stream. As such, it is imperative for Apple to support the Chinese manufacturers to constitute a reliable Chinese supply chain for the timely delivery to the local market. Currently, Xiaomi handsets are growing speedily in the European overseas market while OPPO, VIVO are targeting the ASEAN and Indian markets and in the meantime continue their deployments in Europe. The war between the Chinese handset manufacturers started in China, and has since extended to India, Europe and even the emerging markets in Asia. Most of the Chinese handset manufacturers have landed in Pakistan, investing for local manufacturing and aiming at the Middle East market for export of the smartphones. Xiaomi, OPPO have both collaborated intensively with Qualcomm for the high-end handsets while Redmi, POCO, Realme, etc. elected to work with MTK (Mediatek) for the high price/performance markets. It became obvious that the Chinese handset brands have been striving to expand their high-end product lines to reverse the brand images.

單位:百萬隻

排名	廠商名稱	4Q20 出貨量	4Q20 市占率	4Q19 出貨量	4Q19 市占率	4Q20/4Q19 成長率
1	Apple	90.1	23.4%	73.8	19.9%	22.2%
2	Samsung	73.9	19.1%	69.5	18.8%	6.2%
3	Xiaomi	43.3	11.2%	32.8	8.9%	32.0%
4	OPPO	33.8	8.8%	30.6	8.3%	10.7%
5	Huawei	32.3	8.4%	56.2	15.2%	-42.4%

Source : IDC (2021/1)

(b) PC market development

Different from the negative impact of smartphones due to the epidemic, the PC market has become a beneficiary industry due to consumers' demand for remote work and learning, with 11.2% and 14.6% in the second and third quarters. After YoY's high growth, it was originally expected that the fourth quarter would slow down. Unexpectedly, as the scope of the international epidemic continues to expand, the fourth quarter accelerated its expansion with an annual growth rate of 26.1%, driving the full-year PC sales volume of 2020 to 296.8 One million units, with a growth rate of 11.5%. On the whole, the 2020 global PC market will show a quarterly increase in both sales volume and annual growth rate. In addition, due to the comprehensive impact of the epidemic, consumer models that originally accounted for a higher proportion of sales will once again replace high-end business models. Become a leader in driving the growth of global PC sales. In terms of regions, shipments in major regions around the world have shown varying degrees of growth. Among them, the relatively severe epidemic in the United States combined with the fact that it was originally a major consumer country, caused the sales of notebook computers to record the largest increase in 20 years in the fourth quarter; Latin America The market has also maintained double-digit growth for the second consecutive quarter; mainland China in the Asia-Pacific region has been relatively mildly affected by the epidemic due to continued economic growth, and consumer spending on business laptops has been relatively stable.

(c) Pad market development

The global Pad market is still benefiting from the fermentation of long-distance business opportunities driven by the impact of the epidemic, including: learning, video, home office, entertainment, business and education. Driven by market demand, continued to inject momentum, shipments in the fourth quarter reached 52.2 million units, with an annual growth rate of 19.5%, setting the highest single-season level since 49.9 million units in the fourth quarter of 2017, and also driving global tablet production in 2020. The volume reached 164 million units, an annual growth of 13.6%. However, in the long run, due to the lack of innovation and product positioning between smartphones and notebooks, the lack of significant driving factors and the strong competition from the above two products, the sales volume of tablets is basically the same. The market is not easy to expand significantly, and even faces a long-term trend of slowing demand and continued decline. Even if the sudden epidemic makes the tablet a bright product in 2020, it can basically only be regarded as a short-term profit.

(d) Server market development

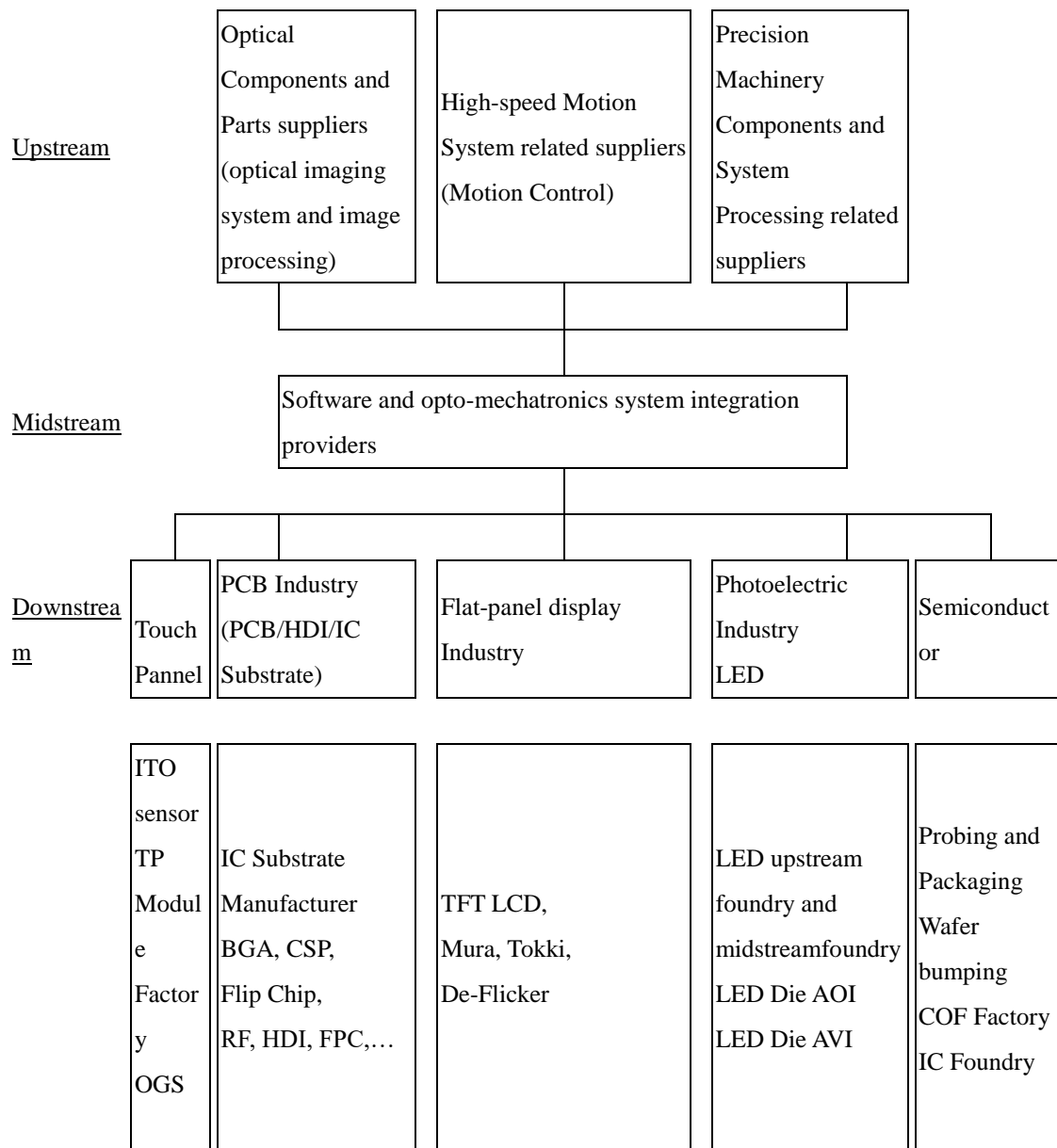
The global server market shipments in the fourth quarter were 3.665 million units, a 5.5% decline from the same period in 2019, mainly due to the impact of the epidemic on the global economy, and corporate spending tends to be conservative, including: corporate IT purchases and large-scale IT purchases ( Hyper-scale) server product or service provider demand has slowed down compared with the first half of the year, so the six major shipping regions all showed a decline in the fourth quarter. In addition to the impact of the decline in corporate demand due to the epidemic in Japan, Microsoft Windows Server 2008 has also terminated related support, resulting in a 13% decline in shipments; Latin America has delayed IT procurement due to the unstable political and economic environment. The decline in goods was 16.2%, the largest decline in the six major regions. However, from a global perspective, due to the good sales performance in the first half of the year, 2020 will still show a slight growth on average throughout the year.

(e) Automotive electronics market development

The restrictions on the movement of people have made automobiles a victim of the epidemic. In particular, in the first half of the year, mainland China and major automobile demand regions in the world set unprecedented recession records in the first and second quarters respectively. After entering the second half of the year, due to the gradual relaxation of economic activities in various countries Restrictions have caused auto sales to rebound rapidly from the bottom. Generally speaking, both mainland China and the world have shown a V-shaped reversal trend. Mainland China, in particular, has basically resumed its annual positive growth in the second quarter. According to data from LMC Automotive, global car sales in the fourth quarter of 2020 were 23.53 million units, an increase of 1.4% compared to the same period in 2019. However, due to poor performance in the first three quarters, there are still 15 % Of the decline, a total of 76.79 million vehicles. Although the performance is not good from a quantitative point of view, the qualitative changes brought about by the development of auto-driving cars from L1 to L2/L3 or even higher are worth looking forward to. If only L2 to L5 are calculated, the sales decline in 2020 will shrink. To 8.1%.

(2) The relevance between upstream, midstream, and downstream sectors in an industry

Machine vision related inspection (including AOI):



- (2) The various developing trends and competition of the products
7. AOI system being developed for a higher precision and speed
- In advanced countries including Taiwan, the tendency for electronic products to be compact and required of quality will facilitate the upgrade of traditional AOI system, for example: measurement technology will be enhanced from 2D plane inspection and measurement to 3D (three-dimensional) inspection and measurement. Therefore, it is foreseen that the demand in AOI system with a higher precision and speed will be rising.
8. The development trend of AOI in mainland China's market
- AOI has originally been the necessary investment for ensuring production quality in the industry of advanced countries. Traditional labor-based industries generally had low throughput without the necessity of using AOI for quality inspection while the primary goal was set towards automated production and enhancing production capacity. Nonetheless, due to the mature development of automated production, the number of quality inspection personnel will be greatly increased in order to cope with the surging production capacity, which is feasible when the salary level of the workforce is low. However, while the product spec is getting more and more precise, the salary in China is getting higher, and the young generation is not willing to take the job in a manufacturing plant, the turnover rate is getting higher. Therefore, AOI has become the necessary investment in the next stage for electronic and semiconductor industry in China, and surely the demand in it shall grow.
9. Increasing adaption of AOI system in traditional industry
- For traditional Manual Visual Inspection (MVI) is no longer able to effectively control the quality, the traditional industry sector in Taiwan also has to develop towards high quality in order not to be phased out. Therefore, AOI system will be adopted to replace traditional MVI and the demand in it shall continue to increase.
10. Equipment Localization
- In recent years, the emerging high-tech industry has been growing and hence the surging need for precision measurement systems. Among them, AOI is particularly the trend that cannot be halted. The technical field of AOI is extremely wide and the adoption includes the industries of semiconductor, flat-panel display, LED, PCB, Optial Lens, and etc. Most markets having a demand in AOI system are located in Asia. Currently, a large majority of the AOI system used by the main industries in Taiwan are imported ones that may have the disadvantages such as high price, difficult maintenance and high cost of selling. However, since the government have started to support

equipment localization, in 2004 the Center for Measurement Standards／Industrial Technology Research Institute (CMS／ITRI) led to form AOI Equipment Association (AOIEA) that connects the related organizations of industry, government, university, and institute to promote the overall development strategy for domestic AOI industry. In recent years, the domestic equipment providers have greatly enhanced their capabilities, and the selling price is lower than that of the equipment made by foreign manufacturers; in addition, the requirements of customization can be effectively communicated. Therefore, in order to reduce procurement cost and improve service maintenance quality, domestic and foreign companies have gradually increased the proportion of buying domestic AOI equipment.

#### 11. Market Competition

The focus of our R&D is mostly on developing the latest types of product with Blue Ocean Strategy; therefore, there is no existing powerful competitor in the market while we may primarily compete with our R&D and improvement pace to be in line with the progressing industry. Some of the equipment that has been facing competitors in the market may have a relatively large market. For example, the existing competitors of wiring AOI inspection system include the foreign companies of Orbotech, CIMS (original Camtek PCB division), and Screen, all of them are the primary competitors of the Company. However, in 2017, we have launched the solution with higher productivity that can facilitate manpower saving, there were many large-scale manufacturers have replaced the old system to enhance their competitiveness and instead become the leaders of the market. In addition, for AVI system, Japanese company, Shirai, is the main foreign competitor while in Taiwan UTECHZONE Co. is also having the same development. The competitiveness of both products is the excellent inspection rate and throughput which shall help on reducing manning for re-inspection, together with the newly developed AI deep learning. In this way, we are not only able to catch up with the original leading company, but also able to leave other competitors behind and enhance customers' satisfaction through quality service system.

For the existing products other than these two, most of the competitors are followers. Take Hole-AOI as an example, the products by competitors from the States and Japan are with high quality and they normally focus on the various functions provided while there are other competitors who do not reinforce the quality of their products but instead have the focus on



competing by low price. To cope with these, the Company's strategy is to expand our R&D, keep improving, and segment the market. We offer diversified models to meet the needs of different layers of customers while ensure profit and competitive advantage. In addition, we rely on our patents to expand the gap between the functions of our products and that of competitors'. Apart from that, the Company is committed to enhance the service quality, to maintain existing customers, and furthermore to gain the new customers.

### **5.1.3 Research and Development**

#### **(1) Technology / R&D update**

Short-term: One of the technical development directions is to develop high-end PCB online inspection technology, which has been upgraded from general PCB online inspection technology to higher-level PCB boards in the past. It is mainly developed with high data volume and high detection speed technology, equipment high precision and high transport optical machine technology. The other is the development of AOI based Index 4W Tester which is mainly combined with AOI technology and applied to electrical measurement systems to assist in improving the related time-consuming adjustment process and towards automation instead of manual adjustment.

Mid-term: In order to assist PCB factories to transform into smart manufacturing, in addition to the relevant handshaking communication actions between the equipment Internet of Things and the factory-side system, it is also imported with PCB online inspection, which greatly simplifies the number of its personnel and greatly reduces the possibility of personnel intervention. Then AI is introduced to automatically multi-classify defects, collect and feedback instead of manual related operations in the past.

Long-term : The main inspection items in the PCB manufacturing process are all realized online inspection or two-in-one inspection (such as: circuit, blind hole, appearance and electrical measurement two-in-one) to replace the single-machine inspection mode in the entire process in the past. Provide a complete online inspection program to greatly reduce staff, shorten the process time and optimize the management model to enhance industry competition.

(2) Research and development personnel and their academic experience

Item \ Year		2020	2021
Education	Ph.D.	6	4
	Masters	92	80
	Bachelor's Degree	58	47
	Senior High School	2	0
Total		158	131
Average Years of Service		3.70	4.71

(3) R&D expenses invested each year in the last five years

NTD Thousand

Item \ Year	2017	2018	2019	2020	2021
A. R&D expenses	143,758	169,439	217,292	243,672	282,238
B. Revenue	1,420,888	3,111,876	2,543,441	2,397,855	2,750,264
A/B	10.12%	5.44%	8.54%	10.16%	10.26%

(4) R&D list for last 5 years

Year	Product/Proprietary technology	Main purposes
2016	FPCB AVI	FPCB AVI to detect defects such as solder mask, solder, Au discoloration, etc. This program shall greatly improve production rate and reduce false alarm rate.
2017	Smart AOI 4.0	The design complies with industry 4.0 and can help customers resolve the problem of manpower shortage as well as save a great amount of cost.
2018	Wafer AVI	Applied to the inspection after wafer cutting in wafer probe and packaging industry.
2019	RTR AOI	Solution for Flexible PCB inspection, inspection speed is 10x~14x faster, can reduce labor demand and increase production efficiency
109	Flip Chip market develop AVI, Bump and Tray In (Out) measurement equipment	It is applied to Flip Chip inspection, and the inspection items are integrated into two in one, which shortens the inspection time and personnel operation time, and improves the inspection efficiency.
	Inline Panel LaserVia AOIM	Replace stand-alone mode operation. The inspection speed is 6 times in the past, which can greatly reduce the operation manpower and improve the production efficiency, and greatly reduce the manpower cost.

#### **5.1.4 Long-term and Short-term Development**

##### **(1) Short-term Business Development Plan**

###### **A. Marketing Strategy**

Provide the sales program of one-stop shop inspection for the whole factory to meet customers' needs in one-stop shopping and single window service.

Strengthen and enhance the sales system in China, Korea, Japan, Southeast Asia, and the US.

Under the influence of COVID-19 provide remote augmented reality (AR) maintenance services to strengthen customer service capabilities during the epidemic. Continue to improve the quality and customer service, and maintain the user groups.

###### **B. R&D Strategy**

Enhance the cooperation with component suppliers and customers to actively develop high-end mechanical vision products.

Let R&D personnel engaged with the market more in order to develop the system that meets the market's needs.

Inline inspection equipment for the complete manufacture process, Modularize software and hardware design to accelerate the development of new systems for other industries.

###### **C. Production Strategy**

Improve manufacturing efficiency and production technology to reduce production hours while enhance production quality.

Closely connect production schedule, business requirements, and the purchase time of key components to reduce inventory and manage the delivery date of order.

###### **D. Finance Strategy**

Implement performance management and strengthen finance management to enhance the capability in risk management.

Fully push the company's entry into a capital market in hopes of establishing a comprehensive funding channel to make a healthy financial structure and setup the idea of sustainable management, and then make profit to share with the society.

The short-term financial plan is made based on the mid-term and long-term capital demand plan and the principle of safety and stability.

#### E. The Management

Enhance ERP as well as computerize and automate the operations flow from design, receiving order, production, shipment, inventory, to finance to improve management and operation efficiency.

Provide training and assessment to the personnel in R&D, production, sales, and management to cultivate the talents and human resource in the Company and keep on driving innovation and enhancing the overall competitiveness.

Keep expanding our knowledge management system by establishing the database of successful experiences in the Company for newcomers to efficiently connect with the system operation and motivate new successful experiences.

### (2) Long-term Business Development Plan

#### A. Marketing Strategy

Increase the integration of products and services, expand the scale of operations, and provide customers with various solutions of mechanical vision system for their equipment. This year's new operational goal is to promote and develop the needs of wafer probe and packaging in semiconductor industry, as well as the Smart Camera for edge computing.

Enhance the production and marketing system domestically and internationally to provide customers with real-time and appropriate service and technical support.

Seek strategic alliance to speed up gaining the market share and expanding the gap between us and our competitors.

#### B. R&D Strategy

Expand the communication and cooperation with domestic and international research or academic institutes to enhance the vision of R&D personnel as well as introduce new ideas and technologies.

Work closely with key component suppliers to develop new systems with the latest technology.

Make good use of "Coopetition" (Competition and Cooperation) to enhance the level of research and development.

#### C. Production Strategy

Assist outsourcing system in the setup of quality management system to improve on-time delivery and effective production.

#### D. Finance Strategy

Build a close relationship with financial institution to control financial market dynamics and enhance financial performance.

Expand the Company's operating scale and raising funds for medium and long-term to develop our strength in long term.

#### E. The Management

Cultivate outstanding talents and build a corporate culture of professionalism, service and partnership.

Adhere to the concept of sustainable management, strengthen corporate governance and value social responsibility.

### 5.2 Market and Sales Overview

#### 5.2.1 Market Analysis

(1) Sales area of main products (services): Sales percentage of inspection products for PCB industry by market is as listed in the table below:

Region/Year		2020		2021	
		Amount	%	Amount	%
Export	China	1,931,898	81%	1,860,965	68%
	Others	175,256	7%	116,264	4%
	Sub-total	2,107,154	88%	1,977,229	72%
Domestic Sales			290,701	12%	773,035
合 計		2,543,441	2,397,855	100%	2,750,264

(2) Market share

The main business of the company is the manufacturing, research and development and sales of PCB mechanical vision inspection and measurement system equipment. In 2019, Dr. Hayao Nakahara, the president of NTInformation, a research authority recommended by PCB, released the 2019 global top 100 PCB rankings. Ninety percent are all Mude customers.

The company includes PCB drilling and molding process measurement and inspection series, 2D/3D measurement series, PCB circuit inspection series, HDI and IC carrier board and soft board inspection series and appearance inspection series, mainly focusing on bare board measurement. It is also the only company in the industry that has line AOI, AVI, and 2D/3D measurement technology at the same time.

Some products, such as ultra-high-speed 2mil (to be promoted to 0.6mil this year) AOI and Laser Via AOIM, rigid and flexible board

appearance inspection machines have the leading market share in Taiwan and the mainland. In addition, the company's other products such as film inspection machines and Two-dimensional measuring machines also account for a certain proportion of the market share, but due to the lack of complete statistical data of PCB measuring and testing equipment, it is impossible to compare their market share. In addition, the use of Smart Camera to enter the barcode reading application market and high-end electrical measuring machines are also one of the new growth points of the company's business.

(3) Future market supply/demand and growth

Printed PCB (PCB), the basic and key component for all products in electronic industry, is the base plate used to connect electrical components that allows the various electrical components to function by the tracks formed on the PCB. While PCB products are moving towards being high-end and compact that cannot be inspected by naked eyes, and some contact electronics test cannot be done due to thin wires, therefore, the demand in precision measuring or inspection system will be rising. In addition, since there is the problem of manpower shortage due to the getting higher labor cost, it is expected that machine will soon replace labor for PCB products inspection. In Taiwan, it is another situation. Since the PCB market is gradually recovering quarter by quarter, Taiwanese PCB manufacturers have kept expanding the scale and developing the supply chain for the primary system manufacturers which should drive the demand in PCB inspection system.

The Company has expanded the application of 2D/3D inspection technology that has been accumulate for more than 20 years in PCB industry to other microelectronic industry such as wafer probing and packaging and COF industry, to expand the range of industries that the product can be applied to. On the other hand, we have also introduced AI deep learning system to our entire product lines to reduce workforce while expand the market scale.

(4) Strength for competition

A. The Strong R&D Team

MACHVISION Inc. is a company specializing in Machine Vision inspection and measuring system and having the technology of integrating optical imaging system, image processing, precision machinery, and motion control. With the accumulated integrated

technologies in optics, mechanic, electricity and software, our R&D team had planned for various professional training courses as well as the setup of knowledge management system to enhance the professionalism of our R&D staffs for providing new products with more precise and fast visual inspection system in the market to cope with the changing environment. This has combined theory with practical application which allowed our technology development so far to be ahead of other domestic competitors. It's been proven that some products have met the international advanced standard, and customers have established trust and inter-dependence on our company's products and services.

#### B. Providing a Comprehensive Range of Products

The comprehensive range of products developed by the Company for PCB/IC Packaging/COF industry does not only meet customers' needs, also the quality of our products are better than the exported ones. Our diversified measuring and inspection equipment, which have a good reputation in the marketplace, can provide a total solution in measuring and inspection for the whole customer's factory and can have bundling to enhance competitiveness. In addition, we offer optional mid and high level models for many product series that can cover the individual needs of different customers and furthermore enhance the Company's market share.

#### C. Timely local after-sales service and professional maintenance capability

The developing process of machine vision system has to be worked on closely with the customer and be tested for a long time. In addition, the customers often want to work with suppliers locally. The output value of PCB in Asia is almost over 80% of the global output value; in addition, not only 90% of HDI products are manufactured in Asia, the primary manufacturing base of semiconductor is also in Asia. The Company has branch offices in Taiwan and China which allow us the regional advantage of providing convenient and comprehensive maintenance service and technical support. Therefore, customers can have their problems be resolved immediately or have our cooperation on properly modifying software or hardware to fast respond to the market needs and enhance the functions and competitiveness of products for gaining trust from their customers.

In addition, the Company has dedicated customer service training system that can facilitate customers' user training which is helpful for customers to be familiar with the safe operating of our precision equipment and furthermore gaining the trust of customers in the Company.

#### D. Having the leading clients in terms of channel

The Company provides various measuring and inspection systems for different PCB processes. The number of our clients is more than a hundred and their expertise areas range from PCB whole manufacturing process and single manufacturing process, equipment manufacturers, to raw materials suppliers. Presently, all of the top 10 global PCB manufacturers are included in the Company's clients list. On the list, it also includes the top PCB manufacturers such as UNIMICRON, Nanya, TSMC, Chin Poon, Tripod Technology, ASE Group, and Gold Circuit Electronics from Taiwan, Foxconn Group, Pulin Group, Shantou Chaosheng, Founder Group, Shennan and Kinwong from China, Kingboard Holdings Limited from Hong Kong, Samsung and LG from Korea, as well as the top two manufacturers from Japan, Samina from the US. Among the top 100 PCB manufacturers, around 80% are using our products, which is helpful for the Company's new launches for getting the point of market entry. For a long time, the Company has been building the word of mouth and expanding our business to the global market that made us much more competitive in the industry.

### (5) Positive and negative factors for developing vision and the preventive measures

#### A. Positive Factors

##### (A) The rising demand in inspection

With the wave of 5G, electric vehicles, and the housing economy, the global electronic information and communications industry is propelling the trend toward lighter, thinner and smaller products to develop vigorously. Moreover, the completeness of my country's information industry system has driven the increase in demand for upstream production equipment; and the continuous expansion of global personal computers and consumer electronic products has greatly increased the application opportunities in the electronics



industry. The company is committed to the development of PCB/semiconductor visual inspection and measurement equipment, develops test equipment with excellent function and quality, and actively sells it to grasp the market trend.

(B) An industry with high entry barriers

Since Machvision inspection and measuring system can only be completed by integrating the technologies of optical imaging, image processing, precision machinery, and motion control, the experts in these fields are required. In addition, because the cooperation from all users is also critical, with such a demanding barriers, there are not many manufacturers who can succeed in the field.

(C) Self-owned developing team

The Company has successfully developed around tens of innovative products with patents domestically or abroad, and has successfully gotten certified by many world-class manufacturers. In addition, there are still clients exploring proactively for the opportunity of cooperating in the development of related visual inspection system. At the same time, we continue to invest in developing new technologies to keep our technologies ahead of others.

(D) Increasing demand in automatic machines due to the rising wage in mainland China

As the labor cost of wage, fringe benefit, and social insurance is increasing in China's electronics manufacturing services, the demand in adapting automatic machine for production lines is also rising. It is the same situation in PCB industry for being willing to adapt AOI system, especially when the labor cost takes up 18% of what is already low margin. Since the Company has developed total solution with automation to help on more cost saving, the trend is favorable for the Company's future development.

(E) Good operation and Fine financial status

Machvision funded in 1998, the Company has successively developed various visual measurement and inspection systems. Our products are widely recognized by major domestic and foreign manufacturers and that allowed us to maintain good revenue and profit. The Company is profitable every year since its establishment and has never used aggressive financial operation. Therefore, with our good operation and financial health, we do believe that we are able to fully devote on R&D and get the insight of market trend for

launching new products.

**B. Negative Factors**

(A) The critical parts such as Camera, CCD, video capture card and Lens still rely on the exportation

Preventive measures:

Maintain a good relationship with suppliers and do not count on single supplier for procurement. In addition, leave some room for flexibility during the designing of the products to allow the parts with different brands suitable for use in our developed systems.

(B) Most of the products for quality checks are random checks and the sales volume is not high

Preventive measures:

Develop full inspection system with high demand such as wiring inspection for inner and outer layers and AFI; in addition, promote the bundle sales with niche products to facilitate the trade-off between sales revenue and profitability.

(C) Limited application of existing product lines

Preventive measures:

With existing successful MV technology, modularized design and management, we can get into new application or industry quickly to increase the adaption in different industries such as probing and packaging industry, and furthermore expand the market of product selling.

### **5.2.2 Production Procedures of Main Products**

**(1) Functions of the major products**

A. The measuring and inspection series for the manufacturing process of PCB drilling and routing:

a. Express Hole-AOI: as the trend of PCB fine line, the drilled hole will be getting smaller (pore size under 100um) and there shall be more holes drilled (500 thousand holes/piece), hence the precision of the drilled hole is getting more important. By using Express Hole-AOI, the precision can be up to +/- 5 um, and the measuring for a piece of board with 300 thousand holes can be completed in 20 seconds that can not only enhance the yield of drilling process, but also can monitor the output quality of a drilling machine on the production line as well as reduce the obsolescent and maintenance cost.

b. All-purpose Dimensional Measuring System: measuring the device

under test mainly by non-contact way to automatically measure the angle, coordinates, distance, dimension of a two dimensional object such as point, line, circle, and arc. That can be applied widely to the size measuring of profiled board, the dilatation of inner layer and film, and the various quality inspection report. In addition to save manpower, it can also help on obtaining more precise measuring results and feedback to the production line for continual improvement and enhancing the capability of manufacturing process.

#### B. PCB Wiring Inspection Series:

a. Film AOI system: films are the critical basis for producing PCB wiring while any of the continuity & insulation, indenting, bump, splotch on the film shall cause a bad inner and outer layer PCB or make it discarded. A film AOI system can read the original design data of the wiring on a film as the basis for comparison to inspect any defects and reduce the false alarm rate.

b. Line gauge: measuring line width can get the quality level on how does etching result control the conducting lines. The traditional way of measuring by naked eyes with microscopic magnifier does not only have the problem of bad reproducibility, but due to the trend of fine lines, measuring by naked eyes can no longer meet the requirement. LineGage has the imaging mechanism with patent that can show the image of fine lines clearly; when working together with the image processing technology of sub-pixel and linear regression, the precision accuracy of measuring can reach 1  $\mu\text{m}$ .

c. Wiring inspection for inner and outer layers:

Multi layered board of PCB has 6, 8, or 10 layers, and even up to more than 30 layers for achieving the requirement of electronic products in being small and compact. However, the lines on each layer have to be scanned and inspected to avoid spur, indenting, and continuity & insulation, as well as to enhance the yield of drilling process and reduce the loss of obsolescent. Right now, it can also help on enhancing the production rate and even reach unmanned high-speed production with the add-on of automation.

#### C. HDI and IC Substrate Inspection Series:

a. LaserVia-AOIM: due to the requirement of mobile phone PCB and IC substrate in being small and compact, laser drilling has become an important production process. LaserVia-AOIM can inspect if the laser power is weak or over and if there is residual or shift, to enhance the processing capability of engineering unit and prevent from the bad

output of production unit.

b. 3D Profiler: in order to ensure the reliability of products, it is required to have copper-filling plating after laser drilling. However, it would be time consuming and inaccurate to inspect hundreds of thousands of holes on the board and get the hole with the denting up to 5 ums. The inspection for copper-filling plating utilizes the most advanced 3D measuring technology that can measure the denting level of each hole for 1 million holes in 3 minutes, a revolutionary breakthrough for the filling in copper electroplating.

c. Solid Measuring Viewer system: high-end PCB has to be measured on its 3D data such as line thickness, solder height, or hole depth. The traditional measuring way may cause destruction and time consuming if it adopts slicing; therefore, it can protect device under test while save time by adopting optical measurement 3D solution.

D. AFI Series:

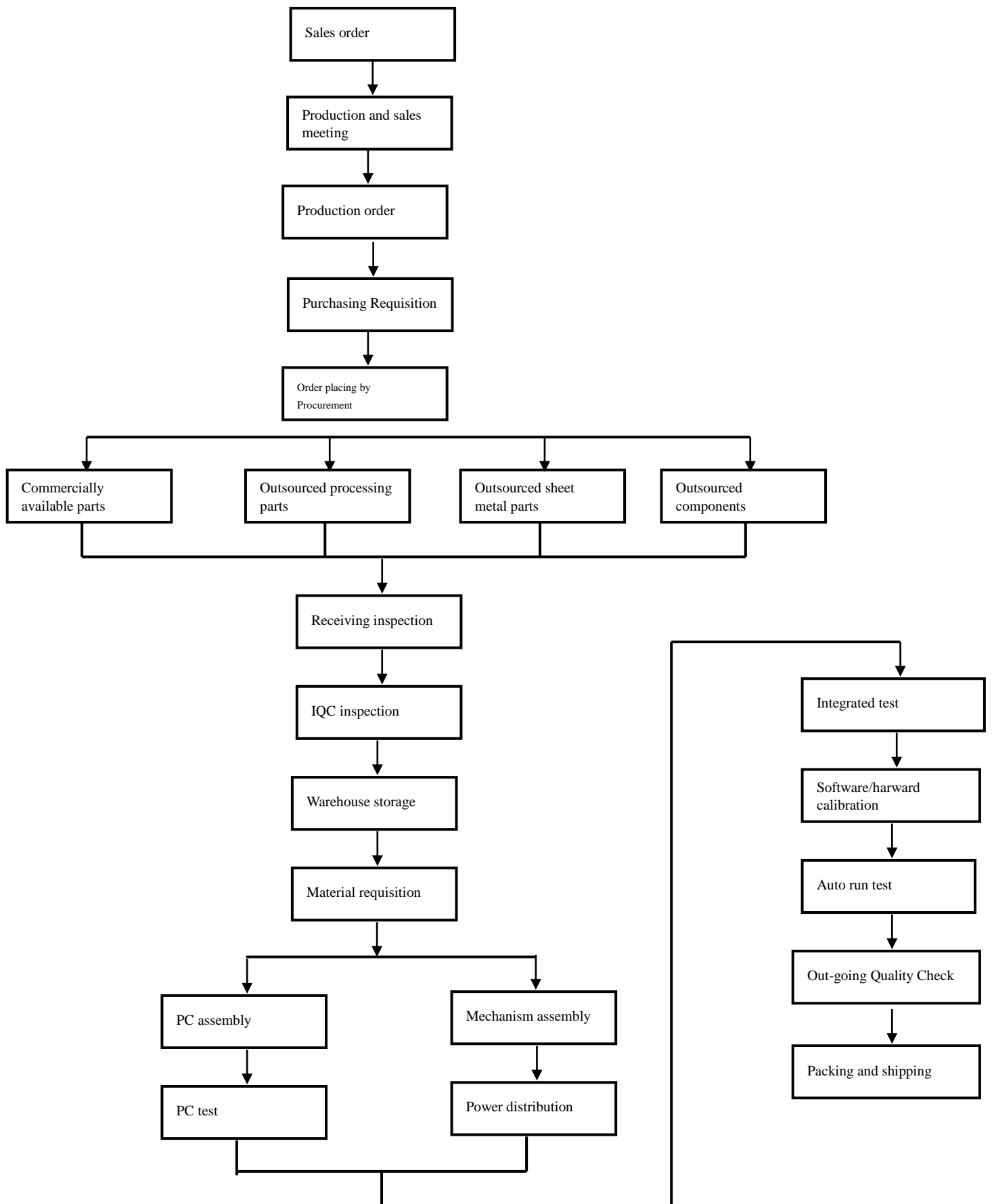
AFI series can be applied to various automatic final inspecting systems including multi layered board, HDI board, IC substrate, FPCB, assembled FPCB, wafer and COF. The series can also add AI capability to the system.

## (2) The manufacturing process

A. The Company's products are mainly modular assembly that can be categorized to the modules of mechanism, electric control, optics, and software system.

B. Each module is assembled and quality controlled based on assembly operation standards and test specification.

C. The assembled product will be going through a 72-hour function and system software test by the quality control team to ensure the quality of the shipment.



### 5.2.3 Supply Status of Main Materials

Item	Main materials	Supply condition
1	Optics and photoelectric component	More than three suppliers with good supplying condition
2	Transmission component	More than two suppliers with stable supplying condition
3	Electrical machine component	Adequate supply with stable delivery date

### 5.2.4 Major Suppliers and Clients

Please refer to page 88-89 of the Chinese annual report.

#### A. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Supplier A	86,213	11.83	-	Supplier B	105,585	12.11	-
2	Supplier B	85,119	11.68	-	Supplier A	95,986	11.00	-
3	Supplier C	76,124	10.44		Supplier C	58,352	6.69	-
4	Others	481,590	66.05		Others	612,521	70.21	
	Net Total Supplies	729,046	100.00		Net Total Supplies	872,447	100.00	

Note: Supplier A, B and C are all long-term suppliers with stable supply and quality, and continue to purchase goods from them.

## B. Major Clients in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2019				2020			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	F Client	445,611	18.58	-	A Client	445,914	16.21	-
2					F Client	310,822	11.30	-
3								
	Others	1,952,244	81.42		Others	1,993,529	72.49	
	Net Sales	2,397,855	100.00		Net Sales	2,750,264	100.00	

Note: Both A and F are long-term clients. During 2021 Client A had plant expansion plan and increase the purchase of company's products. Client F had plant expansion plan since 2020 that continued place orders.

## 5.2.5 Production in the Last Two Years

Unit: NT\$ thousands

Output Year		2020			2021		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)							
Appearance inspection series		155	152	701,701	285	278	1,144,106
Circuit inspection series		119	117	1,065,844	127	121	937,379
Laservia series		49	45	418,032	64	59	333,212
2D/3D series		25	23	100,030	23	22	229,594
Other testing series		109	101	171,733	69	65	154,527
Total		457	438	2,457,340	568	545	2,798,818

### 5.2.6 Shipments and Sales in the Last Two Years

Unit: NT\$ thousands

Shipments & Sales  Major Products (or by departments)	Year	2020				2021			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Appearance inspection series		16	123,180	122	513,891	38	315,735	210	725,736
Circuit inspection series		8	33,090	98	962,411	6	52,230	104	844,783
Laservia series		8	41,791	33	346,856	16	97,259	37	214,539
2D/3D series		3	27,172	19	68,508	12	155,558	8	53,164
Other testing series		3	11,395	94	162,601	18	96,001	44	50,707
Service		-	54,073	-	52,887	-	56,252	-	88,300
Total		38	290,701	366	2,107,154	90	773,035	403	1,977,229

### 5.3 Human Resources

Year		2020	2021	Data as of ending data in the current year
Number of Employees	Direct	39	51	48
	Indirect	232	248	260
	R&D	158	131	127
	Total	429	430	435
Average Age		34.71	35.35	35.62
Average Years of Service		4.03	4.44	4.55
Education	Ph.D.	1.40%	1.16%	1.15%
	Masters	28.90%	26.28%	25.75%
	Bachelor's Degree	62.01%	64.19%	65.06%
	Senior High School	7.69%	8.37%	8.04%
	Below Senior High School	-	-	-



## **5.4 Environmental Protection Expenditure**

### **5.4.1 Total Losses**

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions):

None

### **5.4.2 Countermeasures**

The Company has taken into consideration any potential risks or violation of environmental and regulations in formulating its environmental management system. The Company also closely monitors developments in the government's environmental policies and regulations to be able to design precautionary measures. For the pollution and wastes generated in the production process, the Company takes the following measures to protect the environment:

## **5.5 Labor Relations**

### **5.5.1 Employee Welfare**

List any employee benefit plans, continuing education, training, retirement systems, the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

Please refer to page 92 of the Chinese annual report.

### **5.5.2 Labor Disputes**

The Company's various employee benefits, advanced study, training, retirement system and their implementation, as well as the status of collective bargaining and the protection of workers' rights:

1. The Company values the family well-being and health of our employees and we do not encourage working overtime. In case of the overtime work, we would encourage the employee to get in earlier while if staying later is necessary, we also reminder them not to exceed the overtime limit and impact the next day's work, in hopes of helping them keep a regular daily routine to

stay healthy and furthermore get the balance between work and family.

## 2. Employee benefits program

(1) All of the Company's employees enjoy labor insurance, national health insurance, group insurance, and major casualty insurance by the employer.

(2) Employees will receive year-end bonus at the end of the Company's business year.

(3) Pursuant to the law, the Company has reserved welfare funds to establish Employee Welfare Committee for conducting various employee welfare activities such as holiday bonus, birthday celebration, birthday gift, wedding and funeral subsidy, and social activities.

(4) Provide subsidy for annually domestic or foreign travel, allowance for regular health check-ups and flu vaccine.

(5) Educational subsidy program for children from 0 to 6 years old, including parenting allowance for 0-3 years old and free kindergarten for 3-6 years old.

(6) Family and child parent education course.

(7) Set up free cafe to reduce work stress.

(8) Provide sports halls and organize various sports courses.

## 3. Advanced study, training and development

(1) Employees are considered as the most important assets in the Company. Therefore, we provide necessary and appropriate training and development courses for employees to make them contribute by their strength and competent, continue to complete the designated tasks and achieve the goals while keep on creating the core competence of the Company.

### (2) Training and people development system

We provide the training courses based on competency to equip employees with the basic knowledge, skills and attitudes necessary for achieving business goals, which include:

a. New hire training: the training for new employees and the training for new managers.

b. Professional training: sales, production, R&D, finance, procurement, administration, etc.

c. General education training: the Company's mission, corporate culture, the company's value, customer satisfaction and quality.

d. Direct labor training: the skill training of assembly station.

e. Project-oriented training: workshop for R&D project.

f. Self-development training: speech, seminar, reading circle, in-service training.

g. Pass the baton training: "Pass the baton" upward and downward training includes job responsibilities, key performance indicators, work attitude and mindset management.

4. The Company follows and stays compliant with the relevant laws and regulations to contribute 6% of employee's monthly salary for pension per month to the labor account for new employees and the original employees who choose to adopt the new pension regulations. On the other hand, for the original employees regardless of choosing to adopt the old or new pension regulations, the Company continues to reserve their seniority before transiting to the new regulations and contribute the appropriate amount of Retirement Preparation Funds calculated based on the pension payment standard in the original regulations of employee retirement. For the employees who are assigned by the organization to transfer to the affiliated enterprises, the seniority will be continually counted to provide employees with more job security and achieve the goal of talent circulation. While the pension in the subsidiary company abroad is Defined Contribution Plan, the various social security fund such as pension, medical, etc. shall be paid monthly per the regulations of local government.

#### 5. Protection Measures for Working Environment and Employee Personal Safety

Item	Content
Access security	<ol style="list-style-type: none"> <li>1. A strict monitoring system is setup for 24 hours.</li> <li>2. There is the access control card reader setup at each entrance and exit of the Company.</li> <li>3. Have the contracted security to maintain the safety of the plant during nighttime and holidays.</li> </ol>
Maintenance and inspection of various equipment	<ol style="list-style-type: none"> <li>1. There is the schedule setup for routine maintenance of various electromechanical or fire-fighting equipment per month, quarter, and year to ensure that the equipment keeps in the best condition all the time.</li> <li>2. Pursuant to the regulations of Fire Act, the Company conduct the fire-fighting security inspection every year by a qualified outsourced fire inspection company.</li> <li>3. The Company checks and maintains various</li> </ol>

	<p>equipment such as power system, air conditioners, fire-fighting facilities and hazard mechanical equipment on a periodic basis.</p> <p>4. Pursuant to the regulations of Labor Safety and Health Law, the Company outsources to a qualified testing company to conduct a biannual environment monitoring for us, which includes noise, lighting, CO<sub>2</sub> concentration, chemical substances concentration, etc.</p>
Prevention measures and contingency plan for disasters	<ol style="list-style-type: none"> <li>1. For disaster prevention, incident handling and notification of accident, the Company has developed the prevention measures and contingency plan, specifically defining the roles and tasks of the personnel at each level during the emergencies of incident, major incident, and general accident.</li> <li>2. Establish a self-defense fire brigade that includes firefighting crew, notification crew, evacuation guidance crew, safety protection crew and rescue crew.</li> <li>3. In order to maintain employee safety and health while implement safety and health management, the Company has carried out the operation of environmental protection and occupational safety and health.</li> </ol>

#### 6. Employee Code of Conduct

The Company's Employee Manual has clearly conveyed the benefits and systems that have being continually stipulated in these years and based on the Company's culture of respect and caring to every employee. In the manual, it clearly states the code of conduct and the Company's expectation for all employees while the employees shall follow the law and based on ethical principles to maintain the Company's assets, interests and image. The manual is available on the Company's intranet for prapoganda and employee's reading.

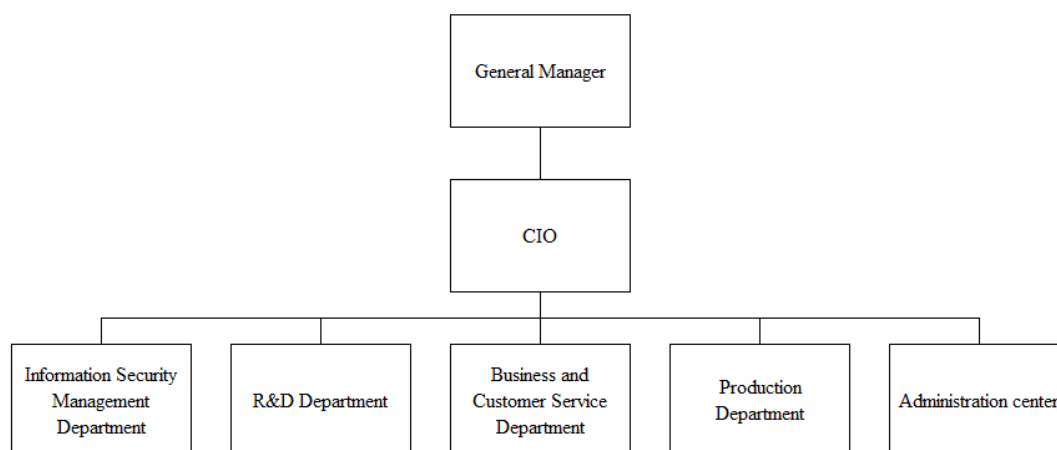
## A. Total Losses

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including labor inspection results found in violation of the Labor Standards Act, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions): None

## 5.6 Information-Communication Security Management

(A) Information/Communication Security Risk Management Infrastructure, Information/Communication Security Policies, Specific Management Approaches and the Resources Required to Invest in the Management of Information/Communication Security Management

### 1. Information/Communication Security Risk Management Infrastructure



Our company has established a committee for Information Security Management and the highest ranking manager of our IT department will be acting as the convenor for the committee, assisted by members of the network service team to physically execute the information security plan. The team will be responsible for the evaluation of external information risks and facilitating the introduction of resources, establishing the information security systems, supervising/audit the information security, and continuing to strengthen the concepts of information security.

### 2. Information/Communication Security Policies

#### (1) Enterprise Information Security Management Strategies and Infrastructure

The objective is to maintain the confidentiality, integrity, and usability of company assets, and to secure the privacy of user data. By leveraging the team efforts of our entire staff we can achieve the following targets:

- To ensure that the information can only be accessed by authorized personnel in order to maintain confidentiality.
- To avoid unauthorized modifications in order to ensure the accuracy and integrity of data.
- To ensure that sales and service practices are in conformance with the requirements of the regulations.

## (2) Continuous Improvement Infrastructure

Our company will be maintaining the PDCA (Plan-Do-Check-Act) Cyclic Management to ensure that targets are met and continuous improvement is in place.

We will be following the “Information/Communication Security Control Guide for Publicly Listed and OTC Companies” published by the Taiwan Stock Exchange at the end of 2021, as the foundation for our cyclic improvements. The guide was meant to assist public listed companies in strengthening their information security protection and management.

## 3. Specific Management Approaches and the Resources Required to Invest in the Management of Information/Communication Security Management

Type	Note
Data encryption	TFG
Privilege access management	Disable USB
Internal information security	Offsite backup
External threat	Antivirus software
Ongoing	Firewall upgrade Education training

(B) Major Information/Communication Security Incidents, the Incurred Damages, Possible Impacts, and the Action Plans for the Recent Fiscal Years and as of the date the Annual Report is Issued.

1. For the recent fiscal years and as of the date our annual report is issued, no incurred damages were identified to be resulting from major information/communication security incidents.

2. Information/communication security risks and the action plans

(1) Information technology security risks and the management measures

Machvision has been continuously reviewing and evaluating the information security protocols and procedures to ensure their adaptability and effectiveness. However, in view of the ever-changing information security threats, we can not guarantee to be immune to possible impacts resulting from innovative risks and deliberate attacks.

As such, Machvision has implemented an encryption mechanism for our documents and data archives, drawings, as well as software programs. In case of the need to share the said information with customers and/or suppliers, an advance application is required to activate the decryption program to render the information accessible to external customers and/or suppliers for sales activities or services associated with the suppliers. In addition to that, and specifically for the maximum information security area such as the R&D, personally operated information equipment is under stringent scrutiny. External computers or any other hardware devices are prohibited from connecting to the Machvision intranet and personally operated computer equipment, if not properly used, will be blocked from access. USB storage, despite the potential risks, it's a necessary evil for sales and customer services. We have a control mechanism by installing virus scan utility computers on each of the floor spaces. USB storage must be scanned before data can be uploaded to the servers.

In view of the recent complex events regarding a few big names being attacked by some malware and/or computer viruses, we have continuously strengthened our information security protection awareness. By leveraging the resources from the top-line information security companies for training and real-time assistance, we pledge to minimize the risks that may compromise our commitments to our customers and stockholders, also to prevent any negative impacts that may jeopardize our operation results, financial, and future outlook.

### 5.7 Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Agency contract	B Company	2019/07/01 till now	Dealership in Taiwan, China, and Japan	-
Agency contract	C Company	2019/07/01 till now	Dealership in Taiwan and China	-
Agency contract	D Company	2018/08/31 till now	Dealership in Korea	-
Agency contract	F Company	2016/05/10 till now	Dealership in Taiwan and China	-
Agency contract	G Company	2018/10/15 till now	Dealership in Taiwan and China	-
Agency contract	H Company	2017/09/10 till now	Dealership in Taiwan and China	-
Agency contract	I Company	2021/03/01 till now	Dealership in Taiwan	-
Lease contract	Hsinchu science park bureau	2019/06/01~2038/12/31	No. 3, Gongye E. 2nd Rd., East Dist., Hsinchu City	-
Lease contract	Hsinchu science park bureau	2020/01/01~2024/12/31	1F., No.3 and 1F-2F., No. 1, Zhanye 1st Rd., East Dist., Hsinchu City	-
Lease contract	Hsinchu science park bureau	2021/06/01~2040/12/31	Keyuan Section, Keyuan Subsection Land serial no.59-4	-
Credit contract	A Bank	2020/03/23~2025/03/15	Government project loan	-
Credit contract	B Bank	2020/04/01~2025/03/15	Government project loan	-
Credit contract	C Bank	2020/03/23~2027/03/15	Government project loan	-



## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet

##### A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		1,658,583	3,109,382	2,355,216	3,123,403	3,759,360
Property, Plant and Equipment		213,862	238,607	267,915	271,280	267,020
Intangible assets		566	303	8,898	83	-
Other assets		47,391	123,755	411,962	314,521	482,702
Total assets		1,920,402	3,472,047	3,043,991	3,709,287	4,509,082
Current liabilities	Before distribution	520,804	1,190,439	895,309	821,898	1,114,231
	After distribution	946,886	2,340,861	1,342,591	1,224,452	1,561,513
Non-current liabilities		8,757	10,277	105,864	279,659	436,627
Total liabilities	Before distribution	529,561	1,200,716	1,001,173	1,101,557	1,550,858
	After distribution	955,643	2,351,138	1,448,455	1,504,111	1,998,140
Equity attributable to shareholders of the parent		1,340,977	2,210,152	1,909,900	2,518,707	2,852,045
Capital stock		426,082	426,082	426,082	447,282	447,282
Capital surplus		59,489	59,492	59,512	568,312	165,759
Retained earnings	Before distribution	857,913	1,727,535	1,428,849	1,506,627	2,243,202
	After distribution	431,831	577,113	981,567	1,506,627	1,706,463
Other equity interest		(2,507)	(2,957)	(4,543)	(3,514)	(4,198)
Treasury stock		-	-	-	-	-
Non-controlling interest		49,864	61,179	132,918	89,023	106,179
Total equity	Before distribution	1,390,841	2,271,331	2,042,818	2,607,730	2,958,224
	After distribution	964,759	1,120,909	1,595,536	2,205,176	2,421,485

Note 1: The Company's financial statements have been audited or reviewed by independent auditors.

## B. Unconsolidated Condensed balance sheet

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2017	2018	2019	2020	2021
Current assets		1,556,652	2,926,107	1,940,701	2,756,582	3,479,354
Property, Plant and Equipment		191,327	215,585	244,241	240,404	237,639
Intangible assets		566	303	193	83	-
Other assets		136,051	266,696	713,956	665,818	717,836
Total assets		1,884,596	3,408,691	2,899,091	3,662,887	4,434,829
Current liabilities	Before distribution	534,862	1,188,262	872,500	855,576	1,144,785
	After distribution	960,944	2,338,684	1,319,782	1,258,130	1,592,067
Non-current liabilities		8,757	10,277	116,691	288,604	437,999
Total liabilities	Before distribution	543,619	1,198,539	989,191	1,144,180	1,582,784
	After distribution	969,701	2,348,961	1,436,473	1,546,734	2,030,066
Equity attributable to shareholders of the parent		1,340,977	2,210,152	1,909,900	2,518,707	2,852,045
Capital stock		426,082	426,082	426,082	447,282	447,282
Capital surplus		59,489	59,492	59,512	568,312	165,759
Retained earnings	Before distribution	857,913	1,727,535	1,428,849	1,506,627	2,243,202
	After distribution	431,831	577,113	981,567	1,506,627	536,739
Other equity interest		(2,507)	(2,957)	(4,543)	(3,514)	(4,198)
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	1,340,977	2,210,152	1,909,900	2,518,707	2,852,045
	After distribution	914,895	1,059,730	1,462,618	2,116,153	2,315,306

Note 1: The Company's financial statements have been audited by independent auditors.

## 6.1.2 Condensed Statement of Comprehensive Income

### A. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	1,420,888	3,111,876	2,543,441	2,397,855	2,750,264
Gross profit	909,603	2,166,682	1,638,922	1,519,665	1,694,571
Income from operations	566,258	1,584,152	1,070,497	869,096	1,068,766
Non-operating income and expenses	(19,468)	38,072	(17,884)	(64,689)	(23,799)
Profit before income tax	546,790	1,622,224	1,052,613	804,407	1,044,967
Profit for the year from Continuing Operation	461,424	1,307,717	866,869	654,515	826,469
Loss on discontinued operations	0	0	0	0	0
Net profit (loss) for the period	461,424	1,307,717	866,869	654,515	826,469
Other Consolidated Income (Net Income)	(412)	(1,148)	(3,802)	280	(1,074)
Total Consolidated Net Income	461,012	1,306,569	863,067	654,795	825,395
Net Income Attributed to Stockholders of the Company	462,744	1,296,402	852,599	660,048	827,745
Net Income Attributed to Non-controlling Interest	(1,320)	11,315	14,270	(5,533)	(1,276)
Consolidated Net Income Attributed to Stockholders of the Company	462,332	1,295,254	850,150	660,274	826,664
Consolidated Net Income Attributed to Non-controlling Interest	(1,320)	11,315	12,917	(5,479)	(1,269)
Earnings per share	10.86	30.43	20.01	15.02	18.51

Note 1: The Company's financial statements have been audited or reviewed by independent auditors.

## B. Unconsolidated Condensed Statement of Income

Unit: NT\$ thousands

<div> <div>Year</div> <div>Item</div> </div>	Financial Summary for The Last Five Years				
	2017	2018	2019	2020	2021
Operating revenue	1,369,792	2,995,779	2,358,299	2,263,325	2,573,526
Gross profit	857,965	2,074,285	1,537,430	1,410,031	1,543,211
Income from operations	569,939	1,567,935	1,086,364	899,908	1,031,330
Non-operating income and expenses	(22,632)	38,180	(54,062)	(92,625)	8,475
Profit before income tax	547,307	1,606,115	1,032,302	807,283	1,039,805
Profit for the year from Continuing Operation	462,744	1,296,402	852,599	660,048	827,745
Loss on discontinued operations	0	0	0	0	0
Net Income (Loss)	462,744	1,296,402	852,599	660,048	827,745
Other Consolidated Income (Net Income)	(412)	(1,148)	(2,449)	226	(1,081)
Total Consolidated Net Income	462,332	1,295,254	850,150	660,274	826,664
Earnings per share	10.86	30.43	20.01	15.02	18.51

Note 1: The Company's financial statements have been audited by independent auditors.

### 6.1.3 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	CPA	Audit Opinion
2017	KPMG	HUANG/BO、YU/AN-TIEN	An Unqualified Opinion
2018	KPMG	HUANG/BO、YU/AN-TIEN	An Unqualified Opinion
2019	KPMG	HUANG/BO、YU/AN-TIEN	An Unqualified Opinion
2020	KPMG	HUANG/BO、WU/ CHUNG-SHUN	An Unqualified Opinion
2021	KPMG	HUANG/BO、WU/ CHUNG-SHUN	An Unqualified Opinion

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis

Item \ Year		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	27.58	34.58	32.89	29.70	34.39
	Ratio of long-term capital to property, plant and equipment	654.44	956.22	802.00	1064.36	1271.38
Solvency (%)	Current ratio	318.47	261.20	263.06	380.02	337.40
	Quick ratio	280.98	240.20	216.40	333.64	300.46
	Interest earned ratio (times)	-	-	525.73	273.31	170.42
Operating performance	Accounts receivable turnover (times)	2.61	3.27	1.96	1.78	1.99
	Average collection period	140	112	186	204	184
	Inventory turnover (times)	2.99	4.50	2.94	2.36	2.77
	Accounts payable turnover (times)	3.20	3.73	2.58	2.79	3.85
	Average days in sales	122	81	124	154	132
	Property, plant and equipment turnover (times)	6.62	13.76	10.04	8.89	10.22
	Total assets turnover (times)	0.85	1.15	0.78	0.71	0.67
Profitability	Return on total assets (%)	27.71	48.50	26.66	19.45	20.23
	Return on stockholders' equity (%)	37.23	71.42	40.19	28.15	29.70
	Pre-tax income to paid-in capital (%)	128.33	380.73	247.04	179.84	233.63
	Profit ratio (%)	32.47	42.02	34.08	27.30	30.05
	Earnings per share (NT\$)	10.86	30.43	20.01	15.02	18.51
Cash flow	Cash flow ratio (%)	53.80	123.81	17.10	90.49	71.79
	Cash flow adequacy ratio (%)	96.15	181.22	94.78	104.28	109.65
	Cash reinvestment ratio (%)	7.05	46.75	(53.91)	10.83	8.52
Leverage	Operating leverage	2.25	1.81	2.15	2.47	2.29
	Financial leverage	1.00	1.00	1.00	1.00	1.01
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) <ol style="list-style-type: none"> <li>Interest earned ratio(times) increased because increase in lease liability</li> <li>Pre-tax income to paid-in capital increased because of increases in net profit of 2021.</li> <li>Earnings per share: Compared with the prior year, there were increases in net profit of 2021.</li> <li>Cash flow ratio/Cash flow reinvestment ratio decreased because working capital increase.</li> </ol>						

## B. Unconsolidated Financial Analysis

Item \ Year		Financial Analysis for the Past Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	28.85	35.16	34.12	31.24	35.69
	Ratio of long-term capital to property, plant and equipment	705.46	1029.96	829.75	1167.75	1384
Solvency (%)	Current ratio	291.04	246.25	222.43	322.19	303.93
	Quick ratio	257.25	226.53	178.11	281.65	270.03
	Interest earned ratio (times)	-	-	558.1	279.95	170.10
Operating performance	Accounts receivable turnover (times)	2.76	3.51	2.07	1.84	2.08
	Average collection period	132	104	177	198	176
	Inventory turnover (times)	3.16	4.60	2.80	2.42	2.84
	Accounts payable turnover (times)	3.22	3.79	2.54	2.96	3.91
	Average days in sales	116	79	130	150	129
	Property, plant and equipment turnover (times)	7.05	14.72	10.26	9.34	10.77
	Total assets turnover (times)	0.83	1.13	0.75	0.69	0.64
Profitability	Return on total assets (%)	28.01	48.98	27.08	20.19	20.57
	Return on stockholders' equity (%)	38.58	73.01	41.39	29.81	30.82
	Pre-tax income to paid-in capital (%)	128.45	376.95	242.28	180.49	232.47
	Profit ratio (%)	33.78	43.27	36.15	29.16	32.16
	Earnings per share (NT\$)	10.86	30.43	20.01	15.02	18.51
Cash flow	Cash flow ratio (%)	47.27	122.73	18.40	89.18	73.05
	Cash flow adequacy ratio (%)	97.39	186.94	98.02	107.59	111.35
	Cash reinvestment ratio (%)	5.45	48.94	(62.74)	13.22	10.50
Leverage	Operating leverage	2.20	1.78	2.01	2.31	2.31
	Financial leverage	1.00	1.00	1.00	1.00	1.01
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)						
<ol style="list-style-type: none"> <li>Interest earned ratio(times) increased because increase in lease liability.</li> <li>Accounts payable turnover (times) increased because of the increase in purchases in 2021.</li> <li>Pre-tax income to paid-in capital increased because of increases in net profit of 2021.</li> <li>Earnings per share: Compared with the prior year, there were increases in net profit of 2021.</li> <li>Cash flow ratio decreased because working capital increase.</li> </ol>						

### **6.3 Audit Committee's Report in the Most Recent Year**

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

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit Machvision's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Machvision Inc. Co., Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Machvision Inc. Co., Ltd., 2022 Regular Meeting of Shareholders

Audit Committee

February 9, 2022

### **6.4 Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report**

Please refer to page 171 to 217 of the Chinese annual report.

English version please refer to company website and Taiwan Stock Exchange Market Observation Post System.

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

### **6.5 Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report**

Please refer to page 120 to 170 of the Chinese annual report.

English version please refer to company website and Taiwan Stock Exchange Market Observation Post System.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2020	2021	Difference	
			Amount	%
Current assets	3,123,403	3,759,360	635,957	20.36
Financial assets at fair value through profit or loss-non-current	10,744	15,744	5,000	46.54
Property, plant and equipment	271,280	267,020	(4,260)	(1.57)
Intangible assets	83	-	(83)	(100.00)
Other non-current assets	303,777	466,958	163,181	53.72
Total assets	3,709,287	4,509,082	799,795	21.56
Current liabilities	821,898	1,114,231	292,333	35.57
Non-current liabilities	279,659	436,627	156,968	56.13
Total liabilities	1,101,557	1,550,858	449,301	40.79
Ordinary shares	447,282	447,282	-	0.00
Capital surplus	568,312	165,759	(402,553)	(70.83)
Retained earnings	1,506,627	2,243,202	736,575	48.89
Other equity interest	(3,514)	(4,198)	(684)	19.46
Total equity	2,607,730	2,958,224	350,494	13.44
Note 1: Analytical basis: the change rate is more than 20%, and the change amount is more than NTD\$10 million.				
Analysis descriptions:				
1. The increase in current assets was due to increase from orders.				
2. The increase in other non-current assets / non-current liabilities was due to the increase of new leasing need.				
3. The increase in other current liabilities was due to the increase of orders ,which lead to purchase need of materials.				

- **Effect of changes on the company's financial condition:** The Company's financial condition has not changed significantly.
- **Future response actions:** Not applicable



## 7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item \ Year	2020	2021	Increase (decrease) amount	Change ratio (%)
Operating income	2,397,855	2,750,264	352,409	14.70
Operating cost	878,190	1,055,693	177,503	20.21
Operating gross profit	1,519,665	1,694,571	174,906	11.51
Operating expenses	650,569	625,805	(24,764)	(3.81)
Operating net profit	869,096	1,068,766	199,670	22.97
Non-operating income and expenses	(64,689)	(23,799)	40,890	(63.21)
Continuous operate dept. pre-tax net profit	804,407	1,044,967	240,560	29.91
Less: income tax expense	149,892	218,498	68,606	45.77
Current net profit	654,515	826,469	171,954	26.27
Other comprehensive profit and loss	280	(1,074)	(1,354)	(483.57)
Total consolidated profit and loss in this period	654,795	825,395	170,600	26.05
<p>Note 1: Analytical benchmark: the change ratio before and after is more than 20% and the change amount is more than NTD\$10 million.</p> <p>Analysis descriptions:</p> <ol style="list-style-type: none"> <li>1. The increases in operating cost was mainly due to the increase of orders. Besides, the price of material was rising.</li> <li>2. Operating net profit, pre-tax net profit and loss and net profit are increase because sales revenue increased.</li> <li>3. Non-operating income and expenses decrease because foreign currency exchange loss decrease.</li> <li>4. Income tax expense increase because profit increase.</li> </ol>				

- **Effect of changes on the company's future business:** The Company's business scope has not changed significantly.
- **Future response actions:** Not applicable.

## 7.3 Analysis of Cash Flow

### 7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2020	2021	Variance (%)
Cash Flow Ratio (%)	90.49	71.79	-21%
Cash Flow Adequacy Ratio (%)	104.28	109.65	5%
Cash Reinvestment Ratio (%)	10.83	8.52	-21%
Analysis of financial ratio change: Cash flow and cash reinvestment ratio decreased because working capital increase.			

### 7.3.2 Cash Flow Analysis for the Coming Year

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (Inflow) (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
1,976,971	800,000	(836,000)	1,940,971	NA	NA
Analysis of change in cash flow in the coming year: (1) Operating activities: Net cash inflow from operating activities was mainly due to the increasing of the net assets in the coming year. Investing activities: Net cash outflow from investment activities was mainly due to related expenses such as long-term equity investment and capital expenditure in the coming year. Financing activities: Net cash outflow from financing activities was mainly due to the payment of dividends and bank loans. (2) Remedial measures and liquidity analysis for cash shortfalls: NA.					

## 7.4 Major Capital Expenditure Items

### 7.4.1 Major Capital Expenditure Items and Source of Capital: None.

### 7.4.2 Expected Benefits

**A. Estimated Increase in Production, Sales, and Gross Profits: None.**

**B. Other Benefits: None.**

## 7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

Unit: NT\$ thousands

Item	Remarks	2020 Income (Loss) Amount	Policies	Reasons for Gain or Loss	Action Plan	Investment Plan for the Next 12 Months
Samoa Machvision Inc.		12,671	Investment	Mainly due to the profitability of the investment in Machvision (Dongguan) Inc.	-	-
Autovision Technology Inc.		46	Manufacturing of computer peripheral products	Actively expand market and control costs.	-	-
Sigold Optics Inc.		6,952	Manufacturing of machinery equipment	Actively expand market and control costs.	-	-
Machvision Korea Co., Ltd.		(1,459)	Maintaining and trading of machinery equipment	The company was established in 2019. Due to COVID-19, the sales figure was not as expected.	Actively expand market.	-
ChipAI Co., Ltd.		(3,909)	Manufacturing of computer peripheral products	Actively expand market.	Execute future plans carefully	-
RedPay Co., Ltd.		(111)	Electronic Information Supply Services	The company merged with Avountes Inc. on Apr. 15 2021.		-
Avountes Inc.		(4,560)	Electronic Information Supply Services	R&D stage	Execute future plans carefully	-
Machvision (Dongguan) Inc.		12,671	Maintaining and trading of machinery equipment	-	-	-
Dongguan Muxin Intelligent Equipment Co., Ltd.		1,298	Maintaining and trading of machinery equipment	Market development stage	Execute future plans carefully	-
SISSCA Co.,Ltd.		(7,764)	Manufacturing of computer peripheral products	R&D stage	Promote the products to be approved.	-

## **7.6 Analysis of Risk Management**

### **7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

- (1) The Company manages all potential risks such as strategic, operational, financial and hazardous risks that may affect operations and profitability in active and cost-effective manner.
- (2) In the event of risk management, notify superior supervisors, auditors, general manager, chairman and the company's directors and supervisor of the board of directors.
- (3) Conduct a pre-assessment risk assessment of the strategic operations by general manager's office, and conduct performance tracking of the operations after the event, so that the company's strategy can meet the vision and achieve the company's operational objectives.
- (4) The company has established relevant measures such as “Internal control system”, “Internal audit implementation rules” and “Self-evaluation procedures for internal control systems of the company”, according to each measure, it is implemented to control the risks, and the heads of various departments closely monitor the related risks, through the risk assessment by the audit department, continue to control and check above risk items. If a major violation is discovered or the company has suffered significant damage, the report is immediately made and notify supervisors, and the board of directors meeting must be convened immediately.

### **7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

- (1) Board of Directors: the board of directors is the highest unit of company's risk management. It aims to promote and implement the company's overall risk management by following the laws and regulations, ensuring the effectiveness of risk management, and taking the ultimate responsibility of risk management.
- (2) Finance Department: to build a highly efficient and high-quality financial platform to provide transparent and credible financial information, operational analysis and improvement solutions, with strict control, and appropriate tax planning, credit risk control and finance crisis prediction model that reduces corporate risk.

- (3) Audit Department: based on risk-oriented annual audit plan, review the existence or potential risks of each operation, and be responsible for the revision and promotion of the internal control system to ensure the effective operation risk management of the company.
- (4) Information Security Department: planning and improving the company's information management system, responsible for network information security control and protection measures, providing management with fast and effective operational management information to reduce information security risks.
- (5) Each business unit: the heads of each business unit are responsible for the first-line risk management, responsible for analyzing and monitoring the related risks within units, and ensuring that the risk control mechanisms and procedures can be effectively implemented.

### **7.6.3 Future Research & Development Projects and Corresponding Budget**

Estimated investment in research and development in 2021: it is estimated that 10% to 15% of net operating income will be spent on research and development.

### **7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

The Company consistently pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. During 2020 and as of the date of publication of this annual report, changes in related laws have not had a significant impact on our operations.

### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

The company's main source of revenue is the sales and service revenue of mechanical vision inspection and measurement system products, the main products can be applied to a variety of PCB processes, as high-precision measurement or inspection applications, so the sales and use of customer layer distribution is very wide, there is no risk of concentration of sales.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The growth and development of the company depends on the continuous service and contribution of senior executives and professional technical personnel. When the company needs to increase manpower demand in response to business growth, it may face the risk of failing to ensure timely filling of manpower requirements due to fierce competition in the human resource market. In view of this, the company provides a diversified and competitive salary system and is not afraid to share its long-term operational success with its colleagues. Therefore, the compensation committee of the board of directors of the Company has decided to adjust the company's compensation system and immediately distribute employee cash bonuses from the company's profits to attract and retain good employees. We believe that by sharing the results of our work with employees, we can not only encourage employees to continue their efforts, but also directly link employees' interests with shareholders' interests and create a win-win situation for the company, shareholders and employees.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.**

#### **7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None.**

#### **7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The company's procurement of important components, based on the necessity of supply, to maintain at least two suppliers. Although it has established long-term and good cooperative relations with various suppliers, in the supplier management method, the quality, delivery, price and synergy spirit of each supplier is regularly evaluated to ensure the stability of the company's purchase to avoid the risk of insufficient supply due to force majeure

#### **7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.**

#### **7.6.11 Effects of, Risks Relating to and Response to the Changes in Management**

**Rights:** None.

The structure of our principal shareholders is solid. A strong professional management team is in place to maximize both shareholders and the Company's best interest. Accordingly, we believe that the risk of changing in management rights that would cause damage to the Company is mitigated. In addition, our risk management department is responsible to monitor any related risks and report to the Board. Our policy is to maintain a steady ownership and management structure. As of the date of this Annual Report, such risks were not identified by the Company.

#### **7.6.12 Litigation or Non-litigation Matters**

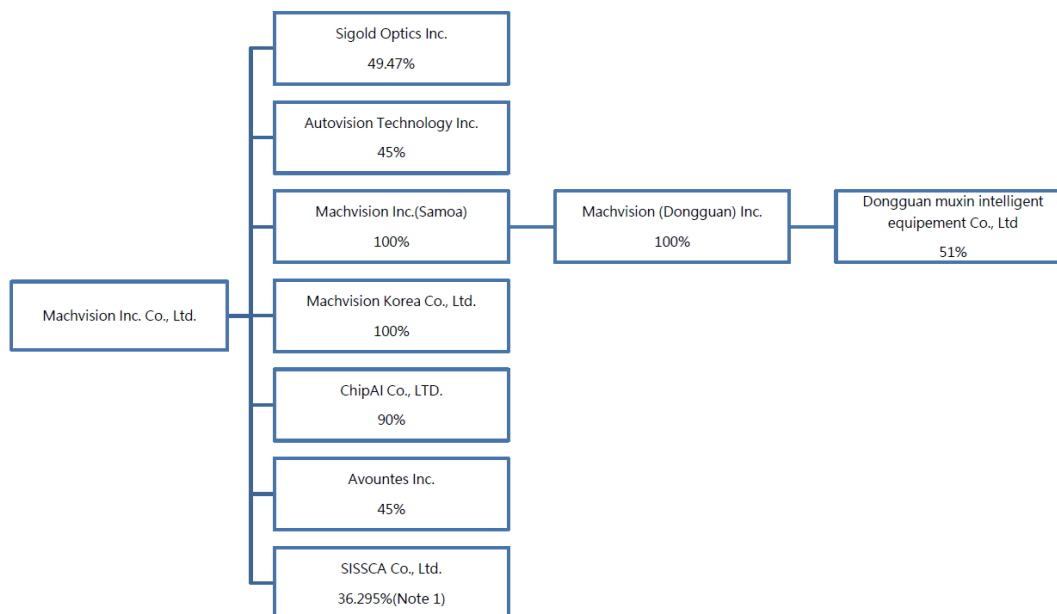
- (1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
- (2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

#### **7.6.13 Other Major Risks:** None

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

As of 12/31/2021



Note1: Sigold Optics Inc. held 43.30%.

**8.2 Private Placement Securities in the Most Recent Years: None.**

**8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years: None.**