

Stock Code:3563

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MACHVISION INC. CO., LTD.

Parent Company Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2021 and 2020

**Address: No. 2-3, Gongye East 2nd Road, Hsinchu Science Park,
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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Machvision Inc. Co., Ltd.:

Opinion

We have audited the financial statements of Machvision Inc. (the "Company"), which comprise the statement of financial position as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

Please refer to notes 4(n) and 6(p) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Company's finance or operating performance. The accuracy of the timing and amount of revenue recognition have significant impact on the financial statements. Therefore, we consider it as one of our key audit matters.

How the matter was addressed in our audit:

Understanding and testing the effectiveness of the design of, and implementing the internal control of sales and collecting cycles; reviewing the revenue recognition of significant sales contracts to determine whether the key judgment, estimation, and accounting treatment are reasonable; understanding the type of products and the sales of machinery equipment of the top 10 customers; calculating the turnover days of sales and accounts receivable to ensure whether clients' credit terms are in accordance with the ratios, and analyzing the changes in the top 10 customers from the most recent period and prior year to determine if there were any abnormalities; selecting sales transaction from a certain period of time before and after the last shipping date, and verifying them with the vouchers to determine the accuracy of the timing whether there are any abnormalities; as well as understanding whether there is a significant subsequent sales returns.

2. Impairment of trade receivables

Please refer to notes 4(f), 5 and 6(b) for disclosures related to impairment of trade receivables.

Description of key audit matter:

The notes, accounts and long-term accounts receivable constituted 37% of total assets of the Company as of December 31, 2021, and the impairment of notes, accounts and long-term accounts receivable depends on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider them as one of our key audit matters.

How the matter was addressed in our audit:

Testing the effectiveness of control points relating to cash collection; obtaining the list of accounts receivable balance to send confirmations for selected samples; acquiring the Company's computation of impairment loss rate to review its appropriateness; deriving the aging analysis of accounts receivables to verify the accuracy of aging periods by examining relevant documents of selected receivables; reviewing whether the recognition of provision for the impairment loss is based on the impairment loss rate; and evaluating whether the recognition of impairment on accounts receivable made by the management is reasonable.

3. Inventory measurement

Please refer to notes 4(g), 5 and 6(c) for disclosures related to inventory measurement.

Description of key audit matter:

The inventories of the Company are mainly optical inspection machinery equipment and their related parts. The products may be outdated or no longer meet the market demand due to the rapid changes in technology, the demand of related products and their prices may fiercely fluctuate, and the impairment of inventory depends on the evaluation of the management based on the evidence of internal and external factors, both subjective and objective. Therefore, we consider them as one of our key audit matters.

How the matter was addressed in our audit:

Assessing the accounting policy on inventory measurement to determine its reasonableness; reviewing the inventory aging documents and analyzing the changes to ensure that the process of inventory valuation is in conformity with the accounting policies; understanding and evaluating whether if the basis used for net realizable value is reasonable; selecting samples and verifying them to ensure they are consistent with the vouchers; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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

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

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

The governance unit (including the audit committee) of MACHVISION, INC. is responsible for supervising the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Po-Shu Huang and Chung Shun Wu

KPMG

Taipei, Taiwan (Republic of China)
February 9, 2022

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MACHVISION INC.

Parent Company Only Balance Sheets

(In Thousands of New Taiwan Dollars)

		December 31, 2021		December 31, 2020				December 31, 2021		December 31, 2020													
		Amount	%	Amount	%			Amount	%	Amount	%												
Assets																							
Current assets:																							
1100	Cash and cash equivalents (note 6(a))	\$	1,727,941	39	1,374,032	38	2130	Current contract liabilities (note 6(p))	\$	75,607	2												
1151	Notes receivable (notes 6(b) and (p))		,205	-	175	-	2150	Notes payable		116	-												
1170	Accounts receivable, net (notes 6(b) and (p))		1,019,149	23	807,253	22	2170	Accounts payable		298,884	7												
1180	Accounts receivable-related parties (notes 6(b), (p) and 7)		340,347	8	203,697	6	2180	Accounts payable-related parties (note 7)		42,021	1												
1210	Other receivables-related parties(note 7)		3,620	-	24,579	1	2209	Other payables (note 6(q))		300,689	7												
130x	Inventories (note 6(c))		385,442	9	338,993	9	2216	Dividends payable (note 6(n))		89,457	2												
1410	Prepayments		2,633	-	2,740	-	2220	Other payables-related parties (note 7)		78,900	2												
1479	Other current assets		17	-	5,113	-	2230	Current tax liabilities		194,852	4												
Total current assets			3,479,354	79	2,756,582	76	2250	Provisions — current (note 6(j))		16,556	-												
Non-current assets:												2280	Current lease liabilities (note 6(i))		14,684	-							
1510	Financial assets at fair value through profit or loss—non-current (note 6(e))		9,644	-	9,644	-	2313	Deferred income (note 6(k))		990	-	2322	Current portion of long-term borrowings (note 6(k))		27,500	1							
1550	Investment using the equity method (note 6(d))		131,297	3	104,717	3	2399	Other current liabilities		4,529	-	Total current liabilities			1,144,785	26							
1600	Property, plant and equipment (note 6(f))		237,639	5	240,404	7	Non-current liabilities:												Total non-current liabilities			437,999	10
1755	Right-of-use assets (note 6(g))		259,549	6	73,376	2	2540	Long-term borrowings (note 6(k))		173,190	4	Total liabilities			1,582,784	36	Equity(note 6(n)):						
1780	Intangible assets (note 6(h))		-	-	83	-	2580	Non-current lease liabilities (note 6(i))		248,383	6	Equity(note 6(n)):				Ordinary shares			447,282	10			
1840	Deferred income tax assets (note 6(m))		46,831	1	54,030	1	2630	Long-term deferred income (note 6(k))		1,445	-	Equity(note 6(n)):				Capital surplus:							
1920	Refundable deposits		8,401	-	8,720	-	2640	Net defined benefit liabilities (note 6(l))		11,692	-	Equity(note 6(n)):				Additional paid-in capital			165,731	4			
1932	Long-term receivables (notes 6(b) and (p))		132,127	3	141,032	4	2650	Investment using the equity method with credit balance(note 6(d))		3,289	-	Equity(note 6(n)):				Changes in equities of subsidiaries			-	-			
1942	Long-term receivable-related parties (notes 6(b) 、(p) and 7)		118,436	3	258,003	7	Total non-current liabilities			437,999	10	Equity(note 6(n)):				Other capital surplus			28	-			
1995	Other non-current assets (notes 8)		11,551	-	16,296	-	Total liabilities			1,582,784	36	Equity(note 6(n)):				Retained earnings:							
Total non-current assets			955,475	21	906,305	24	Total liabilities			1,582,784	36	Equity(note 6(n)):				Legal reserve			501,410	11			
												Equity(note 6(n)):				Special reserve			3,694	-			
												Equity(note 6(n)):				Unappropriated retained earnings			1,738,098	39			
												Equity(note 6(n)):				Other equity interest:							
												Equity(note 6(n)):				Foreign currency translation differences for foreign operations			(4,198)	-			
												Equity(note 6(n)):									(3,514)	-	
Total assets		\$	4,434,829	100	3,662,887	100	Total equity			2,852,045	64	Total equity			2,852,045	64	Total liabilities and equity		\$	4,434,829	100		
												Total liabilities and equity			2,852,045	64	Total liabilities and equity			3,662,887	100		

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MACHVISION INC.

Parent Company Only Statements of Comprehensive Income
(In Thousands of New Taiwan Dollars , Except Earnings Per Share)

		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p) and 7)	\$ 2,573,526	100	2,263,325	100
5000	Operating costs (notes 6(c), (f), (g), (i),(j),(l),(q)and 7)	1,030,315	40	848,714	37
	Gross profit	1,543,211	60	1,414,611	63
5910	Decrease: unrealized sales benefits	5,032	-	4,580	-
5900	Gross profit from operations	1,538,179	60	1,410,031	63
6000	Operating expenses (notes 6(b), (f), (g), (h) ,(i), (l),(q)and 7):				
6100	Selling expenses	155,856	6	148,791	6
6200	Administrative expenses	113,323	5	102,152	5
6300	Research and development expenses	253,190	10	221,156	10
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(15,520)	(1)	38,024	2
	Total operating expenses	506,849	20	510,123	23
	Net operating income	1,031,330	40	899,908	40
7000	Non-operating income and expenses (note 6(i), (r) and 7)):				
7100	Interest income	2,754	-	1,833	-
7010	Other income	33,411	1	34,667	1
7020	Other gains and losses	(26,662)	(1)	(77,844)	(3)
7050	Financial costs	(6,149)	-	(2,894)	-
7775	Share of profit (losses) of subsidiaries for using equity method	5,121	-	(48,387)	(2)
	Total non-operating income and expenses	8,475	-	(92,625)	(4)
	Net income before tax	1,039,805	40	807,283	36
7950	Less: Income tax expenses (note 6(m))	212,060	8	147,235	7
	Net income	827,745	32	660,048	29
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Losses on remeasurements of defined benefit plans	(397)	-	(803)	-
8349	Less: income tax related to items that will not be reclassified to profit or loss	-	-	-	-
	Total items that will not be reclassified subsequently to profit or loss	(397)	-	(803)	-
8360	Items that will be reclassified subsequently to profit or loss:				
8361	Financial statements translation differences for foreign operations	(855)	-	953	-
8399	Less: income tax related to items that will be reclassified to profit or loss	(171)	-	(76)	-
	Total items that will be reclassified subsequently to profit or loss	(684)	-	1,029	-
8300	Other comprehensive income (loss), net of tax	(1,081)	-	226	-
8500	Total comprehensive income	<u>\$ 826,664</u>	<u>32</u>	<u>660,274</u>	<u>29</u>
	Earnings per share (note 6(o)):				
9710	Basic earnings per share (in New Taiwan dollars)	<u>\$ 18.51</u>		<u>15.02</u>	
9810	Diluted earnings per share (in New Taiwan dollars)	<u>\$ 18.36</u>		<u>14.93</u>	

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MACHVISION INC.

Parent Company Only Statements of Changes in Equity
(In Thousands of New Taiwan Dollars)

	Retained earnings						Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences on translation of foreign financial statements	Total equity
Balance at January 1, 2020	\$ 426,082	59,512	309,915	2,957	1,115,977	1,428,849	(4,543)	1,909,900
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	128,348	-	(128,348)	-	-	-
Special reserve appropriated	-	-	-	834	(834)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(581,467)	(581,467)	-	(581,467)
Net income	-	-	-	-	660,048	660,048	-	660,048
Other comprehensive income	-	-	-	-	(803)	(803)	1,029	226
Total comprehensive income	-	-	-	-	659,245	659,245	1,029	660,274
Issue of shares	21,200	508,800	-	-	-	-	-	530,000
Balance at December 31, 2020	447,282	568,312	438,263	3,791	1,064,573	1,506,627	(3,514)	2,518,707
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	63,147	-	(63,147)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(89,457)	(89,457)	-	(89,457)
Special reserve reversal	-	-	-	(97)	97	-	-	-
Cash dividends from ordinary share	-	(402,554)	-	-	-	-	-	(402,554)
Other changes in capital surplus	-	5	-	-	-	-	-	5
Net income	-	-	-	-	827,745	827,745	-	827,745
Other comprehensive income	-	-	-	-	(397)	(397)	(684)	(1,081)
Total comprehensive income	-	-	-	-	827,348	827,348	(684)	826,664
Changes in non-controlling interests	-	(4)	-	-	(1,316)	(1,316)	-	(1,320)
Balance at December 31, 2021	\$ 447,282	165,759	501,410	3,694	1,738,098	2,243,202	(4,198)	2,852,045

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

MACHVISION INC.**Parent Company Only Statements of Cash Flows****(In Thousands of New Taiwan Dollars)**

	2021	2020
Cash flows from operating activities:		
Net income before tax	\$ 1,039,805	807,283
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	34,660	30,613
Amortization	83	110
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(15,520)	38,024
Interest expense	6,149	2,894
Interest income	(2,754)	(1,833)
Dividend income	(884)	(884)
Net loss(gain) of investment using equity method	(5,121)	48,387
Loss on disposal of property, plant and equipment	121	-
Loss on disposal of investments	-	1,826
Unrealized sales benefits	5,032	4,580
Lease modification gains	-	(379)
Total adjustments to reconcile profit	<u>21,766</u>	<u>123,338</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(30)	(130)
Accounts receivable(long-term included)	(187,332)	107,405
Accounts receivable-related parties(long-term included)	3,337	(119,251)
Other receivables-related parties	20,959	1,088
Inventories	(50,022)	24,126
Prepayments	107	10,665
Other current assets	5,096	5,015
Total changes in operating assets, net	<u>(207,885)</u>	<u>28,918</u>
Net changes in operating liabilities:		
Contract liabilities	53,599	20,558
Notes payable	(100)	(777)
Accounts payable	71,110	(116,033)
Accounts payable-related parties	1,233	8,999
Other payables	15,895	(93,067)
Other payables-related parties	9,285	11,257
Provisions	3,114	1,317
Other current liabilities	2,744	(3,235)
Net defined benefit liability	9	54
Total changes in operating liabilities, net	<u>156,849</u>	<u>(170,927)</u>
Total changes in operating assets / liabilities, net	<u>(51,036)</u>	<u>(142,009)</u>
Total adjustments	<u>(29,270)</u>	<u>(18,671)</u>
Cash provided by operating activities	1,010,535	788,612
Interest income received	2,195	1,684
Income tax paid	<u>(176,428)</u>	<u>(27,281)</u>
Net cash provided by operating activities	<u>836,302</u>	<u>763,015</u>
Cash flows from investing activities:		
Acquisition of investments accounted for using the equity method	(36,295)	(48,725)
Proceeds from disposal of subsidiaries	-	32,079
Proceeds from capital reduction of investments accounted for using equity method	-	5,016
Acquisition of property, plant and equipment	(16,523)	(25,773)
Proceeds from disposal of property, plant and equipment	-	2,252
Decrease in refundable deposits	319	996
Decrease (increase) in other non-current assets	4,745	(2,095)
Dividends received	884	12,734
Net cash used in investing activities	<u>(46,870)</u>	<u>(23,516)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	220,000
Payment of lease liabilities	(16,875)	-
Payment of lease liability	(12,649)	(8,991)
Cash dividends paid	(402,554)	(581,467)
Proceeds from issuing shares	-	530,000
Interest paid	(3,450)	(3,559)
Surplus not paid due to overdue	5	-
Net cash used in financing activities	<u>(435,523)</u>	<u>155,983</u>
Net increase in cash and cash equivalents	353,909	895,482
Cash and cash equivalents at beginning of period	<u>1,374,032</u>	<u>478,550</u>
Cash and cash equivalents at end of period	<u>\$ 1,727,941</u>	<u>1,374,032</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MACHVISION INC. CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(1) Company history

MACHVISION INC. CO., LTD. (the Company) was incorporated in June 9, 1998 as a company limited by shares under the laws of the Republic of China (ROC). The address of the Company's registered office is No. 2-3, Gongye East 2nd Road, Hsinchu Science Park, Hsinchu 30075, Taiwan, R.O.C.. The Company is mainly engaged in the manufacturing and trading of optical inspection machinery equipment.

(2) Approval date and procedures of the financial statements

The financial statements were approved by the Board of Directors and published on February 9, 2022.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2021:

- Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform—Phase 2"

The Group has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from April 1, 2021:

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond June 30, 2021"

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 "Property, Plant and Equipment—Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts—Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018 – 2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis, unless otherwise stated (Refer to the summary on significant accounting policies).

(ii) Functional and reporting currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When the settlement of monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

Cash or cash equivalents, assets held for trading purposes or short-term and expected to be converted to cash within twelve months after the reporting period or for intention of sales or consumption within its normal operating cycle are classified as current assets; all other assets are classified as non-current assets.

Liabilities that must be fully liquidated within twelve months after the reporting period are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(e) Cash and cash equivalents

Cash and cash equivalents comprised cash, cash in banks and short term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of the Group are listed in cash and cash equivalents because they satisfy the aforementioned definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

(f) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, on initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, long-term receivable, guarantee deposit paid and other non-current assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in

full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial liabilities and equity instruments

1) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which notes payable, accounts payable and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income and expense.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation expires or has been discharged or cancelled. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or

liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expense.

3) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(h) Investment in subsidiaries

A joint arrangement is an arrangement of which two or more parties have joint control. The IFRS classifies joint arrangement into two types-joint operations and joint ventures, and have the following characteristics: (a) The parties are bound by a contractual arrangement; (b) The contractual arrangement gives two or more of those parties joint control of the arrangement. IFRS 11 "Joint Arrangements" defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the Company has joint control of the arrangement (i.e. joint ventures) in which the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The company recognizes its interest in a joint venture as an investments and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless, the Company qualifies for exemption from that Standard.

(i) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying

amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life, and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Buildings	5~50 years
Machinery equipment	3~15 years
Other equipment	2~10 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group is the lessee, recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets, including its office equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

Intangible assets comprise the computer software expense and the technology capital contributed by the shareholders of the Group and approved by the Ministry of Economic Affairs R.O.C. The cost of computer software is amortized over 10 years and the capital is amortized over 20 years, both are calculated using the straight-line method and are recorded under operating expenses.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

With regard to non-financial assets (other than inventories, deferred tax assets and employee benefits), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount of assets with an indication of impairment.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of

that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash generating unit cannot exceed the carrying amount of the individual asset or cash generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Group is no longer engaged with the management of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

At the time of sale, the Group renders the standard warranty stated in the agreement, which is recognized as a provision for warranty.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Services

The Group provides maintenance services and improvement of old machines, and revenue is recognized when it satisfies a performance obligation by transferring control of a service to a customer.

(o) Government grants

The Group recognizes deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Income tax

Income tax expenses include both current taxes and deferred income taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred income taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred income taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred income taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been

enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred income tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred income tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be reevaluated every year on the financial reporting date, adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The weighted average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid in capital.

When computing diluted earnings per share with regards to employee bonuses in the form of stock, the closing price at the balance sheet date is used as the basis of computation in the number of shares to be issued. When computing diluted earnings per share prior to the following year's Board of Directors the effect of dilution from these potential stocks is taken into consideration.

(s) Operating segments

The Company has disclosed information about operating segment in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the financial statements to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a

material adjustment within the next financial year is as follows:

(a) Impairment of notes, accounts and long-term receivables

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used to estimate of the impairment of notes and accounts receivable.

(b) Inventory measurement

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value is subject to market price fluctuations and market demands after the reporting date.

(6) Explanation of significant accounts**(a) Cash and cash equivalents**

	December 31, 2021	December 31, 2020
Cash on hand	\$ 1,301	1,352
Saving deposits	868,296	954,728
Foreign currency deposits	130,556	107,629
Time deposits	727,788	310,323
Cash and cash equivalents per statements of cash flow	<u>\$ 1,727,941</u>	<u>1,374,032</u>

The expiry date of three months to a year on deposit satisfy the highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

Please refer to note 6(s) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes, accounts and long-term accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	\$ 205	175
Accounts receivable	1,048,938	852,562
Receivables from related parties	340,347	203,697
Long-term accounts receivable	132,229	141,273
Long-term accounts receivable from related parties	118,436	258,423
Less: allowance for impairment	29,789	45,309
unrealized interest income	102	661
	<u>\$ 1,610,264</u>	<u>1,410,160</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. After evaluating, there were no credit losses because counter parties to the Company's account and long-term receivables from related parties were all the subsidiaries. The expected credit losses from the Company's non-related parties were determined as follows:

	December 31, 2021		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 926,828	0.008%	77
1 to 90 days past due	88,563	0.400%	354
91 to 180 days past due	124,240	2.160%	2,684
181 to 270 days past due	10,262	8.410%	863
271 to 365 days past due	11,747	52.618%	6,181
Past due over 365 days	19,630	100.000%	19,630
	<u>\$ 1,181,270</u>		<u>29,789</u>

	December 31, 2020		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 781,510	0.003%	22
1 to 90 days past due	125,063	0.372%	466
91 to 180 days past due	27,276	2.102%	573
181 to 270 days past due	14,855	7.460%	1,157
271 to 365 days past due	4,559	56.700%	2,585
Past due over 365 days	40,506	100.000%	40,506
	<u>\$ 993,769</u>		<u>45,309</u>

The movement in the allowance for accounts receivable was as follows:

	2021	2020
Balance at the beginning of the year	\$ 45,309	7,370
Impairment losses(reversed) recognized	(15,520)	38,024
Amounts written off	-	(85)
Balance at the end of the year	<u>\$ 29,789</u>	<u>45,309</u>

The Company does not hold any collateral for the collected amounts.

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(c) Inventories

The components of the Company's inventories were as follows:

	December 31, 2021	December 31, 2020
Merchandise and finished goods	\$ 48,142	74,591
Work in process	127,726	74,917
Raw material	209,503	189,485
Inventories in transit	71	-
	<u>\$ 385,442</u>	<u>338,993</u>

The Company's inventories were not provided as pledged assets.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	2021	2020
Losses on decline in market value and scrapping of inventory	\$ 3,190	10,440
Losses on scrapping of inventory	4,591	1,263
Gains on physical count	25	31
	<u>\$ 7,806</u>	<u>11,734</u>

(d) Investments accounted for using equity method

The investments accounted for using equity method on the balance sheets date were as follows:

	December 31, 2021	December 31, 2020
Subsidiaries	<u>\$ 131,297</u>	<u>104,717</u>

Credit balance on the investments accounted for using equity method:

	December 31, 2021	December 31, 2020
Subsidiaries	<u>\$ 3,289</u>	<u>10,918</u>

Please refer to Consolidated Financial Statements in 2021.

(e) Financial assets at fair value through profit or loss — non-current

	December 31, 2021	December 31, 2020
Mandatorily measured at fair value through profit or loss:		
Unlisted stocks (domestic) — Yayatech Co., Ltd.	<u>\$ 9,644</u>	<u>9,644</u>

(f) Property, plant and equipment

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

	Buildings	Machinery equipment	Other equipment	Construction in progress	Total
Cost:					
Balance as of January 1, 2021	\$ 263,579	4,921	23,776	834	293,110
Additions	275	430	4,617	11,201	16,523
Reclassification	110	3,618	(45)	(395)	3288
Disposals	-	(62)	(3,280)		(3,342)
Balance as of December 31, 2021	<u>\$ 263,964</u>	<u>8,907</u>	<u>25,068</u>	<u>11,640</u>	<u>309,579</u>
Balance as of January 1, 2020	\$ 234,269	4,250	14,151	27,995	280,665
Additions	14,557	1,116	9,765	285	25,773
Reclassification	18,394	-	-	(25,194)	(6,800)
Disposals	(3,641)	(495)	(140)	(2,252)	(6,528)
Balance as of December 31, 2020	<u>\$ 263,579</u>	<u>4,921</u>	<u>23,776</u>	<u>834</u>	<u>293,110</u>
Depreciation and impairment losses:					
Balance as of January 1, 2021	\$ 43,392	1,569	7,745	-	52,706
Depreciation	15,610	1,360	5,485	-	22,455
Disposals	-	(62)	(3,159)	-	(3,221)
Balance as of December 31, 2021	<u>\$ 59,002</u>	<u>2,867</u>	<u>10,071</u>	<u>-</u>	<u>71,940</u>
Balance as of January 1, 2020	\$ 30,696	1,318	4,410	-	36,424
Depreciation	16,337	746	3,475	-	20,558
Disposals	(3,641)	(495)	(140)	-	(4,276)
Balance as of December 31, 2020	<u>\$ 43,392</u>	<u>1,569</u>	<u>7,745</u>	<u>-</u>	<u>52,706</u>
Carrying amounts:					
December 31, 2021	<u>\$ 204,962</u>	<u>6,040</u>	<u>14,997</u>	<u>11,640</u>	<u>237,639</u>
December 31, 2020	<u>\$ 220,187</u>	<u>3,352</u>	<u>16,031</u>	<u>834</u>	<u>240,404</u>
January 1, 2020	<u>\$ 203,573</u>	<u>2,932</u>	<u>9,741</u>	<u>27,995</u>	<u>244,241</u>

(g) Right-of-use assets

The Company leases assets including land and buildings, and transportation equipment. Information about leases as a lessee is presented below:

	Land and buildings	Other equipment	Total
Cost:			
Balance at January 1, 2021	\$ 69,648	20,736	90,384
Additions	195,011	3,367	198,378
Balance at December 31, 2021	<u>\$ 264,659</u>	<u>24,103</u>	<u>288,762</u>
Balance at January 1, 2020	\$ 94,062	12,551	106,613
Additions	-	8,185	8,185
Lease modification	(24,414)	-	(24,414)
Balance at December 31, 2020	<u>\$ 69,648</u>	<u>20,736</u>	<u>90,384</u>
Accumulated depreciation:			
Balance at January 1, 2021	\$ 7,082	9,926	17,008
Depreciation	6,132	6,073	12,205
Balance at December 31, 2021	<u>\$ 13,214</u>	<u>15,999</u>	<u>29,213</u>
Balance at January 1, 2020	\$ 3,396	4,294	7,690
Depreciation	4,423	5,632	10,055
Lease modification	(737)	-	(737)
Balance at December 31, 2020	<u>\$ 7,082</u>	<u>9,926</u>	<u>17,008</u>
Carrying amounts:			
December 31, 2021	<u>\$ 251,445</u>	<u>8,104</u>	<u>259,549</u>
December 31, 2020	<u>\$ 62,566</u>	<u>10,810</u>	<u>73,376</u>
January 1, 2020	<u>\$ 90,666</u>	<u>8,257</u>	<u>98,923</u>

(h) Intangible assets

The cost, amortization and impairment loss of intangible assets were as follows:

	Industrial capital contribution	Computer software expense	Total
Cost:			
Balance as of January 1, 2021 (Balance as of December 31, 2021)	<u>\$ 16,000</u>	<u>1,100</u>	<u>17,100</u>
Balance as of January 1, 2020 (Balance as of December 31, 2020)	<u>\$ 16,000</u>	<u>1,100</u>	<u>17,100</u>
Amortization and impairment loss:			
Balance as of January 1, 2021	\$ 16,000	1,017	17,017
Amortization	-	83	83
Balance as of December 31, 2021	<u>\$ 16,000</u>	<u>1,100</u>	<u>17,100</u>
Balance as of January 1, 2020	\$ 16,000	907	16,907
Amortization	-	110	110
Balance as of December 31, 2020	<u>\$ 16,000</u>	<u>1,017</u>	<u>17,017</u>
Carrying amounts:			
December 31, 2020	<u>\$ -</u>	<u>83</u>	<u>83</u>
January 1, 2020	<u>\$ -</u>	<u>193</u>	<u>193</u>

- (i) The amortization of intangible assets were follows:

	2021	2020
Operating expenses	<u>\$ 83</u>	<u>110</u>

- (ii) Impairment Loss

The Company recognized an impairment loss of \$4,000 thousand after assessing the recoverable amount of the intangible asset (the technology capital contributed by the shareholders of the Company) on December 31, 2008. The intangible asset has been amortized for the year ended December 31, 2018.

- (i) Lease liabilities

The Company's lease liabilities were as follow:

	December 31, 2021	December 31, 2020
Current	<u>\$ 14,684</u>	<u>10,326</u>
Non-current	<u>\$ 248,383</u>	<u>64,313</u>

For the maturity analysis, please refer to note 6(s).

The amounts recognized in profit or loss were as follows:

	2021	2020
Interest on lease liabilities	<u>\$ 3,887</u>	<u>1,188</u>
Expenses relating to short-term leases	<u>\$ 4,828</u>	<u>4,186</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 282</u>	<u>97</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	2021	2020
Total cash outflow for leases	<u>\$ 18,947</u>	<u>15,127</u>

- (j) Provisions

	Warranties
January 1, 2021	\$ 13,442
Provisions used during the year	19,661
Provisions reversal during the year	<u>(16,547)</u>
December 31, 2021	<u>\$ 16,556</u>
January 1, 2020	\$ 12,125
Provisions used during the year	17,383
Provisions reversal during the year	<u>(16,066)</u>
December 31, 2020	<u>\$ 13,442</u>

The provision for warranties relates mainly to the machinery equipment sold. The provision is based on estimates made from historical warranty data associated with similar products and services. The Company expects to settle the majority of the liability over the next year.

(k) Long-term borrowings

The Company obtained government project loans in 2020. The operating working capital \$220,000 thousand has been borrowed with the loan recognized and measured by the market rate 1.1%. The differences between the market rate and the actual rate will be recognized as deferred revenue according to the government grants.

December 31, 2021				
	Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.05~1.1%	2022-2027	\$ 203,125
Less: deferred revenue				<u>2,435</u>
				<u>\$ 200,690</u>
Current				\$ 27,500
Non-current				<u>173,190</u>
Total				<u>\$ 200,690</u>

December 31, 2020				
	Currency	Interest rate	Due year	Amount
Unsecured bank loans	NTD	1.1%	2021-2027	\$ 220,000
Less: deferred revenue				<u>3,590</u>
				<u>\$ 216,410</u>
Current				\$ 16,875
Non-current				<u>199,535</u>
Total				<u>\$ 216,410</u>

	December 31,		December 31,	
	2021		2020	
Deferred revenue - Government grants				
Current	\$	990	\$	1,038
Non-current		<u>1,445</u>		<u>2,552</u>
Total	\$	<u>2,435</u>	\$	<u>3,590</u>

(l) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31,		December 31,	
	2021		2020	
The present value of the defined benefit obligations	\$	15,258		14,729
Fair value of plan assets		<u>(3,566)</u>		<u>(3,443)</u>
The net defined benefit liability	\$	<u>11,692</u>		<u>11,286</u>

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$3,443 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

2) Movements in present value of the defined benefit obligations

The movements in present value of the Company's defined benefit obligation were as follows:

	2021	2020
Defined benefit obligation at the beginning of the year	\$ 14,729	13,679
Current interest	91	153
Remeasurements of the net defined benefit liability		
— Due to changes in financial assumption of actuarial (losses) gains	438	897
Defined benefit obligation at the end of the year	<u>\$ 15,258</u>	<u>14,729</u>

3) Movement of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Company were as follows:

	2021	2020
Fair value of plan assets at the beginning of the year	\$ 3,443	3,250
Interest revenue	20	37
Remeasurements of the net defined benefit liability		
— Return on plan assets excluding the interest income	41	94
Contributions made	62	62
Fair value of plan assets at the end of the year	<u>\$ 3,566</u>	<u>3,443</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2021	2020
Net interest on the defined benefit liability	<u>\$ 71</u>	<u>116</u>

	2021	2020
Operating costs	\$ 23	24
Selling expenses	12	9
Administration expenses	6	-
Research and development expenses	30	83
	\$ 71	116

5) Actuarial assumptions

The following were the Company's principal actuarial assumptions at the reporting dates:

	2021.12.31	2020.12.31
Discount rate	0.625%	0.625%
Future salary increases rate	3.000%	3.000%

The Company expects to make contributions of \$62 thousand to its defined benefit plans in the following year starting from the reporting date of 2021.

The weighted average duration of the defined benefit plans is 14.10 years.

6) Sensitivity analysis

As of December 31, 2021 and 2020, the present value of the defined benefit obligation were as follow:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2021		
Discount rate	\$ (417)	435
Future salary increase rate	416	(402)
December 31, 2020		
Discount rate	(428)	446
Future salary increase rate	427	(412)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no change in the method and assumptions used in the preparation of sensitivity analysis for the prior period.

(ii) Defined contribution plans

The Company makes monthly contributions equal 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were \$12,076 thousand and \$12,964 thousand for 2021 and 2020, respectively. Payment was made to the Bureau of the Labor Insurance and the local authorities of the consolidated overseas subsidiaries.

(m) Income tax

(i) Income tax expenses

The amount of income tax were as follows:

	2021	2020
Current income tax expense		
Current period incurred	\$ 194,910	165,551
Adjustment for prior periods	9,780	(1,822)
	<u>204,690</u>	<u>163,729</u>
Deferred tax expense		
Origination and reversal of temporary differences	7,370	(16,494)
Income tax expenses	<u>\$ 212,060</u>	<u>147,235</u>

The amount of income tax recognized in other comprehensive income were as follows:

	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Financial statements translation differences for foreign operations	<u>\$ 171</u>	<u>76</u>

Reconciliation of income tax expenses and profit before income tax were as follows:

	2021	2020
Profit before income tax	<u>\$ 1,039,805</u>	<u>807,283</u>
Income tax using the Company's domestic tax rate	\$ 207,961	161,457
Adjustments according to tax law	(220)	1,602
Tax treaty rewards	(28,465)	(28,003)
Adjustments for prior years income tax	9,780	(1,822)
Previously overestimate deferred tax assets	120	-
Income tax on unappropriated earnings	22,884	14,001
Total	<u>\$ 212,060</u>	<u>147,235</u>

(ii) Deferred tax assets and liabilities — Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities were as follows:

Deferred tax assets:

	Provisions	Loss from investment using equity method	Allowance for inventory valuation	Other	Total
Balance at January 1, 2021	\$ 2,688	23,368	11,624	16,350	54,030
Recognized in profit or loss	623	(2,241)	638	(6,390)	(7,370)
Recognized in other comprehensive income	-	-	-	171	171
Balance at December 31, 2021	<u>\$ 3,311</u>	<u>21,127</u>	<u>12,262</u>	<u>10,131</u>	<u>46,831</u>
Balance at January 1, 2020	\$ 2,425	15,744	9,536	9,755	37,460
Recognized in profit or loss	263	7,624	2,088	6,519	16,494
Recognized in other comprehensive income	-	-	-	76	76
Balance at December 31, 2020	<u>\$ 2,688</u>	<u>23,368</u>	<u>11,624</u>	<u>16,350</u>	<u>54,030</u>

(iii) Examination and Approval

The ROC income tax authorities have examined the Company's income tax returns through 2019.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the total value of nominal ordinary shares amounted to \$500,000 thousand, with a par value of \$10 per share, of which 44,728 thousand shares were issued. All issued shares were paid up upon issuance.

A resolution was decided during the board meeting held on February 5, 2020 for the Company's cash capital increase, wherein the Company will issue 2,120,000 shares, at a par value of \$10 per share, with an issue price of \$250 per share. The above transaction has been approved by the Financial Supervisory Commission, with May 14, 2020 set as the date of capital increase. All relevant statutory registration procedures have been completed.

(ii) Capital surplus

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

For the appropriations of the capital surplus as cash dividends to stockholders, please reference to Retained earnings.

(iii) Retained earnings

In accordance with the Company's amended Articles of Incorporation, if the Company makes a profit in each semi fiscal year, the profit shall be first utilized for paying taxes, estimating employee remuneration, offsetting losses of previous years, and setting aside 10% of the remaining profit as legal reserve, until the legal reserve is equal to the paid in capital. Then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors. Distribution in cash shall have the approval from the Board of Directors. Whereas if it is in shares, it shall have to be proposed by the Board of Directors during the shareholders' meeting for approval.

If the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, and setting aside 10% of the remaining profit as legal reserve, until the legal reserve is equal to the paid in capital. Then any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors. Whereas if it is in shares, it shall have to be proposed by the Board of Directors during the shareholders' meeting for approval.

In accordance with ROC Company Article 240, the Company authorizes the distributable dividends and bonuses, or the legal reserve and special reserve which base on the ROC Company Article 241 as a whole or in part may be paid in the cash, and after the resolution has been adopted by a majority vote at the meeting of the Board of Directors, which attended by two-thirds of the total number of directors. Therefore, the report shall be submitted to the shareholders' meeting.

1) Legal reserve

According to the Company Act, 10% of net income after tax should be set aside as legal reserve until it is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the

portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

In accordance with Ruling issued by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of the capital surplus as cash dividends and earnings as cash dividends to stockholders were as follows:

	From January 1 to June 30, 2021	From July 1 to December 31, 2021	Total
Resolution date of the board meeting	On December 3, 2021	On February 9, 2022	
Dividends distributed to ordinary stockholders:			
Cash — Retained earnings	\$ 89,457	402,554	492,011
Cash — Capital surplus	-	44,728	44,728
Total amounts	\$ 89,457	447,282	536,739
Amount per share (NTD)	\$ 2.00	10.00	

	From January 1 to June 30, 2020	From July 1 to December 31, 2020	Total
Resolution date of the board meeting	On July 31, 2021	On February 3, 2021	
Dividends distributed to ordinary stockholders:			
Cash — Retained earnings	\$ 134,185	-	134,185
Cash — Capital surplus	-	402,554	402,554
Total amounts	\$ 134,185	402,554	536,739
Amount per share (NTD)	\$ 3.00	9.00	

	2019
Resolution date of the board meeting	On March 27, 2020
Dividends distributed to ordinary stockholders:	
Cash — Retained earnings	\$ 447,282
Amount per share (NTD)	\$ 10.00

(o) Earnings per share

(i) Basic earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company	<u>\$ 827,745</u>	<u>660,048</u>
Weighted-average number of ordinary shares	<u>44,728</u>	<u>43,952</u>
Basic earnings per share (in NTD)	<u>\$ 18.51</u>	<u>15.02</u>

(ii) Diluted earnings per share

	2021	2020
Net income attributable to ordinary shareholders of the Company (diluted)	<u>\$ 827,745</u>	<u>660,048</u>
Weighted-average number of ordinary shares (basic)	44,728	43,952
Effect of potential ordinary shares		
Effect of remuneration to employees	354	252
Weighted-average number of ordinary shares (diluted)	<u>45,082</u>	<u>44,204</u>
Diluted earnings per share (in NTD)	<u>\$ 18.36</u>	<u>14.93</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2021	2020
Primary geographical markets:		
Taiwan	\$ 767,283	268,124
China	1,691,315	1,823,947
Others	114,928	171,254
	<u>\$ 2,573,526</u>	<u>2,263,325</u>
Primary merchandises / Services lines:		
Sale of optical inspection machinery equipment	\$ 2,504,519	2,197,097
Revenue from services	69,007	66,228
	<u>\$ 2,573,526</u>	<u>2,263,325</u>

(ii) Contract balance

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivable	\$ 205	175	45
Accounts receivable (including related parties)	1,389,285	1,056,259	1,057,110
Long-term accounts receivable(including related parties)	250,563	399,035	386,255
Less: allowance for impairment	29,789	45,309	7,370
Total	<u>\$ 1,610,264</u>	<u>1,410,160</u>	<u>1,436,040</u>
Contract liabilities	<u>\$ 75,607</u>	<u>22,048</u>	<u>1,490</u>

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$22,048 thousand and \$1,490 thousand, respectively.

The contract liability is mainly due to advance receipts, wherein the Company will recognize revenue when the product is delivered to the customer.

(q) Remuneration to employees, directors and supervisors

In accordance with the Company's Articles, the profit for the year should be reserved to offset the deficit, then, should contribute no less than 5% of the profit as employee remuneration, and less than 3% as directors' and supervisors' remuneration.

For the years ended December 31, 2021 and 2020, the Company estimated its employee remuneration amounting to \$92,107 thousand and \$67,278 thousand, and directors' and supervisors' remuneration amounting to \$12,831 thousand and \$10,623 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2021 and 2020. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2021 and 2020.

(r) Non-operating income and expenses

(i) Interest income

	2021	2020
Interest income from bank deposits	\$ 2,195	1,665
Other interest income	559	168
Total Interest income	\$ 2,754	1,833

(ii) Other income

	2021	2020
Dividend income	\$ 884	884
Others	32,527	33,783
Total Other income	\$ 33,411	34,667

(iii) Other gains and losses

	2021	2020
Losses on disposals of property, plant and equipment	\$ (121)	-
Losses on disposals of investments	-	(1,826)
Lease modification gains	-	379
Foreign exchange losses	(26,157)	(69,520)
Others	(384)	(6,877)
Other gains and losses, net	\$ (26,662)	(77,844)

(iv) Finance costs

	2021	2020
Interest expense	\$ 6,149	2,894

(s) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The business of the customer of the Company is the manufacturing of the printed circuit board. As of December 31, 2021 and 2020, the accounts receivable that concentration of credit risk on an individual customer amounted to \$469,578 thousand and \$331,652 thousand, respectively.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-5 years	Over 5 years
December 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings (including deferred income)	\$ 203,125	206,192	28,537	170,768	6,887
Notes payable	116	116	116	-	-
Accounts payable	298,884	298,884	298,884	-	-
Accounts payable from related parties	42,021	42,021	42,021	-	-
Other payables	300,689	300,689	300,689	-	-
Other payables from related parties	78,900	78,900	78,900	-	-
Dividends payable	89,457	89,457	89,457		
Lease liabilities	263,067	365,179	14,684	36,639	313,856
	\$ 1,276,259	1,381,438	853,288	207,407	320,743
December 31, 2020					
Non-derivative financial liabilities					
Long-term borrowings (including deferred income)	\$ 220,000	224,405	18,161	171,731	34,513
Notes payable	216	216	216	-	-
Accounts payable	228,059	228,059	228,059	-	-
Accounts payable from related parties	40,788	40,788	40,788	-	-
Other payables	284,794	284,794	284,794	-	-
Other payables from related parties	69,615	69,615	69,615	-	-
Lease liabilities	74,639	93,652	10,326	18,624	64,702
	\$ 918,111	941,529	651,959	190,355	99,215

The Company is not expecting the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's financial assets and liabilities exposed to significant currency risk was as follows:

	Foreign currency	Exchange rate	NTD
December 31, 2021			
Financial assets:			
Monetary items:			
USD	\$ 28,856	27.6800	798,723
CNY	\$ 108,806	4.3440	472,652
Financial liabilities:			
Monetary items:			
USD	\$ 1,783	27.6800	49,351
CNY	\$ 17,378	4.3440	75,489
December 31, 2020			
Financial assets:			
Monetary items:			
USD	\$ 31,338	28.4800	892,516
CNY	\$ 105,130	4.3770	460,153
Financial liabilities:			
Monetary items:			
USD	\$ 1,774	28.4800	50,516
CNY	\$ 13,093	4.3770	57,307

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, receivables, accounts payables that are denominated in foreign currency. A weakening or strengthening 3% appreciation or depreciation of the NTD against the USD and CNY as of December 31, 2021 and 2020, would have increased or decreased the net profit after tax by \$27,517 thousand and \$29,876 thousand, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Company has many kinds of functional currencies, the information on foreign exchange gains (loss) on monetary items is disclosed based on the total amount. For the years ended December 31, 2021 and 2020, foreign exchange gains (losses) (including realized and unrealized portion) amounted to \$26,157 thousand and \$69,520 thousand.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the management of the assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 1%, the net income before tax would have increase or decrease by \$15,235 thousand and \$11,527 thousand for the years ended December 31, 2021 and 2020, respectively, with all other variable factors remain constant. This is mainly due from the Group's cash in bank on variable rates.

(v) Information of fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	Carrying amount	December 31, 2021			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,644	-	-	9,644	9,644
Financial assets measured at amortized cost					
Cash and cash equivalents	1,727,941	-	-	-	-
Accounts, notes and long-term receivables(including related parties)	1,610,264	-	-	-	-
Other payables from related parties	3,620	-	-	-	-
Refundable deposits	8,401	-	-	-	-
Other non-current assets	11,551	-	-	-	-
Subtotal	3,361,777	-	-	-	-
Total	\$ 3,371,421	-	-	9,644	9,644

December 31, 2021					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
measured at amortized cost					
Long-term borrowings (including deferred income)	\$ 203,125	-	-	-	-
Notes payable	116	-	-	-	-
Accounts payable	298,884	-	-	-	-
Accounts payable from related parties	42,021	-	-	-	-
Other payables	300,689	-	-	-	-
Other payables from related parties	78,900	-	-	-	-
Dividends Payable	89,457				
Lease liabilities	263,067	-	-	-	-
Total	<u>\$ 1,276,259</u>	-	-	-	-
December 31, 2020					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,644	-	-	9,644	9,644
Financial assets measured at amortized cost					
Cash and cash equivalents	1,374,032	-	-	-	-
Accounts, notes and long-term receivables	1,410,160	-	-	-	-
Other payables from related parties	24,579	-	-	-	-
Refundable deposits	8,720	-	-	-	-
Other non-current assets	16,296	-	-	-	-
Subtotal	2,833,787	-	-	-	-
Total	<u>\$ 2,843,431</u>	-	-	9,644	9,644

		December 31, 2020				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Long-term borrowings (including deferred income)	\$	220,000				
Notes payable		216	-	-	-	-
Accounts payable		228,059	-	-	-	-
Accounts payable from related parties		40,788	-	-	-	-
Other payables		284,794	-	-	-	-
Other payables from related parties		69,615	-	-	-	-
Lease liabilities		74,639	-	-	-	-
Total	\$	918,111	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value — Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

If the financial instruments have no quoted market price in an active market, the Company shall use the market comparison approach to evaluate the fair value. The main assumption used in computing the market price is based on the investee's equity and the quoted price from a competitor. The estimated price has been discounted due to the lack of liquidity in the price of securities.

3) Fair value hierarchy

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair value levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- b) Level 2: inputs, other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

4) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at December 31, 2021 (Balance at January 1, 2021)	<u><u>\$ 9,644</u></u>
Balance at December 31, 2020 (Balance at January 1, 2020)	<u><u>\$ 9,644</u></u>

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss — Equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> • Price book ratio (As of December 31, 2021 and December 31, 2020 were 2.48 and 2.44, respectively) • P/E ratio (As of December 31, 2021 and December 31, 2020 were 13.22 and 19.84, respectively) • Market illiquidity discount rate (As of December 31, 2021 and December 31, 2020 were 30%) 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> • the price book ratio and the P/E ratio the were higher (lower) • the market illiquidity discount were lower (higher)

6) Fair value measurements in Level 3 — sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income	
			Favorable	Unfavorable
December 31, 2021				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	2,658	(2,658)
December 31, 2020				
Financial assets at fair value through profit or loss				
Equity investments without an active market	Market illiquidity discount rate	10%	4,002	(4,002)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique.

(t) Financial risk management

(i) Overview

The Company has exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note has the information on risk exposure and the objectives, policies and process of risk measurement and management. For detailed information, please refer to the related note on each risk.

(ii) Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The chairman and the general manager are responsible for developing and monitoring the Company's risk management policies and report regularly to the Board of Directors on its activities.

The Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the demographics of the Company's customer base, including the default risk of the industry and the country in which customers operate, as these factors may have an influence on credit risk.

The Company's receivables are mainly due to one customer, which account for 29% and 24% of the total amount of receivables as of December 31, 2021 and 2020, respectively. The Company's receivables are concentrated on the industry type of the printed circuit board manufacturers.

The Company has established a credit policy, under which, each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

If the Company retains the rights to the products that have already been sold, the Company shall also have the right to require collateral if payment has not been received. The Company does not require any collateral for receivables.

The Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has

sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of the expected cash flows on operating expenses and financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company has unused short term bank facilities of \$296,000 thousand and \$1,233,057 thousand, as of December 31, 2021 and 2020, respectively.

(v) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate, and equity prices which will affect the Company's income or the value of its holding of financial instrument. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimizing the return.

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements.

(u) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Capital consists of ordinary shares, capital surplus and retained earnings of the Company. The Board of Directors monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	December 31, 2021	December 31, 2020
Total liabilities	\$ 1,582,784	1,144,180
Less: cash and cash equivalents	1,727,941	1,374,032
Net debt	<u>\$ (145,157)</u>	<u>(229,852)</u>
Total equity	<u>\$ 2,852,045</u>	<u>2,518,707</u>
Debt-to-capital ratio	<u>- %</u>	<u>- %</u>

As of December 31, 2021, there was no change in the Company's approach of capital management.

(v) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Acquisition right-of-use assets	Lease modifications	Interest	
Long-term borrowings (including deferred income)	\$ 220,000	(16,875)	-	-	-	203,125
Lease liabilities	74,639	(13,837)	198,378	-	3,887	263,067
Total liabilities from financing activities	<u>\$ 294,639</u>	<u>(30,712)</u>	<u>198,378</u>	<u>-</u>	<u>3,887</u>	<u>466,192</u>
	January 1, 2020	Cash flows	Non-cash changes			December 31, 2020
			Acquisition right-of-use assets	Lease modifications	Interest	
Long-term borrowings (including deferred income)	\$ -	220,000	-	-	-	220,000
Lease liabilities	100,166	(10,844)	8,185	(24,056)	1,188	74,639
Total liabilities from financing activities	<u>\$ 100,166</u>	<u>209,156</u>	<u>8,185</u>	<u>(24,056)</u>	<u>1,188</u>	<u>294,639</u>

(7) Related party transactions**(a) Parent Company and the ultimate controller**

The Company is the ultimate controller of the Company and its subsidiaries.

(b) Related party name and categories

Related parties with transactions containing the financial statement period to the Company were as follows:

Related Party Name	Related Party Categories
Machvision (Dongguan) Inc.	A subsidiary of the Company
Machvision Inc.	A subsidiary of the Company
Autovision Technology Inc.	A subsidiary of the Company
Sigold Optics Inc.	A subsidiary of the Company
ChipAI Co., LTD.	A subsidiary of the Company
MiM Tech. Inc.	The subsidiary disposed of all the shares of MiM Tech. Inc. at December, 2020.
RedPay Co., Ltd.	A subsidiary of the Company
Avountes Inc.	A subsidiary of the Company
Sissca Co., Ltd.	
Machvision Korea Co., Ltd.	A subsidiary of the Company
Dongguan Muxin Intelligent Equipment Co., Ltd.	
Machvision Holding (SAMOA) Limited	Machvision Holding (Samoa) Limited was under closure of liquidation at September, 2020.
Guandong Greatsense Intelligent Equipment Co., Ltd.	The subsidiary disposed of all the shares of Guandong Greatsense Intelligent Equipment Co., Ltd. at January 7, 2020.

(c) Significant transaction between related parties**(i) Operating revenue**

Significant sales amount to the related parties was as follows:

	2021	2020
Subsidiaries		
Machvision (Dongguan) Inc.	\$ 323,546	187,791
Others	14,846	48,381
	\$ 338,392	236,172

Sales price to the subsidiaries depends on the Group overall profit allocation and its credit period depends on the end customer's credit period. There was no significantly difference. Receivables between related parties were not provided to be as any collateral. After evaluating, there is no allowance for impairment.

(ii) Purchases

Significant purchases amount to the related parties was as follows:

	2021	2020
Subsidiaries	\$ 14,034	11,446

Purchases from related parties were not comparable to third parties because there were according to

the customized specification. The terms of purchases to related parties were not significantly different from those of purchases to third parties.

(iii) Service

The Company authorized related parties to research and develop products, which were recorded under operating costs:

	2021	2020
Subsidiaries		
Machvision (Dongguan) Inc.	\$ 67,219	-
Sigold Optics Inc.	\$ 26,639	29,245
Others	1,726	2,673
	<u>\$ 95,584</u>	<u>31,918</u>

(iv) Administrative service and revenue from research and development

The Company was authorized to provide administrative services, research and development services. Revenue from above services and subleasing offices were recorded under non operating income and expenses-other:

	2021	2020
Subsidiaries		
Sissca Co., Ltd.	\$ 8,451	538
Avountes Inc.	4,721	2,229
ChipAI Co., LTD.	4,616	5,086
Autovision Technology Inc.	3,618	3,133
Sigold Optics Inc.	2,267	9,953
RedPay Co., Ltd.	132	1,382
MIM Tech.Inc	-	110
	<u>\$ 23,805</u>	<u>22,431</u>

(v) Receivables from related parties

The Company's receivables from related parties were as follows:

Items	Related Party Categories	December 31, 2021	December 31, 2020
	Subsidiaries		
Receivables from related parties	Machvision (Dongguan) Inc.	\$ 320,720	192,688
Receivables from related parties	Others	19,627	11,009
	Subsidiaries		
Long term receivables from related parties	Machvision (Dongguan) Inc.	115,285	222,779
Long term receivables from related parties	Others	3,151	35,224
	Subsidiaries		
Other receivables from related parties	Machvision (Dongguan) Inc.	-	6,262
Other receivables from related parties	RedPay Co., Ltd.	-	1,160
Other receivables from related parties	ChipAI Co., LTD.	1,273	2,018
Other receivables from related parties	Sigold Optics Inc.	2,079	5,182
Other receivables from related parties	Autovision Technology Inc.	199	2,153
Other receivables from related parties	SISSCA Co., Ltd.	69	5,548
Other receivables from related parties	Avountes Inc.	-	2,256
		<u>\$ 462,403</u>	<u>\$ 486,279</u>

(vi) Payable to related parties

The Company's payable to related parties were as follows:

Items	Related Party Categories	December 31, 2021	December 31, 2020
	Subsidiaries		
Payable to related parties	Sigold Optics Inc.	\$ 38,271	32,416
Payable to related parties	Others	3,750	8,372
	Subsidiaries		
Other payable to related parties	Machvision (Dongguan) Inc.	76,743	64,115
Other payable to related parties	Others	2,157	5,500
		<u>\$ 120,921</u>	<u>110,403</u>

(d) Compensation of key management personnel:

The compensation of the key management personnel comprised follows:

	2021	2020
Short-term employee benefits	\$ 44,707	39,884
Post-employment benefits	324	324
	<u>\$ 45,031</u>	<u>40,208</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2021	December 31, 2020
Other non-current assets:			
Time deposits	Guarantee for customs	\$ 1,513	1,511
Time deposits	Guarantee for rent the land from the Hsinchu Science Park Bureau	10,038	4,478
Time deposits	Guarantee for Sales agreement	-	2,810
Time deposits	Guarantee for Project agreement	-	7,497
		<u>\$ 11,551</u>	<u>16,296</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other

The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By item	By function	2021			2020		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		86,680	260,032	346,712	73,697	208,978	282,675
Labor and health insurance		8,259	16,902	25,161	7,813	15,691	23,504
Pension		4,130	8,017	12,147	4,307	8,773	13,080
Directors' remuneration		-	12,831	12,831	-	10,623	10,623
Others		6,746	17,728	24,474	6,994	16,850	23,844
Depreciation		8,714	25,946	34,660	12,000	18,613	30,613
Amortization		-	83	83	-	110	110

Additional information in 2021 and 2020 is as follows:

	2021	2020
Employee number	<u>300</u>	<u>283</u>
Non-employee directors	<u>7</u>	<u>7</u>
Average employee benefits	<u>\$ 1,394</u>	<u>1,243</u>
Average salaries	<u>\$ 1,183</u>	<u>1,024</u>
Average adjustment in salaries	<u>15.53%</u>	
Supervisors compensation	<u>\$ -</u>	<u>-</u>

The Company's policies on remuneration (including directors, managers and employees) are as following:

Directors' remuneration is estimated in accordance with each director's attendance rate (60% of total compensation) and contribution (40% of total compensation). Managers' remuneration is estimated in accordance with the achievement of performance indicators. In addition to basic salaries, employees also have year-end bonus and performance bonus. Salaries will be adjusted in accordance with performances and price levels annually.

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of the end of the year (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Notes
				Number of shares	Book value	Holding percentage	Market value	
The Company	Yayatech Co., Ltd.	-	Financial assets at fair value through profit or loss	884,000	9,644	5 %	9,644	
SISSCA Co., Ltd.	FOR WIN TECH CO., LTD.	-	Financial assets at fair value through profit or loss	610,000	6,100	9.68 %	6,100	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Relationship	Transaction details				Arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	Machvision (Dongguan) Inc.	Subsidiary	(Sale)	(323,546)	(13)%	Depends on the end customer's credit period	Not significantly differences	Depends on the end customer's credit period	436,005	27%	
Machvision (Dongguan) Inc.	The Company	Subsidiary	Purchase	323,546	97%	Depends on the end customer's credit period	Not significantly differences	Depends on the end customer's credit period	(436,005)	(97)%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Past-due receivables from related party		Subsequently received amount of receivable from related party	Allowance for bad debts
					Amount	Action taken		
The Company	Machvision (Dongguan) Inc.	Subsidiary	436,005	0.76	87,134	Depends on the end customer's credit period	34,189 (As of February 9, 2022)	-

- (ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses) (Note 2)	Notes
				December 31, 2021	December 31, 2020	Shares	Percentage of ownership	Book value			
The Company	Machvision Inc.	Samoa	Investment	105,433	105,433	3,463,650	100.00%	(3,289)	12,671	12,671	Note 1
The Company	Autovision Technology Inc.	Taiwan	Manufacturing of computer peripheral products	9,000	9,000	900,000	45.00%	10,577	102	46	
The Company	Sigold Optics Inc.	Taiwan	Manufacturing of machinery equipment	49,470	49,470	6,316,330	49.47%	75,010	14,052	6,952	
The Company	Machvision Korea Co., Ltd.	Korea	Maintaining and trading of machinery equipment	21,542	21,542	10,000	100.00%	5,920	(1,459)	(1,459)	
The Company	ChipAI Co., LTD.	Taiwan	Manufacturing of computer peripheral	18,000	18,000	1,800,000	90.00%	3,739	(4,343)	(3,909)	
The Company	RedPay Co., Ltd.	Taiwan	Electronic Information Supply Services	-	10,000	-	- %	-	(223)	(111)	
The Company	Avountes Inc.	Taiwan	Electronic Information Supply Services	8,962	5,714	900,000	45.00%	6,340	(10,242)	(4,560)	
The Company	SISSCA Co.,Ltd.	Taiwan	Manufacturing of computer peripheral products	36,295	-	3,629,500	36.30%	29,711	(15,478)	(4,509)	
Sigold Optics Inc.	SISSCA Co.,Ltd.	Taiwan	Manufacturing of computer peripheral products	43,300	7,700	4,330,000	43.30%	35,446	(15,478)	(7,518)	

Note 1: The company is a limited company.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee investment in Mainland China	Major operations	Issued capital	Method of investment (Note 1)	Beginning remittance balance - cumulative investment (amount) from Taiwan	Current remittance / recoverable investment (amount)		Ending remittance balance-cumulative investment (amount) from Taiwan	Net income of investee	Direct / indirect shareholdings or investments (%) in the Company	Current investment gains and losses (Note 2)	Book value	Remittance of investment income in current period
					Invested amount	Returned amount						
Machvision (Dongguan) Inc.	Maintaining and trading of machinery equipment	105,361	(2)i	105,361	-	-	105,361	12,671	100%	12,671	9,983	-
Dongguan muxin intelligent equipment Co., Ltd	Maintaining and trading of machinery equipment	4,220	(4)i	-	-	-	-	2,545	51%	1,298	2,281	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third region companies to invest in Mainland China.
- (2) Through the establishment of third region companies then investing in Mainland China.
 - i. Through the establishment of Machvision Inc. then investing in Mainland China.
- (3) Through transferring the investment to third region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.
 - i. Through the establishment of Machvision (Dongguan) Inc. then investing in Mainland China.

Note 2: The investment income was recognized under the equity method and based on the financial statements audited by the auditor of the Company.

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2021	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	105,361	105,361	1,711,227 (Note)

Note: It represents 60% of the Company's net equity.

(iii) Significant transactions:

Please refer to "Business relationships and significant intercompany transaction" for the indirect and direct business transactions in China.

(d) Information of major shareholders: None

(14) Segment information:

Please refer to the consolidated financial statements in 2021.

MACHVISION INC. CO., LTD.

Statement of cash and cash equivalents

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount
Cash		\$ 1,301
Cash in banks	Demand deposits	868,296
	Foreign currency deposits	
	USD 3,837 thousand	106,210
	CNY 5,494 thousand	23,865
	JPY 2,001 thousand	481
	Time deposits (From 2022.01.04 to 2022.12.10, interest rates at 0.06% to 1.04%)	
	NTD	724,995
	USD101 thousand	<u>2,793</u>
		<u>\$ 1,727,941</u>
Total		

MACHVISION INC. CO., LTD.

Statement of notes receivable

December 31, 2021

(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Non-related party			
5M00357	Operating	\$ 95	
5M00038	"	45	
5M01127	"	32	
5M00492	"	16	
Others (The amount of individual group in others does not exceed 5% of the note balance)	"	<u>17</u> <u>\$ 205</u>	

MACHVISION INC. CO., LTD.

Statement of Accounts receivable, net

December 31, 2021

(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Related Party			
Machvision (Dongguan) Inc.	Operating	\$ 320,720	
Sigold Optics Inc.	"	13,074	
Autovision Technology Inc.	"	56	
Dongguan Muxin Intelligent Equipment Co., Ltd	"	4,357	
Machvision Korea Co., Ltd.	"	<u>2,140</u>	
		<u>340,347</u>	
Long term receivables			
Machvision (Dongguan) Inc.	Operating	115,285	
Sigold Optics Inc.	"	<u>3,151</u>	
		<u>118,436</u>	
Non-related party			
Group D	Operating	459,678	
Group E	"	173,219	
Others (The amount of individual group in others does not exceed 5% of the account balance)	"	<u>416,041</u>	
		<u>1,048,938</u>	
Long term receivables			
Group D	Operating	9,900	
Group E	"	27,695	
Others (The amount of individual group in others does not exceed 5% of the account balance)	"	<u>94,532</u>	
		<u>132,127</u>	
		1,181,065	
Less: Allowance for credit impairment loss		<u>29,789</u>	
		<u>1,151,276</u>	
Total		<u>\$ 1,610,059</u>	

MACHVISION INC. CO., LTD.

Statement of inventories

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Amount		Note
	Cost	Net realizable value	
Finished goods	\$ 67,815	\$ 160,808	1
Work in process	133,645	127,726	"
Raw materials	245,222	209,503	"
Inventories in transit	<u>71</u>	<u>71</u>	
Total	446,753	<u>\$ 498,108</u>	
Less: Allowance for losses on decline in market value of inventory	<u>61,311</u>		
	<u>\$ 385,442</u>		

Note 1: Market value is measured at net realizable value.

MACHVISION INC. CO., LTD.

Statement of prepayments

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Prepaid expenses		\$ 1,183	
Prepayment for purchases		<u>1,450</u>	
		<u>\$ 2,633</u>	

MACHVISION INC. CO., LTD.

Statement of changes in financial assets measured at fair value through profit or loss - non-current

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Name of financial instrument	Beginning balance		Addition		Decrease		Ending balance		Collateral	Note
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount	Shares or units	Fair value		
Yayatech Co., Ltd.	884	<u>\$ 9,644</u>	-	<u>-</u>	-	<u>-</u>	884	<u>\$ 9,644</u>	None	

MACHVISION INC. CO., LTD.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Name of investee	Beginning balance		Addition		Decrease		Ending balance			Market value or net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount		
Autovision Technology Inc.	900,000	\$ 10,531	-	46	-	-	900,000	45.00	10,577	11.75	10,577	None	1
Sigold Optics Inc.	6,316,330	67,303	-	7,707	-	-	6,316,330	49.47	75,010	11.88	75,010	None	2
ChipAI Co., LTD.	1,800,000	7,648	-	-	-	3,909	1,800,000	90.00	3,739	2.08	3,739	None	3
RedPay Co., Ltd.	500,000	6,344	-	-	500,000	6,344	-	-	-	-	-	None	4
Machvision Korea Co., Ltd.	10,000	8,224	-	-	-	2,304	10,000	100.00	5,920	592.00	5,920	None	5
Avountes Inc.	400,000	4,667	500,000	6,233	-	4,560	900,000	45.00	6,340	7.04	6,340	None	6&7
Sissca Co., Ltd.	-	-	3,629,500	36,295	-	6,584	3,629,500	36.30	29,711	8.19	29,711	None	8 & 9
SAMOA Machvision Inc.	3,463,650	<u>(10,981)</u>	-	<u>7,629</u>	-	<u>-</u>	3,463,650	100.00	<u>(3,289)</u>	2.94	<u>10,172</u>	None	10
		<u>\$ 93,799</u>		<u>57,910</u>		<u>23,701</u>			<u>128,008</u>		<u>141,469</u>	None	

Note 1: Including investment income recognized under equity method 46 thousand.

Note 2: Including investment income recognized under equity method 6,952 thousand and changes in equities of subsidiaries 755 thousand.

Note 3: Including investment loss recognized under equity method (3,909) thousand.

Note 4: Including investment loss recognized under equity method (111) thousand and adjustment for organization (6,233) thousand.

Note 5: Including investment loss recognized under equity method (1,459) thousand and financial statements translation differences for foreign operations (845) thousand.

Note 6: Adjustment for organization 6,233 thousand.

Note 7: Addition of investment (4,560) thousand.

Note 8: Addition of investment 36,295 thousand.

Note 9: Including investment loss recognized under equity method (4,509) thousand and changes in equities of subsidiaries (2,075) thousand.

Note 10: Including investment income recognized under equity method 12,671 thousand, financial statements translation differences for foreign operations (10) thousand and unrealized gain from sale (5,032) thousand.

MACHVISION INC. CO., LTD.

Statement of other non-current assets

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Restricted deposit		<u>\$ 11,551</u>	

MACHVISION INC. CO., LTD.

Statement of Accounts payable

December 31, 2021

(In thousands of New Taiwan Dollar)

Client name	Description	Amount	Note
Non-related party			
1M0019	Operating	\$ 51,330	
1M1529	"	20,900	
Others (The amount of individual group in others does not exceed 5% of the account balance)	"	<u>226,654</u>	
Total		<u>\$ 298,884</u>	

MACHVISION INC. CO., LTD.

Statement of other payables

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Payable for salaries and bonuses		\$ 104,238	
Accrued profit sharing bonus to employees and compensation to directors and supervisor		104,938	
Payable for commission		60,010	
Other		<u>31,503</u>	
Total		<u>\$ 300,689</u>	

MACHVISION INC. CO., LTD.

Statement of other current liabilities

December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Payable for VAT		\$ 2,901	
Receipts under custody		1,617	
Temporary receipts		<u>11</u>	
Total		<u>\$ 4,529</u>	

MACHVISION INC. CO., LTD.

Statement of net revenue

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Quantity	Amount	Note
Optical inspection machinery equipment	-	\$ 2,504,519	1
Service	-	<u>69,007</u>	
		<u>\$ 2,573,526</u>	

Note 1: Including sales returns and discounts 32,371 thousand.

MACHVISION INC. CO., LTD.

Statement of operating costs

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Amount	
	Subtotal	Total
Direct raw materials		
Beginning of year	\$ 224,810	
Add: Purchases	819,556	
Deduct: End of year(including Materials in transit 71 thousand)	245,293	
Selling	7,729	
Loss on Raw material	22	
Scrapped Materials	732	
Other	35,661	
	<u>754,929</u>	
Direct labor	53,999	
Manufacturing expenses	69,402	
Manufacturing cost	<u>878,330</u>	
Add: Work-in -process inventory, beginning of year	84,777	
Purchases and outsourced manufacturing of work-in -process inventory	5,742	
Deduct: Work-in process inventory, end of year	133,645	
Selling work-in process inventory	13,854	
Loss on Work-in-process inventory	3	
Other	10,376	
	<u>810,971</u>	
Cost of finished goods	87,527	
Add: Finished goods, beginning of year	67,815	
Deduct: Finished goods, end of year	3,859	
Scrapped finished goods	4,824	
Other		
Total cost of sales		822,000
Selling raw materials		7,729
Selling work-in process inventory		13,854
Loss on physical count		25
Losses on scrapping of inventory Purchases		4,591
Losses on decline in market value		3,190
Warranty provisions		19,661
Other		159,265
Total operating costs		<u>\$ 1,030,315</u>

MACHVISION INC. CO., LTD.

Statement of selling expenses

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Salaries		\$ 46,937	
Commission		75,238	
Export fee		13,334	
Other		<u>20,347</u>	
		<u>\$ 155,856</u>	

MACHVISION INC. CO., LTD.

Statement of administrative expenses

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Salaries		\$ 44,719	
Remuneration to directors		12,831	
Depreciation		16,294	
Employee benefits		5,551	
Professional service fee		4,633	
Other		<u>29,295</u>	
		<u>\$ 113,323</u>	

MACHVISION INC. CO., LTD.

Statement of research and development expenses

For the year ended December 31, 2021

(In thousands of New Taiwan Dollar)

Item	Description	Amount	Note
Salaries		\$ 176,393	
Employee benefits		5,407	
Insurance		11,540	
Travelling expenses		1,907	
R & D expenses		35,571	
Professional service fee		1,907	
Other		<u>20,465</u>	
		<u>\$ 253,190</u>	

Statement of changes in property, plant and equipment please see the financial statements note 6(f).

Statement of changes in accumulated depreciation of property, plant and equipment please see the financial statements note 6(f).

Statements of changes in right-of-use assets please see the financial statements note 6(g).

Statement of changes in accumulated depreciation of right-of-use assets please see the financial statements note 6(g).

Statements of changes in intangible assets please see the financial statements note 6(h).