

Stock code : 8021



# 尖點科技股份有限公司

## TOPOINT TECHNOLOGY CO., LTD

# 2021 Annual Report

Taiwan Stock Exchange Market Observation Post System :

<https://emops.twse.com.tw/server-java/t58query>

<http://www.topoint.tw/en/>

Published on March 31, 2022

### Notice to readers

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

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Address: 6F, No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Tel.: +886-2-2383-6888

Website: <http://www.gfortune.com.tw>

**4. Auditors**

Deloitte & Touche

Auditors: Chien-Hsin, Hsieh and Chao-Mei, Chen

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)

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

**5. Name of the institute for oversea negotiable security trade: None.**

**6. Company website: <http://www.topoint.tw>**

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## I. Letter to Shareholders (Business Report)

Dear Shareholders,

The global effect of the COVID-19 pandemic did not subside in 2021. On the contrary, it got even bigger. The global economy was making a strong comeback despite the pandemic due to extreme monetary easing. What followed was the price surge of raw material, imbalance in international cargo transportation, salary hike and other negative influences connected to inflation. In 2021, our focus on core strategy had paid off. With our colleagues' endeavor, the consolidated revenue for 2021 rose 27% as compared with the preceding year, whilst the after-tax net profit rose by 59%. Both are a record high. The operating matters in the past year and the planning and prospect for the future are presented in the following.

For the operating performance for 2021, the consolidated revenue amounted to NT\$3.77 billion; the after-tax net profit amounted to NT\$450 million; and the after-tax earnings per share (EPS) amounted to NT\$3.14. Looking forward, in 2022, the Company has set explicit growth and performance indicators, in hopes of better sales and profitability performance than our counterparts in the industry. The operating results for 2021 and the operating plan for 2022 are summarized as follows:

### i. Operating results for 2021

#### 1. Financial revenue and expenditure capability

Unit: NT\$ thousand

	2021		2020		Increase (decrease) Amount	Increase (decrease) Percentage
	Amount	%	Amount	%		
Consolidated operating turnover	3,773,746	100%	2,973,426	100%	800,320	26.9%
Consolidated operating gross profit	1,234,058	33%	969,264	33%	264,794	27.3%
Consolidated operating income	643,002	17%	467,417	16%	175,585	37.6%
Consolidated pre-tax net profit	665,345	18%	465,560	16%	199,785	42.9%
After- tax net profit	446,526	12%	281,567	9%	164,959	58.6%

#### 2. Budget Execution Status

The Company did not announce its financial forecast for 2021.

#### 3. Profitability analysis

Analytical item (based consolidated information)		2021	2020
Financial structure (%)	Total liabilities to total assets	30.69	24.81
	Long-term capital to total assets	349.83	343.69
Debt-paying ability (%)	Current ratio	387.39	455.53
Operating performance (%)	Accounts receivable turnover (times)	3.06	2.65
	Inventory turnover (times)	4.34	4.37
Profitability (%)	ROA (%)	7.21	5.04
	ROE (%)	9.81	6.52
	After-tax basic EPS (NT\$)	3.14	1.98

#### 4. Research and Development (R&D) Status

For product performance enhancement and cost reduction, the Company seeks to consistently make improvements in both regards. The completed or under development main products are as follows:

- (1) Develop and mass-produce newly inducted film layer product series.
- (2) Develop and mass-produce inducted drills specifically for ABF substrates.
- (3) Develop and mass-produce inducted coated drills applicable to electric vehicles.
- (4) To cater to customer needs and develop mainstream technology and products that conform to industrial trends. The R&D expenditure of more than NT\$120 million, constituted 3.2% of the total revenue, in 2021.
- (5) Consistently develop patented technology. 21 new patents were acquired, totaling 153 patents thus far, in 2021.

#### 5. Execution Status for Other Projects

- (1) Plan for production capacity expansion: To cater to the market development needs, the Company shall consistently remove production bottlenecks, procure new equipment and undertake other production capacity expansion projects. The monthly production capacity of drills or router bits has increased from 23 million units to 25 million units. In 2022, the production capacity shall be further expanded. The drilling service shall also be further expanded. In 2021, the magnitude of drilling service had increased by 10% compared to the preceding year.
- (2) Technology development service: For future product development, the Company shall continue its collaboration with customers to develop the relevant products and further enhance the technology. For areas including high speed calculation, 5G terminal application and infrastructure, the corresponding PCB drilling solutions for various high power applications, the Company shall work closely with customers to satisfy their product and performance needs.
- (3) Corporate governance and corporate social responsibility (CSR): The Company actively promote corporate sustainable development. For environmental, social and corporate governance aspects, the Company establishes targets and development strategies to meet the corporate sustainable development goals. In 2021, the Company was conferred two awards, namely “Excellence in Corporate Social Responsibility - Number 19th in Little Giant Group” and “2021 Taiwan Corporate Sustainability Award - Platinum Award”. The Company was also in the top 6% to 20% rank in the 7th Corporate Governance Evaluation for Public Traded Companies. These awards have acknowledged Topoint Technology’s achievement and effort in corporate governance and CSR.

## ii. Overview of 2022 Operating Plan

### 1. Operating Strategy and Important Policies

- (1) Continue in investing R&D, improve technological capability and increase product' competitive advantage.
- (2) Manage various costs and expenses meticulously to ensure competitive advantage.
- (3) Continue in expanding production scale to cater to market development and growth needs.
- (4) Continue in promoting environmental, social, and governance (ESG) measures to fulfill social responsibility.

### 2. Overview of Future Development

According to the forecast of Primark Partners, in 2022, the output value of the global PCB industry is forecasted to reach as high as US\$83.8 billion, or a 4.8% increase as compared to the preceding year. Looking forward, the improvement in semiconductor packaging technology has led to application developments such as mobile telecommunication, vehicle electronics, etc., and an increase in application in high frequency, high speed and other high value adding products. Benefitting from these developments, the Company shall continue to promote the growth in PCB output. The Company shall closely monitor various industrial and technological trends, always prepare for changes and opportunities, strengthen competitiveness and steadily manage operations.

We would like to extend our heartfelt gratitude for your long-term support. In the coming year, we shall continue our hard work to create and share bountiful operating results with you.

Sincerely yours,

Chairman David, Lin

President Karen, Lin

## II. Introduction of Corporation

### 1. Establishment date :

Established on: April 12, 1996

### 2. Development history :

- 1) 1996: Topoint Technology Co., Ltd. was established to engage in production and sales of precision drills with NT\$15 million in capital.
- 2) 1997 : In order to meet the market demand, it increased its capital by NT\$17.5 million to purchase new machinery equipment. By then, the total paid-in capital was NT\$32.5 million.
- 3) 1998 : It increased its capital by NT\$66.7 million to enlarge its business scale and purchase new machinery equipment. By then, the total paid-in capital was NT\$99.2 million. The factory was relocated to Beinei Street of Shulin where the factory buildings were enlarged so as to meet future expanding operation
- 4) 1999: It garnered RWTUV ISO9002, a quality assurance accreditation, in April, and had a cash capital increase of NT\$20.8 million on Sep. 20 for the purchase of leading-edge equipment to enhance production capacity. By then, the capital increase by earnings recapitalization was NT\$18.25 million, whereas the paid-in capitalization was NT\$138.25 million.
- 5) 2000: As approved by the competent authorities in May for public offer, it increased NT\$120 million of capital in cash in June to purchase production equipment and advanced inspection instruments to elevate production capacity and assure product quality. By then, the capital increase by earnings recapitalization was NT\$10.56 million, capital increase by capital surplus as stock dividends was NT\$4.19 million and the paid-in capitalization was NT\$273 million.
- 6) 2001: It increased NT\$54.91 million of capital by earnings recapitalization and NT\$12.09 million of capital by capital surplus as stock dividends in August. In December of the same year, it increased NT\$ 50 million of capital in cash to purchase production equipment, repay bank loans and supplement the working capital. By then, the paid-in capitalization was NT\$390 million.
- 7) 2003: It registered for the listing of the emerging stock on January 2, and increased NT20 million of capital in cash in December to purchase equipment and expand production capacity. By then, the paid-in capitalization was NT\$410 million.
- 8) 2004: It increased NT\$16.93 million of capital by earnings recapitalization in June to supplement the working capital. In December, it increased NT\$57 million of capital in cash to repay bank loans. As a total the paid-in capitalization was NT\$483.93 million. In December, its stock went public on the OTC market. New Shulin plant in Taiwan started operation and migrated headquarter to the new plate. Setup Topoint South China office in Shenzhen.
- 9) 2005: It relocated its factory to the present address having larger space so as to meet the demand for future expanding operation, and increased NT\$68,651,250 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$552,581,250.
- 10) 2006: It issued NT\$40 million of its first local unsecured convertible corporate bonds in February to purchase equipment and repay bank loans, increased NT\$100 million of capital in cash in March to purchase equipment and expand production capacity, issued 5,520 units of employee stock options in April, and increased NT\$101,706,700 of capital by earnings recapitalization in July. As a total, the paid-in capitalization was NT\$773,881,710.
- 11) 2007: It increased NT\$112,269,820 of capital by earnings recapitalization in July to supplement the working capital. As a total, the paid-in capitalization was NT\$954,691,270. Expanded Shulin and Shanghai plants to 13 million units of overall capacity. Topoint was granted qualified from Taiwan Corporate Governance Association. Established Japanese subsidiary Topoint Japan. Setup Topoint North China office.
- 12) 2008: It increased NT\$115,873,410 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,070,564,680. Transferred stock listing from OTC exchange to TWSE exchange. Expanded Shulin and Shanghai plants to 17 million



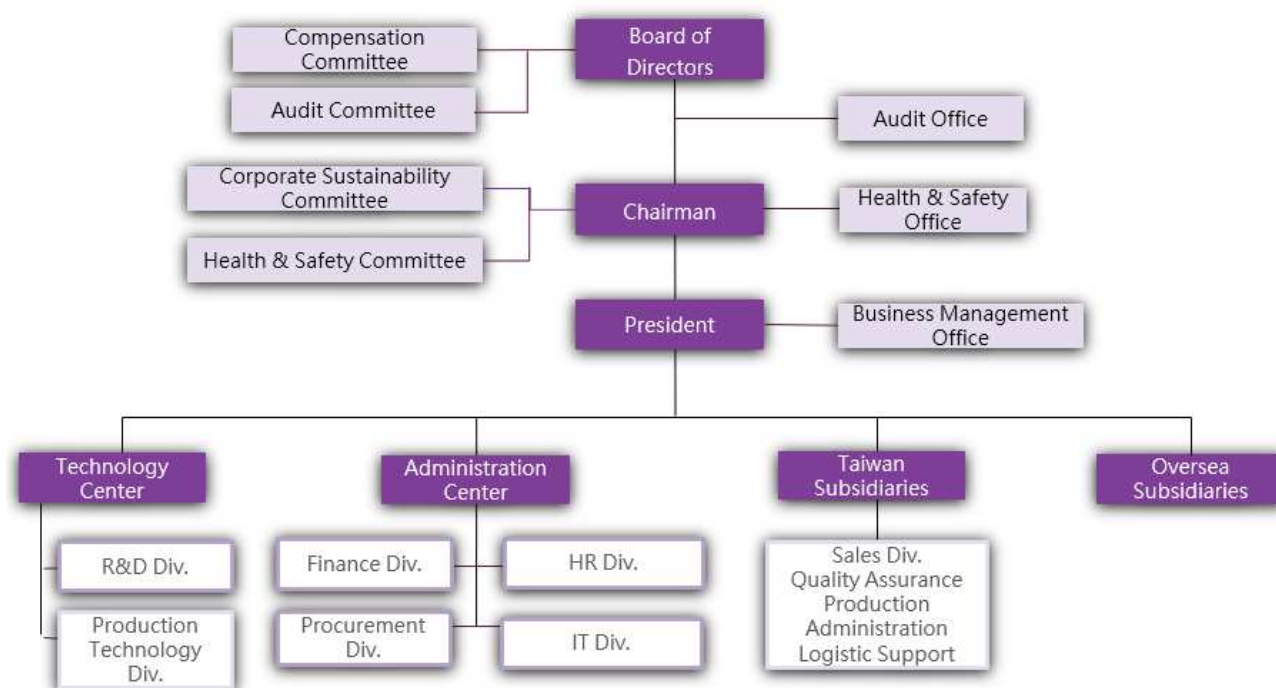
units of overall capacity. New Shanghai plant started operation.

- 13) 2009: It increased NT\$100 million of capital in cash in August to repay bank loans, and issued NT\$200 million of its first private of unsecured convertible bonds in September to repay bank loans, increased NT\$96,153,230 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,266,717,910. Established Unipoint Technology Company.
- 14) 2010: It increased NT\$23,696,680 of unsecured convertible bonds in November, and increased NT\$48,801,550 of capital by earnings recapitalization and change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,339,216,140. Established Unipoint Technology (Shenzhen) Company and Sharpoint (Qinhuangdao) Company.
- 15) 2011: It increased NT\$142,180,070 of unsecured convertible bonds, increased NT\$37,198,860 of capital by earnings recapitalization and increased NT\$7,090,000 of employee stock option. As a total, the paid-in capitalization was NT\$1,525,685,070. Established Sharpoint Technology (Shenzhen) Company and Sharpoint Technology (Suzhou) Company.
- 16) 2012: It increased NT\$40,892,590 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,566,577,660. Established Kunshan Topoint Electronics Company.
- 17) 2013: It increased NT\$12,327,800 of capital by earnings recapitalization. As a total, the paid-in capitalization was NT\$1,578,905,460.
- 18) 2014: It increased NT\$9,100,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,588,005,460. Established Sharpoint Electronics (Huaian) Company and Chengdu Raypoint Precision Tools Co., Ltd and Kunshan Raypoint Precision Tools Co., Ltd.
- 19) 2015: It increased NT\$4,035,000 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,592,040,460. Established Winpoint Electronics (Huaian) Company. Shanghai Topoint granted 2015 TPM Excellence Award, by JIPM.
- 20) 2016: It increased NT\$2,742,500 of capital by change shares of employee stock option. As a total, the paid-in capitalization was NT\$1,594,782,960. Established Shanghai Ringpoint Nano Material Co. Ltd. Invested Shanghai Hejin Roller Technology Co. Ltd.
- 21) 2018: NT\$159,478,290 of capital reduction. As a total, the paid-in capitalization was NT\$1,435,304,670. Established E-point Precision Tools Co., Ltd. & Established Sharpoint Electric (Suzhou) Co., Ltd.
- 22) 2019: NT\$13,500,000 of cancellation of treasury shares. As a total, the paid-in capitalization was NT\$1,421,804,670.
- 23) 2020: The production capacity of drills reached 23 million units. Taiwan received obtained ISO45001 occupational health and safety management system certification new version. And ISO 14001 environmental management system certification new version. DRILL-TEK Corporation became a Topoint subsidiary.
- 24) 2021: The production capacity of drills reached 25million units. Mass production of drills which are especial for ABF substrate and electric vehicle. COSMOS VACUUM Technology Corporation became a Topoint subsidiary.

### III. Corporate Governance Report

#### 1. Organization System

##### (1) Organization Chart



##### (2) Major Corporate Functions

Title	Name	Authority
Chairman	David Lin	<ul style="list-style-type: none"> <li>Formulate company management directives.</li> <li>Leading corporate strategies and objectives.</li> </ul>
President	Karen Lin	<ul style="list-style-type: none"> <li>Oversee corporate operation goals, budget plan and control.</li> <li>Execute corporate strategies and objectives.</li> <li>Conduct system regulations and project management on finance, human resource, procurement, IT functions.</li> </ul>
Executive Vice President	Stanley Weng	<ul style="list-style-type: none"> <li>Approve annual business budget plan in China region and supervise implementation results.</li> <li>Establish key business plan, product marketing and customer relationship management.</li> <li>Conduct high efficiency team in China region, to achieve operational performance goals and abide by the law.</li> </ul>
Vice President	Jacky Huang	<ul style="list-style-type: none"> <li>Supervise product research &amp; development activities.</li> <li>Establish medium-term &amp; long-term product development strategies.</li> <li>Conduct optimization and advancement of production technology.</li> </ul>
Senior Director	Charles Yen	<ul style="list-style-type: none"> <li>Oversee operation results of Drilling Service subsidiaries, in China region.</li> <li>Manage customer relations and service solutions.</li> </ul>
Financial Manager	Julianna Ko	<ul style="list-style-type: none"> <li>Corporate budget plan, control and management.</li> <li>Corporate financial planning and investment management.</li> <li>Tax and accounting system planning and execution.</li> </ul>

Department	Major functions
Audit Office	Internal audit planning & implementing, designing auditing guidance, evaluating effectiveness of the internal control system and supervising audit work in the subsidiaries.
Corporate Sustainability Committee	In 2015, Topoint established "Corporate Sustainability Committee", the Chairman and General Manager are appointed chairpersons of the Committee. The Corporate Sustainability Committee's most important policy is corporate sustainable development. Topoint's Corporate Sustainability Committee holds annual meetings to identify subjects of stakeholders' interests. By ensuring annual goals and planning developed in accordance with those subjects, further carry out CSR activities, Topoint commits to achieve objectives of sustainable business operation.
Environmental Health & Safety Office	In order to process the occupational safety and health policy, Topoint established "Occupational Safety and Health Committee". The CEO is the chairman of the committee and assigned Occupational Safety and Health department, all department managers, Labor health service workers and Labor representatives organized the meeting quarterly to reviewing, coordinating and recommending labor safety and health related businesses
Business Management Office	Assist the President in business management performance enhancement, investor relation and other projects. Coordinate and undertake the operation and communication of the Board of Directors and functional committees.
Technology Center	R&D of advanced technologies and development of new products. Patent planning and management.
Administration Center	Coordinate the establishment and implementation of various systems such as accounting, human resources, procurement, and information technology.

2. Information about Directors, General Manager, Vice presidents, Assistant presidents, Chiefs of Respective Divisions and Branch Offices

Directors :

(1). Information Regarding Directors

March 31, 2022																				
Title	Nationality/ Country of Origin	name	Gender /Age	Elected (inaugurated) date	Term (years)	1 <sup>st</sup> elected date	Shares held when being elected		Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		Current post and/or education	Post concurrently taken in the company or other companies	Other executives, directors or supervisors in spouse relationship or kin relationship within 2 <sup>nd</sup> degree			Remarks
							shares	Shareholding ratio	Number of shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relation	
Chairman	Republic of china	David Lin	Male 61~70	2018/06/14	3	03/18/1996	5,528,414	3.47%	5,324,342	3.74%	-	-	-	-	The Chairman of the company Student of National Open University	The Chairman of the boards of directors and Chief Executive Officer of the company. Directors and supervisors of subsidiaries	President	Karen Lin	Daughter	-
Director		Karen Lin	Female 41~50	2018/06/14	3	2010/06/15	2,230,518	1.40%	960,713	0.68%	1,000,713	0.70%	1,260,900	0.89%	Master of Information Management, National Chung Cheng University	The President of the company; Directors and supervisors of subsidiaries; Director of COTA Commercial Bank; CEO of Moneyou Company Limited.	Chairman	David Lin	Father	Note1
Director		Fortune Venture Capital Corporation	-	2018/06/14	3	2006/06/20	4,906,836	3.08%	4,416,152	3.11%	-	-	-	-	-	Director of Subtron Technology.Co.,,LTD、Taiwan Semiconductor CO., LTD.、 Crystalwise Technology Inc & Winwin Precision Technology	-	-	-	-
		Karis Peng	Male 51~60	2018/06/14	3	2018/06/14	-	-	-	-	-	-	-	-	Ph.D. in Management of Technology from National Chiao Tung University Institute.	Director and General Manager of UMC capital corporation. Director and Chairman of Puriumfil Inc.& Tera Energy Development CO., LTD. Director of Crystalwise Technology Inc.、TXC Corporation.、 TrendForce Inc. & Simplo Technology CO. LTD Independent director of Kiwi technology Inc.	-	-	-	-
		Macking International Investment	-	2018/06/14	3	2018/06/14	1,000,000	0.63%	3,000,600	2.11%	-	-	-	-	-	-	-	-	-	-
Director		Wen-Jin, Li	Male 61~70	2018/06/14	3	2018/06/14	-	-	-	-	-	-	-	-	The General Manager of Rechi Precision Co., Ltd. Bachelor's degree in Mechanical Engineering from National Taiwan University	Chairman of Macking International Investment Corporation.	-	-	-	-
		Amy Chen	Female 51~60	2021/07/22	3	2021/07/22	-	-	-	-	-	-	-	-	Master of Business Administration, University of Birmingham, UK	CEO and CPA of Dalee Finance Consulting Co., Ltd.	-	-	-	-
Independent director		Jeff Chen	Male 71~80	2021/07/22	3	2021/07/22	-	-	-	-	-	-	-	-	Bachelor of Science in Mechanical Engineering, National Taiwan University	Director of E-CMOS Corp. Director of Taivital Biopharmaceutical Co. Ltd.	-	-	-	-
Independent director		Eric Hsu	Male 61~70	2021/07/22	3	2021/07/22	-	-	1,000	0.00%	-	-	-	-	Bachelor of Laws, National Taiwan University	NA	-	-	-	-

Note1: Where the chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures must be disclosed:

In order to strengthen the company's operation and management, the company's chairman and president are second cousins to each other. Because the general manager has the professional ability to coordinate the operation strategy, it can improve the operation efficiency and decision-making execution ability of the company, which is of obvious benefit to the company. However, it is expected that the board of directors of the company will add an independent director to further strengthen corporate governance, enhance the functions of the board of directors, and strengthen supervision functions.

## A. Major institutional shareholders:

March 31, 2022

Name of institutional shareholder	Major shareholders of the institutional shareholders
Fortune Venture Capital Corporation	100% of shares are held by United Microelectronics Corp.
Macking International Investment	10.76% of shares are held by Jheng-De, Li 10.01% of shares are held by Yan-Da, Huang 9.97% of shares are held by Jheng-Ting, Li 8.04% of shares are held by Jhih-Wei, Du 7.56% of shares are held by Wen-Jin, Li 6.51% of shares are held by Ming-Zhu, Ping 6.12% of shares are held by Yun-Mei, Huang 6.03% of shares are held by Li-Qiang, Huang 5.14% of shares are held by Jian-Zhi, Liu 4.87% of shares are held by, Shu-E, Lu

## B. Major shareholders of the major shareholders that are Juridical Persons

March 31, 2022

Shareholder's Name	Shareholding	
	Common Shares	%
JPMorgan Chase Bank, N.A. acting in its capacity as depositary and representative to the holders of ADRs	726,040,825	5.84
Fubon Life Insurance Co, Ltd.	516,248,000	4.16
Hsun Chieh Investment Co., Ltd.	441,371,000	3.55
New Labor Pension Fund	314,026,989	2.53
Silicon Integrated Systems Corp.	285,380,424	2.30
Yann Yuan Investment Co., Ltd.	201,000,000	1.62
CTBC Bank Employee Stock Ownership Trust Account of UNITED MICROELECTRONICS CORP.	195,430,000	1.57
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	152,585,110	1.23
Nan Shan Life Insurance Company, Ltd.	149,446,000	1.20
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	132,101,905	1.06

Note: <https://www.umc.com/zh-TW/Html/faqs>

### C. Professional Qualifications and Independence Analysis of Directors

<div>Criterion</div> <div>Name</div>	Professional qualification and experience	Independence	No. of concurrent directorship of other public firms held
David Lin	David Lin has assumed the Chairman position since the founding of the Company. Having close to 30 years of experience in the drilling industry, David Lin brings leadership, business management, financial, accounting and operating experiences to the Board of Directors. As of the publication date of the annual report, David Lin has never committed any offence listed in the Company Act, Article 30.	As an employee of the Company and a director of affiliated subsidiaries, David Lin is one of the top ten Shareholders of the Company currently. He and the President have a familial relationship within the first-degree kinship. To strengthen the independence of the Board of Directors, as of the publication date of the annual report, David Lin has never committed any offence listed in the Securities and Exchange Act, Article 26-3.	None
Karen Lin	Karen Lin has received long-term training as the successor of the Company management. Assuming managerial and special assistant positions, Karen Lin has close to 17 years of experience. Her expertise lies in leadership, business management, financial, accounting and risk management, bringing much experience to the Board of Directors. As of the publication date of the annual report, Karen Lin has never committed any offence listed in the Company Act, Article 30.	As an employee of the Company and a director of affiliated subsidiaries, the shareholding of Karen Lin (including shareholding under other person(s)) amounts to 1.59%. She and the Chairman have familial relationship within the first-degree kinship. As of the publication date of the annual report, Karen Lin has never committed any offence listed in the Securities and Exchange Act, Article 26-3.	None
Kris Peng	Kris Peng has work experience in board leadership, business management, and directorship in other public firms. As of the publication date of the annual report, Kris Peng has never committed any offence listed in the Company Act, Article 30.	Kris Peng holds no concurrent positions in the Company or other affiliated subsidiaries. Currently, he is a representative of a corporate shareholder who is one of the top ten shareholders. As of the publication date of the annual report, Kris Peng has never committed any offence listed in the Securities and Exchange Act, Article 26-3.	1

<div>Criterion</div> <div>Name</div>	Professional qualification and experience	Independence	No. of concurrent directorship of other public firms held
Wen-Jin, Li	Wen-Jin, Li has work experience in board leadership, business management, and directorship in other public firms. As of the publication date of the annual report, Wen-Jin, Li has never committed any offence listed in the Company Act, Article 30.	Wen-Jin, Li holds no concurrent positions in the Company or other affiliated subsidiaries. Currently, he is a representative of a corporate shareholder who is one of the top ten shareholders. As of the publication date of the annual report, Wen-Jin, Li has never committed any offence listed in the Securities and Exchange Act, Article 26-3. For the most recent two years, Wen-Jin, Li has provided services totaling NT\$4.8 million to the Company.	None
Amy Chen	Amy Chen has acquired a number of professional certifications, including Certified Public Accountant, Certified Internal Auditor and Certified Valuation Analyst. She also has 15 years of experience working in the securities underwriting sector and extensive experience in financial, accounting, auditing and business management. As of the publication date of the annual report, Amy Chen has never committed any offence listed in the Company Act, Article 30.	Amy Chen does not hold any shares of the Company or any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Amy Chen has never committed any offence listed in the Securities and Exchange Act, Article 26.-3. The Company is of the opinion that Amy Chen's independence is not curtailed.	None
Jeff Chen	Jeff Chen has work experience in board leadership, business management, and directorship in other public firms. As of the publication date of the annual report, Jeff Chen has never committed any offence listed in the Company Act, Article 30.	Jeff Chen does not hold any shares of the Company or any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Jeff Chen has never committed any offence listed in the Securities and Exchange Act, Article 26.-3. The Company is of the opinion that Jeff Chen's independence is not curtailed.	None
Eric Hsu	Eric Hsu has expertise in commercial law. Currently, he is serving as a volunteer for the Probation Officers Association under Taiwan Taipei District Prosecutor's Office, assisting in probational affairs for adults. As of the publication date of the annual report, Eric Hsu has never committed any offence listed in the Company Act, Article 30.	Eric Hsu is holding 1,000 shares of the Company, but is not holding any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Eric Hsu has never committed any offence listed in the Securities and Exchange Act, Article 26-3. Nevertheless, The Company is of the opinion that the shareholding of Eric Hsu does not curtail his independence.	None

## The diversity of composition and Independence Analysis of the Board of Directors

Diversity of the Board of Directors: Describe the diversity policy of the Board, its goals and implementation status. The diversity policy of the Board includes, but does not limit to, standard for director election, professional qualification and experience, gender, age, nationality and cultural composition or ratio of directors. Furthermore, the goals and implementation status of the aforementioned policy are as follows:

Pursuant to the Guidelines for Corporate Governance, the Company has established the consideration of diversity for the composition of the Board. Currently, all Board members are of ROC nationality, in which five males are on average over 50 years old whilst two females are on average over 40 years old. The Board members have expertise in leadership, operation, decision making, business management, crisis management, accounting and financial, commercial law, as well as industry knowledge and international market perspective. Independent Directors constitute 43% of the Board members, female Directors constitute 29%, whereas Directors holding concurrent positions as the Company employees also constitute 29%. The Board shall give continual support to actions that increase the percentage of female Managers in the top management.

Title	Name	Gender	Age		Industry Experience			Professional Skill			
			40~50	Above50	Manufacturing Technical	Management	Financial Investment	Risk Management	Accounting and Financial	Law	Information Engineering
Chairman	David Lin	Male		●	●	●		●	●		
Director	Karen Lin	Female	●			●		●	●		●
Director	Fortune Venture Capital Corporation Representative: Karis Peng	Male		●		●	●		●		
Director	Macking International Investment Representative: Wen-Jin, Li	Male		●	●	●		●			
Independent director	Amy Chen	Female		●			●		●		
Independent director	Jeff Chen	Male		●	●						
Independent director	Eric Hsu	Male		●						●	

Independence of the board: Describe the number and proportion of independence directors, as well as their independence. Furthermore, describe whether circumstances listed in Securities and Exchange Act, Article 26-3 and 26-4 exist, including whether spousal relationship or familial relationship within the second degree of kinship exist between directors or between supervisors, or between director(s) and supervisor(s):

The President and Chairman of the Company have familial relationship within the first-degree kinship. As the President possesses professional caliber in coordinating business strategies, and thus is able to enhance the management efficiency and strategy implementation capability of the Company, the arrangement is beneficial to the Company. To strengthen the independence of the Board, in 2022, the Company shall increase the number of Independent Directors to promote the competency of the Board and strengthen its supervisory function.



## (2) President, Vice President, Junior V.P., and Department Heads

March 31, 2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of china	David Lin	Man	2005/11/29	5,324,342	3.74	-	-	-	-	The Chairman of the company Student of National Open University	The Chairman of the boards of directors and Chief Executive Officer of the company. Directors and supervisors of subsidiaries	President	Karen, Lin	Daughter	-
President,		Karen Lin	Female	2015/08/10	1,000,713	0.70	-	-	1,260,900	0.89	Master of Information Management, National Chung Cheng University	The President of the company; Directors and supervisors of subsidiaries; Director of COTA Commercial Bank; CEO of Moneyou Company Limited.	Chairman	David, Lin	Father	Note1
Executive Vice President		Stanley Weng	Man	2014/02/01	89,337	0.06	-	-	-	-	Manager of Topoint Student of Affiliated Senior High School of National Taiwan Normal University	Directors and supervisors of subsidiaries	-	-	-	-
Vice president		Jacky Huang	Man	2006/05/08	54,158	0.04	3,978	0.00	-	-	Manager of ASE Inc. / Graduate of the materials science and engineering department of Feng Chia University	-	-	-	-	-
Chairman's Special Assistant		Slash Chen	Man	2002/02/01	162,474	0.11	-	-	-	-	Manager of Topoint / Graduate of Mingshin Junior College.	Directors and supervisors of subsidiaries;	-	-	-	-
Senior Director		Charles Yen	Man	2014/02/01	82,657	0.06	24,764	0.02	-	-	Manager of Gigabyte / Graduate of the accounting department of Soochow University	Directors and supervisors of subsidiaries	-	-	-	-
Financial Manager		Julianna Ko	Female	2008/06/26	8,354	0.00	-	-	-	-	Junior manager of Taiwan International Securities / Graduate of the accounting department of Soochow University	-	-	-	-	-

Note1: Where the chairman and president or equivalent position (highest level managerial officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures must be disclosed:

In order to strengthen the company's operation and management, the company's chairman and president are second cousins to each other. Because the general manager has the professional ability to coordinate the operation strategy, it can improve the operation efficiency and decision-making execution ability of the company, which is of obvious benefit to the company. However, it is expected that the board of directors of the company will add an independent director to further strengthen corporate governance, enhance the functions of the board of directors, and strengthen supervision functions.

### (3) Remuneration of Directors, President, and Vice President

#### (I) Remuneration of Directors

Unit: NT\$ thousand/1,000 shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C) Note1		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
Chairman	David Lin	0	0	0	0	6,308	7,029	139	283	1.44%	1.64%	5,128	16,987	108	108	5,700	0	5,700	0	3.9%	6.7%	-
Director	Karen Lin																					
Director	Fortune Venture Capital Corporation Kris Peng																					
Director	Macking International Investment Corporation Wen-Jin, Li																					
Independent director	Amy Chen	0	0	0	0	6,226	6,226	126	126	1.42%	1.42%	0	0	0	0	0	0	0	0	1.42%	1.42%	
Independent director	Jeff Chen																					
Independent director	Eric Hsu																					

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:

For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 18 of the Company's Articles of Incorporation.

2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors : NT\$2,400.

Note 1. As passed in the board meeting on February 24, 2022 for 2021 annual earnings distribution, NT\$14,526,809 is for remuneration of directors and supervisors and NT\$87,160,857 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-	-	-
NT\$1,000,001 ~ NT\$2,000,000	David Lin 、Karen Lin 、Fortune Venture Capital Corporation 、Macking International Investment Corporation	David Lin 、Karen Lin 、Fortune Venture Capital Corporation 、Macking International Investment Corporation	Fortune Venture Capital Corporation 、Macking International Investment Corporation	Fortune Venture Capital Corporation 、Macking International Investment Corporation
NT\$2,000,001 ~ NT\$3,500,000	Amy Chen 、Jeff Chen 、Eric Hsu	Amy Chen 、Jeff Chen 、Eric Hsu	Amy Chen 、Jeff Chen 、Eric Hsu	Amy Chen 、Jeff Chen 、Eric Hsu
NT\$3,500,001 ~ NT\$5,000,000	-	-	-	-
NT\$5,000,001 ~ NT\$10,000,000	-	-	David Lin 、Karen Lin	-
NT\$10,000,001 ~ NT\$15,000,000	-	-	-	David Lin 、Karen Lin
NT\$15,000,001 ~ NT\$30,000,000	-	-	-	-
NT\$30,000,001~ NT\$50,000,000	-	-	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-	-	-
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

(II) Remuneration for President and V.P.

Unit: NT\$ thousand/1,000 shares

Unit: NT\$ thousand / 1,000 shares

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chairman	David Lin	7,524	14,105	214	322	2,090	12,215	10,050	0	10,050	0	4.45%	8.22%	-
President	Karen Lin													
Executive Vice President	Stanley Weng													
Vice President	Jacky Huang													

Note 1 : As passed in the board meeting on February 24, 2022 for 2021 annual earnings distribution, NT\$14,526,809 is for remuneration of directors and supervisors and NT\$87,160,857 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

Range of Remuneration	Name of President and Vice Presidents	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	-	-
NT\$1,000,001 ~ NT\$2,000,000	Jacky Huang	-
NT\$2,000,001 ~ NT\$3,500,000	-	-
NT\$3,500,001 ~ NT\$5,000,000	-	-
NT\$5,000,001 ~ NT\$10,000,000	David Lin 、 Karen Lin 、 Stanley Weng	Stanley Weng 、 Jacky Huang
NT\$10,000,001 ~ NT\$15,000,000	-	David Lin 、 Karen Lin
NT\$15,000,001 ~ NT\$30,000,000	-	-
NT\$30,000,001 ~ NT\$50,000,000	-	-
NT\$50,000,001 ~ NT\$100,000,000	-	-
Over NT\$100,000,000	-	-
Total	4	4

(4) Name of managers who received dividend and the distribution of dividend  
March 31, 2022 NT\$ (thousand)

Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash(Note1)	Total	Ratio of Total Amount to Net Income (%)
Chairman	David Lin	-	13,550	13,550	3.03%
President	Karen Lin				
Executive Vice President	Stanley Weng				
Vice President	Jacky Huang				
Chairman's Special Assistant	Slash Chen				
Senior Director	Charles Yen				
Financial Manager	Julianna Ko				

Note 1 : As passed in the board meeting on February 24, 2022 for 2021 annual earnings distribution, NT\$87,160,857 for employee bonus. The distributed amounts shown above were calculated according to last year's distribution ratio.

(5) Analysis of the ratio of the total remuneration for the directors, supervisors, general managers and vice general managers of the company and its consolidated statement companies in the recent two years to after-tax net profit, and description of remuneration payment policies, standards, combinations, procedure to determine the remuneration and the correlation with operating performance :

Year	Total remuneration of directors, supervisors, general managers and vice general managers	Ratio of the preceding remuneration to after-tax net profit	Directions
2020	52,821 thousand	18.76%	The proportion of net profit after tax decreased from 18.76% to 11.28%, mainly due to the decrease in the number of managers and the increase in net profit after tax.
2021	50,356 thousand	11.28%	

Note 1: The Company has specified in Article 18 of the Articles of Association that if there is any Profit before income tax set aside Employees' bonus to employees in the range of 1%to 25% Remuneration of directors shall be no more than 3%.

Note 2 : The remuneration of directors will be used as a reference for the remuneration of individual directors based on the results of the remuneration management committee's self-assessment. Please refer to the "Self-assessment Information of the Board of Directors" in this annual report. The relevant performance evaluation and the rationality of remuneration are all approved by the Remuneration Committee and the Board of Directors. review. The manager's remuneration is based on his participation in the company's operations and personal performance contribution, and is regularly assessed in accordance with the "Performance Evaluation Management Regulations" and "Dividend Distribution Operation Regulations".

Note 3: The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The payment standards of compensation are: the payment of salaries is according to the market averages of that position; the payment of incentive and bonus is related to achievement of goals of employee and his/her organization or the Company's operation performance. Future risk assessment is also included in the scope of consideration to minimize the possibility of risk occurrence. As of the annual report publication date, there are no existing matters that will cause the Company to potentially bear any responsibility, obligation or liability in the future.

### 3. Business management

#### i Board of Directors

The attendance of Directors for 9 (A) Board Meetings in 2020:

Title	Name	Attendance (B)	Proxy	Frequency of attendance (%) (B/A)	Remarks
Chairman	David Lin	9	0	100	-
Director	Karen Lin	4	0	100	Re-elected on July 22, 2021
Director	Fortune Venture Capital Corporation Corporate Representative Kris Peng	9	0	100	-
Director	Macking International Investment Corporation Corporate Representative Wen-Jin, Li	9	0	100	-
Independent Director	Amy Chen	4	0	100	Re-elected on July 22, 2021
Independent Director	Jeff Chen	4	0	100	Re-elected on July 22, 2021
Independent Director	Eric Hsu	4	0	100	Re-elected on July 22, 2021

#### Remarks:

A. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(a) Items listed in Article 14-3 of Securities and Exchange Act:

The Company has established Audit Committee, independent directors shall express their opinions in accordance with Article 14-5 of Securities and Exchange Act, please refer to page 20 "Audit Committee Members' Opinions or Resolutions to Material Matters."

(b) Besides the above-stated resolutions of the Board of Directors, resolutions which received objections or reserved comments from the Independent Directors that are supported by appropriate records or written declarations: None.

B. The name of the directors who have excused themselves from the meeting due to a conflict of interest, the name of the directors, the content of the case, the reason for the conflict of interest, and the voting must be stated in details: None.

C. Evaluate its board performance information :

Cycle	Once a year
Period	2021/01/01~2021/12/31
Scope	Includes overall operations of the Board of Directors, Audit Committee, and Compensation Committee. Individual Board members
Method	Self-evaluation by the chief officer of corporate governance of the Board of Directors and individual Board members.
Detail	<p>1. The board of directors : Participation in the operation of the company 、Improvement of the quality of the board of directors' decision making 、Composition and structure of the board of directors 、Election and continuing education of the directors 、Internal control.</p> <p>2. The board members : Familiarity with the goals and missions of the company 、Awareness of the duties of a director 、Participation in the operation of the company 、Management of internal relationship and communication 、The director's professionalism and continuing education 、Internal control.</p> <p>3. The Compensation Committee : Participation in the operation of the company 、</p>

	Awareness of the duties of a compensation committee 、Improvement of the quality of the compensation committee 、Composition and election of the compensation committee 、Internal control.
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Description of the evaluation results:

**Board of Directors:**

According to the results and suggestions of the directors' self-assessment, there are 23 assessment items in five aspects, and 7 directors are self-assessed, and all of them give positive comments.

**Audit Committee, and Compensation Committee:**

According to the self-assessment results and suggestions of the members, there are 24 assessment items in five aspects, and 3 members are self-assessed.

D.The goal for improving the function of the board of directors (e.g., establishing the audit committee and enhancing information transparency, etc.) and execution evaluation:

(a) On July 22, 2021, the Company established Audit Committee to assist the Board of Directors in performing its supervisory duty and strengthen the competency of the Board.

(b) In October 2021, the Company engaged an external independent agency, Taiwan Investor Relations Institute (TIRI) to perform an assessment on the effectiveness of the Board. TIRI and the experts performing the assessment did not have any business undertakings with the Company and therefore, are independent. They reviewed documentation, circulated questionnaire and conducted interviews on five aspects of the Board, namely the Board composition and professional development, the quality of decision making, the operational effectiveness, internal control and risk management, and Board participation and corporate social responsibility (CSR). On December 31, 2021, an assessment report was produced, in which the recommendations of the assessment and the measures expected to be undertaken shall be reported to the Board on February 24, 2022. The relevant recommendations and improvement measures are as follows:

(i) Recommendation: Establish systems that can guide Directors in comprehending the Company quickly.

Improvement measure: Periodically invite Directors to participate in the Company's meetings. Furthermore, provide Directors information as and when they need it.

(ii) Recommendation: Increase the number of Independent Directors.

Improvement measure: In 2022, one Independent Director shall be added.

(iii) Recommendation: Plan for more diverse courses for Directors.

Improvement measure: More diverse courses in risk management, CSR, internal control system shall be incorporated for Directors to choose from.

(iv) Recommendation: Incorporate environmental, social, and corporate governance (ESG) issues in the strategic discussion of the Board and regularly report the implementation status.

Improvement measure: Report to the Board on the implementation status of CSR actions at least once a year currently, including communication status with stakeholders and incorporating more issues for discussion.

(2) Audit Committee or Board of Supervisors

A. The attendance of Audit Committee in 2021:

(a) The Audit Committee consists of 3 independent directors.

(b) The first session of Audit Committee of Inauguration date from July 22, 2021 to July 21, 2024

The attendance of Audit Committee for 3(X) Board Meetings in 2021:

Title	Name	Attendance (Y)	Proxy Frequency of attendance (%)(Y/X)	Remarks
Independent Director (Convener)	Amy Chen	3	100	-
Independent Director	Jeff Chen	3	100	-
Independent Director	Eric Hsu	3	100	-

Remarks:

A. If there are any circumstances listed below during a meeting of the Audit Committee, the dates of meetings, sessions, contents of motions of the Committee' meetings, all committee members' opinion and the Company's response to committee members' opinion should be specified:

(1) Items listed in Article 14-5 of Securities and Exchange Act: Please refer to [page 21](#).

(2) Besides the above-stated matters, any matter that has not been approved with the consent of one-half or more of all Audit Committee members but approved by two-thirds or more of all Directors: None.

B. If there is any Independent Director(s) avoiding of motions due to conflict of interest, such Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.

C. Communications between the Independent Directors, the Internal Auditors and the Independent Auditors (e.g., the items, methods and results of the audits of corporate finance or operations, etc.):

(a) Independent directors and the chief internal auditor contacted and communicate with each other via e-mail, telephone or conference call as needed. Any material abnormal events should be reported to the independent directors or prompt a meeting to be convened. Communication channels are diverse and open. The Company submitted the audit report or follow-up report of the previous month in writing to independent directors for review. Independent directors gave responses or opinions based on the necessity of the report. The chief auditor of the Company attended regularly the quarterly meetings of the Audit Committee, and reported audits performed and the results to the independent directors. The communication records are summarized as follows:

Date	Communications between the Independent Directors	Communication Memos
2021/02/26	internal control system effectiveness assessment and internal control system statement.	No additional comments.
2021/03/19	Reviewing internal audit reports	No additional comments.
2021/05/07	Reviewing internal audit reports	No additional comments.
2021/06/29	Reviewing internal audit reports	No additional comments.
2021/08/06	Reviewing internal audit reports	No additional comments.
2021/11/05	Reviewing internal audit reports	No additional comments.
2021/12/28	Reviewing internal audit reports and annual audit plan for the year of 2022.	No additional comments.

(b) In addition to reporting to independent directors for the audit or review of financial reports, the Company's CPAs hold at least one legal advocacy briefing at the Company each year to update the financial and communicating key review matters for the corresponding impacts. In normal times, independent directors and CPAs can communicate with each other via e-mail, telephone or meeting at any time as



needed. The Company's independent directors communicated well with CPAs. The communication records are summarized as follows:

Date	Communications between the Independent Directors	Communication Memos
2021/12/28	Explaining the findings and results of the review of consolidated and standalone financial reports and communicating key review matters.	No additional comments.

D. Audit Committee Members' Opinions or Resolutions to Material Matters in 2021 Items listed in Article 14-5 of Securities and Exchange Act:

Audit Committee Meeting Date	Resolutions	Audit Committee Members' Opinion and Company's Response
The 1 <sup>st</sup> meeting of the 1 <sup>st</sup> session 2021/08/05	1. Amendment to the Corporate Internal Management Measures. 2. Amendment to the Internal Control System.	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
The 1 <sup>st</sup> meeting of the 3 <sup>rd</sup> session 2021/12/28	1. Proposal for the 2022 audit plan. 2. Proposed appointment of CPA and independence assessment. 3. Subsidiary "Shanghai Topoint Precision Technology Co., Ltd." Disposes of Equity Interests of Subsidiary Company "Chengdu Raypoint Precision Tools Co., Ltd."	

B. total of 5 (A) meetings of the Board Meetings from 2021/01/01 to 2021/07/22, Supervisor's attendance was as follows:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%) (B/A)	Remarks
Supervisors	Gen-Cing, Chen	5	100	-
Supervisors	Cheng-Chie, Niu	3	60	Unable to return to Taiwan for meetings due to covid-19
Supervisors	Fang-Cheng, Siao	5	100	-

Remarks: The Audit Committee was established on July 22, 2021. For details, please refer to the "Operation of the Audit Committee" in the annual report.

(3) Corporate governance and the deviation from the Rules Governing Listed & OTC corporate governance and the causes

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on November 10, 2015. The information has been disclosed on the Company's website.	No discrepancy.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?  (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?  (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?  (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓  ✓  ✓  ✓		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as Investor Relations, Public Relations, and Legal Department, to handle shareholders' suggestions, doubts, disputes and litigation. The company has a spokesman (Charles Chang), a deputy spokesperson (Irene Tsai) and the stock affairs division.  The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares.  The company has laid down the regulations for trading operation with its affiliated enterprises, and for surveillance of its subsidiaries.  To protect shareholders' rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	No discrepancy.
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓		Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. The three independent directors have not served	No discrepancy.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board, and implement it annually?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>consecutive terms for over 3 sessions. In addition, the Board of Directors has nine directors, and the Board's overall abilities meet the Company's needs for future development and comply with the Board diversity policy. Please refer to page 12 of this annual report.</p> <p>The company has established a corporate sustainability committee and a health and safety committee.</p> <p>The company's board of directors passed the "Board Performance Evaluation Measures" on December 28, 2016, and conducted the year board performance evaluation in accordance with the method in January, 2022. In addition, for the external performance evaluation once every three years, in October 2021, an external professional and independent agency was commissioned to conduct an external performance evaluation of the board of directors, and a report to the board of directors was submitted on February 24, 2022. For details, please refer to page 19 of this annual report.</p> <p>Before the change of the certified accountant and every year according to the statement of independence issued by the certified accountant, the company conducts an independent assessment of the accountant, and confirms that the accountant and the company have no other financial interests and business except for visa and tax cases. Secondly, it was confirmed that the accountant was not an interested party of the company, and that there was no situation under Article 27 and Article 30 of the Company Law. The independent assessment result of the accountant was submitted to the Audit Committee and the Board of Directors on December 28, 2021. Reports have not been found so far. There is a violation of independence.</p>	No discrepancy.
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate	✓		The company passed the resolution of the board of directors on August 7, 2018, designating the current financial manager Julianna Ko as the corporate	No discrepancy.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			governance director, who is the company's manager. The main responsibilities are to provide directors with the information needed to perform their business, assist directors in complying with laws and regulations, and handle matters related to the board of directors and shareholders meeting in accordance with the law, and actively participate in corporate governance related training courses and corporate governance evaluation and promotion meeting. The total number of trainings is 12 hours in 2021.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The company setup Investor Relations on its website to periodically release the company's business and financial information. In addition, an e-mail address is also available for shareholders to contact the company.	No discrepancy.
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The company has entrusted a stock affairs agency (the stock affairs agency division of Grand Fortune Securities Co., Ltd.) and has exclusive stock affairs personnel to serve shareholders.	No discrepancy.
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the company announce and announce the annual financial report within	✓  ✓  ✓		(1)The address of the company's website is: <a href="http://www.topoint.tw">www.topoint.tw</a> The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and business information. (2) The company has its spokesperson system which is used to collect and disclose information and as the bridge to communicate with outsiders.  (3) The Company announces and reports annual financial statements within two months after the end of each fiscal year, and announces and	No discrepancy.

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
two months after the end of the fiscal year, and publish and 1st, 2nd, and 3rd quarter financial reports and the monthly operating status before the prescribed deadline?			reports Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Advanced study of directors and supervisors: Please go to the corporate governance section of the “Market Observation Post System” on <a href="http://newmops.twse.com.tw">http://newmops.twse.com.tw</a> . (2) The company's shareholding unit regularly arranges directors and supervisors to take courses related to corporate governance. (3) The risk management/measurement and customers protection policy are defined in the company's internal control system, and executed according to the regulations. (4) The directors and supervisors attend of the board when the trustee like fords to a trustee office row bill have excused themselves and benefit that not join the vote. (5) Liability insurance is acquired for directors and supervisors according to the articles of Incorporation.	No discrepancy.
9. Please describe the status of improvement regarding the latest corporate governance evaluation results, issued by the Corporate Governance Center of Taiwan Stock Exchange, and propose priority strengthening matters and measures for those that have not yet improved?  In addition, being rated top 6%~20% in the 7 <sup>th</sup> “Corporate Governance Evaluation” of TWSE listed companies. (1) it is expected that the board of directors of the company will add an independent director to further strengthen corporate governance, enhance the functions of the board of directors, and strengthen supervision functions. (2) We will continue to evaluate the feasibility of future improvements in areas that we did not receive a score in.				

(4) Composition, Responsibilities and Operations of Compensation Committee :

Board resolution to establish compensation committee on December 28, 2011 and remuneration committee under the Act, it shall adopt a remuneration committee charter. The remuneration committee members shall be appointed by resolution of the board of directors. The committee shall not be fewer than three members. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors:

(a) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.

(b) Periodically evaluate and prescribe the remuneration of directors and managerial officers.

A. Members of the Remuneration Committee

Condition Name Title		Educational Background / Experience	Independence situation	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Member of the Compensation Committee
Independent Director (Convener)	Eric Hsu	Eric Hsu has expertise in commercial law. Currently, he is serving as a volunteer for the Probation Officers Association under Taiwan Taipei District Prosecutor's Office, assisting in probational affairs for adults. As of the publication date of the annual report, Eric Hsu has never committed any offence listed in the Company Act, Article 30.	Eric Hsu is holding 1,000 shares of the Company, but is not holding any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Eric Hsu has never committed any offence listed in the Securities and Exchange Act, Article 26-3. Nevertheless, The Company is of the opinion that the shareholding of Eric Hsu does not curtail his independence.	None
Independent Director	Amy Chen	Amy Chen has acquired a number of professional certifications, including Certified Public Accountant, Certified Internal Auditor and Certified Valuation Analyst. She also has 15 years of experience working in the securities underwriting sector and extensive experience in financial, accounting, auditing and business management. As of the publication date of the annual report, Amy Chen has never committed any offence listed in the Company Act, Article 30.	Amy Chen does not hold any shares of the Company or any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Amy Chen has never committed any offence listed in the Securities and Exchange Act, Article 26-3. The Company is of the opinion that Amy Chen's independence is not curtailed.	1
Independent Director	Jeff Chen	Jeff Chen has work experience in board leadership, business management, and directorship in other public firms. As of the publication date of the annual report, Jeff Chen has never committed any offence listed in the Company Act, Article 30.	Jeff Chen does not hold any shares of the Company or any concurrent director positions in affiliated subsidiaries. As of the publication date of the annual report, Jeff Chen has never committed any offence listed in the Securities and Exchange Act, Article 26-3. The Company is of the opinion that Jeff Chen's independence is not curtailed.	None

## B. Compensation Committee Meeting Status

(a). The Compensation Committee is composed of 3 members.

(b). The tenure of the 4<sup>th</sup> session is from June 14, 2018 to June 13, 2021.

(Due to the COVID19 epidemic, the term of office is extended with the shareholders' meeting)

A total of 1 (A) meeting of the compensation committee were held in 2021. The members' attendance status was as follows:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%) (B/A)	Remarks
Convener	Po-Cheng, Ko	1	100	-
Members	Tsung-Ming, Lo	1	100	-
Members	Jung-Sheng, Pai	1	100	-

(c) The Compensation Committee is composed of 3 members.

(d) The tenure of the 5<sup>th</sup> session is from July 22, 2021 to July 21, 2024

A total of 2 (A) meeting of the compensation committee were held in 2021. The members' attendance status was as follows:

Title	Name	Attendance (B)	Proxy Frequency of attendance (%) (B/A)	Remarks
Convener	Eric Hsu	2	100	-
Members	Amy Chen	2	100	-
Members	Jeff Chen	2	100	-

### Annotations:

1. If the Board of Directors declines to adopt, or modifies a recommendation of the Compensation Committee: None.
2. The Compensation member has an objection or qualified opinion together with a record or written statement regarding a Compensation Committee resolution: None.

Compensation Committee Meeting Date	Content of Motion	Resolutions	Compensation Committee Members' Opinion and Company's Response
2021/02/26 The 10 <sup>th</sup> Meeting of the 4 <sup>th</sup> Committee	1. Considered the Company's 2020 employee compensation and director and supervisor compensation distribution case for the year.	All attending members unanimously agree to pass the proposal.	All attending Directors unanimously agree to pass the proposal on the Board Meeting.
2021/08/06 The 1 <sup>st</sup> Meeting of the 5 <sup>th</sup> Committee	1. Examine the case of remuneration distribution of directors and supervisors for the year 2020. 2. Examine the case of 2020 employees' remuneration distribution.	All attending members unanimously agree to pass the proposal.	All attending Directors unanimously agree to pass the proposal on the Board Meeting.
2021/12/28 The 2 <sup>nd</sup> Meeting of the 5 <sup>th</sup> Committee	1. Review of the Board of Directors' Performance Evaluation Index Proposal. 2. Formulate the 2022 annual work plan of the salary and remuneration committee.	All attending members unanimously agree to pass the proposal.	All attending Directors unanimously agree to pass the proposal on the Board Meeting.

(5) Promotion status of sustainable development, and deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Does the company promote sustainable development governance framework and have a unit that specializes (or is involved) in sustainable development? Is the sustainable development unit run by senior management authorized by the board of directors? How is the supervisory status of the board?	✓		<p>1. In 2015, the Company had established the “Corporate Sustainability Committee” to take charge in promoting CSR and ethical corporate management. The president and vice president of the committee are assumed by the Chairman and President, whereas the ethical corporate management is the highest guiding principle. The results of ESG promotion is reviewed quarterly and the yearly implementation results shall be reported to the Board of Directors.</p> <p>2. Based on sustainable development strategy, the Corporate Sustainability Committee is divided by functions into five working teams, namely “Corporate Governance”, “Partnership”, “Workforce Environment”, “Green Sustainability” and “Social Care”. Their members comprise personnel from relevant operating units, whilst supervisors of manager level from relevant units are designated as the persons in charge of the working teams. Furthermore, a promotion office is also established to assist the committee’s operation. Members of the office comprise designated personnel of manager level from Business Management Office.</p> <p>3. To implement corporate sustainable development strategies, the working teams shall establish ESG promotion indicators based on competency functions. The committee convened meetings twice, in 2021 whose resolutions targeted the review of early-stage execution results of various ESG promotion indicators and discussion on next stage working goals and planning. Via sustained improvements, the committee seeks to accomplish the goals of sustainable development.</p> <p>4. On December 28, 2021, the operational status and execution results for 2021 were reported to the Board of Directors. The Board has evaluated the probability of success of the relevant strategies and reviewed their progresses. The Board shall induce the management team in making adjustments in a timely manner.</p>	No discrepancy.
2. Has the company performed risk assessment pertaining to the environment, community and	✓		1. The considerations for operational scale, main business activities and other deviations cover the parent company in Taiwan and two	No discrepancy.



Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
corporate governance issues related to the operation of the company in accordance with materiality principle, and established the corresponding risk management policies or strategies?			important production bases, namely the Shulin Plant and Shanghai Plant. The boundaries of environmental and social issues discussed subsequently are also referred to the aforementioned domain. 2. Based on various issues listed by Global Reporting Initiative (GRI) Standards, supplemented by the major operating focal points, and development and environmental changes, the Company has compiled 18 sustainable development issues. A total of ten major issues that warrant much attention from stakeholders with higher economic, environmental and social impact span across legal compliance, corporate governance, risk control, operating performance, customer service, energy management, product quality and responsibility, occupational safety and health, labor-management relation, and talent recruitment and salary benefits, disclosing the management strategy, performance and action plan of the Company. For more details on risk assessment, please see <a href="#">page 74</a> of the annual report.	
3. Environmental issues (1) the company developed an appropriate environmental management system, given the distinctive characteristics of its industry?	✓		The Company has established an environmental policy that focuses on legal compliance, resource conservation, waste reduction and all-staff participation. Using environmental management system, ISO 14001 as its base, the Company regularly perform audit on the environmental management system of the plants. With continuous improvement cycle, Plan-Do-Check-Act (PDCA), the Company seeks to ensure the appropriateness and effectiveness of the overall operation. In December 2017, the Company had completed the certification procedures of ISO 14001:2015. Furthermore, in December 2020, the Company had completed the certification renewal for the system that takes place every three years.	No discrepancy.
(2) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	✓		1. The energy used by the Company is mainly purchased electricity. Apart from electricity, the consumption of internal organization also includes diesel, etc. However, as the proportion is low, other energy sources are not included into the total energy consumption. In 2021, the total electricity consumption of internal organization amounted to 11,482 megawatt-hour (MWh), or an increase of 216 MWh as	No discrepancy.

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>compared to the base year. The total electricity consumption increased by 1.9%. Whereas the energy intensity per unit production decreased by 26.2%.</p> <p>2. In end of 2017, the Company had completed the installation of large volume solar energy facility in its plants. In 2021, the yearly power generation of renewable energy amounted to 3,083 kilowatt-hours (KWh). Four years after the installation, the power generation of renewable energy had amounted to 20,425 KWh. The Company has undertaken practical actions in supporting localized development of renewable energy to demonstrate Topoint's active implementation and commitment in fulfilling social responsibility pertaining to green energy and environmental protection.</p> <p>3. We shall make use of AI analytical instrument to plan for the improvement on energy conservation for equipment with major power consumption and enhance the maintenance capability for the optimization of energy facility usage. We have even established energy performance indicators and transitional improvement action plans to enhance energy performance. By promoting an environmental policy in energy self-management, we seek to fulfill goals in environmentally sustainable development.</p>	
(3) Has the company made an assessment on the present and future potential risks and opportunities posed by climate changes to the company and undertaken countermeasures pertaining to climate changes?	✓		<p>The Company has established "Environmental Policy" and "Procedures for Energy Resource Management". Via Business Continuation Management Committee, risk assessment instruments are used to evaluate potential threats that may give rise to crises. Of which, the consequences caused by climate change may include risk of water and electricity shortage. The committee shall undertake pre-emptive management mechanism and preventive measures. Meanwhile, on top of strengthening business management capabilities, the committee is also able to reduce costs, ensuring the sustainable development of the Company. More information is disclosed in the CSR Report of the Company.</p>	No discrepancy.
(4) Has the company measured its greenhouse gas emissions, water use and total weight of waste for the past two years, and established	✓		<p>1. On a regular basis, the Company undertakes self-check on greenhouse gas emissions. In 2021, the total greenhouse gas emission amounted to 5,910 metric tonnes of CO<sub>2e</sub>. The main</p>	No discrepancy.

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?			<p>emission source came from electricity use described in Item 2. In 2021, the total greenhouse gas emission amounted to 5,764 metric tonnes of CO<sub>2</sub>e or a 6% decreased as compared to the preceding year. The reduction effort of greenhouse gas emissions lies in electricity saving. Via the yearly plan of electricity saving formulated by the energy conservation team, in terms of indirect greenhouse gas emission intensity, Taiwan's peak is 0.048, a 30.4% reduction from the base year. In the future, the medium- and long-term goal will be to reduce the indirect greenhouse gas emission intensity by 50% compared with the base year. (The information above is only applicable to the Shulin Plant of the parent company.)</p> <p>2. The water resource of the Company is tap water. The water consumption of the production process is the main purpose, whereas the remaining water consumption is for domestic use. In 2021, the total water use amounted to 28.25 million liters, the water of production process is 17.85 million liters, and the rest is domestic water. In terms of water intensity, the water intensity of the process is 1.5<sup>-4</sup> million liters/thousand units, which is 21.2% decreased as compared to the preceding year .</p> <p>3. The waste given rise by the production process mainly comprises general waste. No hazardous waste is produced. The Company engages in recycling resources and managing waste from the source, whereby it bans, replaces or reduces the use of materials that are hazardous to the environment. In 2021, the use of recyclable material amounted to 30.7%; waste from production process has been reduced; use of recyclable wrapping material and other projects have been undertaken to realize reduction at sources and thus fulfill the targets of waste reduction.</p>	
<p>4. Social issues</p> <p>(1) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	✓		The Company has developed its policies and procedures in accordance with laws and International Bill of Human Rights.	No discrepancy.

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(2) Has the company established and implemented reasonable employee benefit measures (including salary, leave and other benefits), reasonably reflecting the operating results in employee salary?	✓		<p>1. The Company has prescribed in its Articles of Incorporation that “for pre-tax net profit before employee compensation and director remuneration, the Company shall appropriate between 1% and 25% of the profit as employee compensation.” Furthermore, various reasonable salary and remuneration policies have been established. Meanwhile, key CSR indicators and the usual management performance indicators of various departments are integrated. The employee performance evaluation includes the fulfillment of quantitative indicators for working assignments and qualitative indicators for implementing management principle. The employee performance review system and CSR policy are thus integrated.</p> <p>2. The Company treats every employee fairly in terms of recruitment, hiring, appraisal, promotion and training opportunity. It also conforms to international standards of human rights policy, including ban of child labor, forced labor, and discrimination against ethnicity, gender, religion, skin color, age, political party orientation, sexuality, pregnancy, disability and social background as an effort in providing equal employment opportunity. For 2021, the female employees comprised 45% and female supervisors comprised 19% in the Taiwan factories.</p>	No discrepancy.
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	✓		<p>1. The Company regularly organizes medical checkups for employees every year. It also engages medical specialists for not only providing on-site services every month, but also holding 19 sessions of health promotion talks in 2021. A total of 498 persons had attended the talks. The Company was conferred “Badge of Accredited Healthy Workplace - Health Promotion” and “Excellent Healthy Workplace - Health Caring Award”. Furthermore, in 2021, in accordance with occupational health and safety standard, OHSAS 18001, and Taiwan Occupational Safety and Health Management Systems (TOSHMS), the Company had strengthened the content of its internal occupational health and safety management, where 2,342 persons attended occupational health and safety management training courses.</p>	No discrepancy.

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			2. In 2021, there was no major occupational accident. Every year, the Company plans for four emergency response drills to continuously strengthen the capability of employees in emergency response and gaining information of various types of disasters and emergency incidents as quickly as possible. To reduce disaster losses, loss of lives and the extent of disaster influence, the Company plans to organize for emergency response drill every quarter (day time and night time). Such exercises can build up the emergency response capability of all employees, decrease losses due to disaster, and further protect the workplace safety of operators.	
(4) Has the company implemented an effective training program that helps employees develop skills over the course of their career?	✓		Establishing a learning organization is a development strategy for employees. It is done by providing internal and external training courses for new recruits and existing employees, certification and evaluation. The Company also actively cultivates internal trainers, in hopes of cultivating various types of talents, promoting the staff quality, and fulfilling the goals of talent nurturing, skill enhancing and experience conferring. In 2021, the Company had a total of 11,198 training hours. On average, every employee had received 31.5 training hours. Meanwhile, the Company has established a group-wide e-learning platform, which has played a crucial role during the pandemic. The Company is able to provide employees with the correct epidemic prevention information promptly. A friendly learning environment that is not restricted by time or location is thus fostered. During the time where employees could not attend classes in person, they were still able to learn on-line and continue to grow.	No discrepancy.
(5) Pertaining to the health and safety of customer when using the company's products and services, consumer privacy, marketing and labeling, does the company comply with the relevant regulations and international standards, and establish relevant policies on consumer protection and complaint procedure?	✓		The procurement process of the Company consists of call of bid and price negotiation procedures. In an open, transparent and fair competition environment, amongst qualified vendors, the Company seeks to cooperate with companies that provide good quality products and services. If there is any problem regarding research and development, procurement, production, operation and service provision process, the stakeholders may contact the corresponding departments in the Company. The stakeholders may also file a complaint via the Stakeholder section on the Company website.	No discrepancy.

Implementation item	Implementation status			Deviation and causes of deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			The sales and labeling of the Company's products and services are not subject to the governance of any regulations. However, they are compliant of ISO standards. In 2021, the Company had not violated regulations of information provision and labeling of products and services, or self-imposing protocols.	
(6) Has the company established policy on supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety and health or labor rights, and monitoring their implementation?	✓		For any business undertaking, the Company shall require the vendors to sign the Letter of Compliance with CSR Requirements for Suppliers. Furthermore, the Company shall assess the vendors' past record whether they have committed infractions that leave harmful environmental or social influences. In 2021, the submission rate of the letter of compliance by key vendors amounted to 100%.	No discrepancy.
5. Does the company refer to universal standard or guideline for report preparation when preparing for ESG report and other non-financial disclosure reports? Does the company obtain the confirmation or affirmation opinion from third certification party for the aforementioned reports?	✓		The 2021 CSR Report of the Company is verified and certified by SGS Taiwan Ltd.. SGS Taiwan undertook the audit in accordance with AA1000 Assurance Standard and GRI Standards (Core Option) - General Disclosures. It is estimated that the verification statement shall be provided in June 2022.	No discrepancy.
6. If the company has established integrity management principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations from the Best Practice Principles: None.				
<p>7. Other information relevant to understanding the implementation of ESG:</p> <p><b>In 2021, the CSR awards that the Company was accorded included: 2021 Taiwan Corporate Sustainability Report (TCSA) - Platinum Award for IT and IC Manufacturing, 19th place in "2021 Excellence in Corporate Social Responsibility" - Little Giant category by Commonwealth Magazine, and Top 6-20% of the Seventh "Corporate Governance Appraisal" by TWSE.</b></p> <p>For the corporate sustainability development of the Company, please see our ESG Report or refer to the Company's website for more information. Website: <a href="https://www.topoint.tw/tw/download/">https://www.topoint.tw/tw/download/</a></p>				

(6) Integrity management company to perform the case and adopt measures:

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p>	V		<p>(1) “Integrity” is one of Topoint’s core values. The Company has established its “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct” and “Guidelines for the Code of Ethical Conduct” by shareholder on Jun.13,2008and Jun.11, 2013. Awareness training is also provided to employees during their regular training sessions, and directors and senior executives are also required to attend training courses in ethical corporate management.</p> <p>(2)The aforementioned principles and related regulations were announced and disseminated to employees, The Company established its “ Reporting illegal and non-ethical or non-integrity management practices”</p> <p>(3) In addition to prohibiting business activities related to the risk of dishonesty behaviors and adopting preventive measures in the “Code of Good Faith Management”, the company also regularly inspects the relevant operating procedures through internal audits to prevent the risk of dishonesty behaviors.</p>	No discrepancy.
<p>2. Ethic Management Practice</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical</p>	V		<p>(1)The Company conveying our integrity requirements to all our business partners. In addition, an ethic-related clause is included in every business contract. If there is any breach of the clause, the Company may terminate the partnership at any time without any further obligation or compensation.</p> <p>(2) In order to improve the management of integrity management of the company, the Corporate Sustainability Committee is responsible for the formulation and supervision of the integrity management policy and prevention plan, and reported to the board of directors on December 28, 2021. So</p>	No discrepancy.

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>far, no major violations have been found.</p> <p>(3) Taking the overall interests of the company as consideration shall not be intended to make their own, spouse, parents, children, or relatives within three degrees of improper advantage or prejudice the company's interests.</p> <p>(4) The Company has established accounting and internal control systems to ensure integrity in our operations. After internal auditors have analyzed and reviewed the annual audit program according to the risk evaluation results, the Company will compile them into an audit report.</p> <p>(5) In 2021, the Company had organized 42 sessions of anti-corruption course. The training hours amounted to 178 hours. As of the end of 2021, all 355 full-time employees had completed the course (only employees of the parent company were counted; not including employees from domestic and overseas subsidiaries). The completion rate amounted to 100%. Furthermore, the employees are required to sign “Letter of Commitment for Ethical Compliance”. All 355 employees have signed the letter of commitment and the overall completion rate is also 100%.</p>	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower</p>	V  V  V		<p>(1) Any person who suspects or finds any violation of laws or ethical code may report the case to independent directors, manager officers, head of internal audit, or other eligible personnel. The Company has set up Reward and Discipline Commission to evaluate employee ethical and unethical conducts.</p> <p>(2) The company has stipulated the standard operating procedures for the investigation of complaints, and the identity of the informant and the content of the report are kept absolutely confidential.</p> <p>(3) The company provides a safe and confidential</p>	No discrepancy.



Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
protection?			reporting channel, and protects the safety of whistleblowers from the risk of retaliation (or threats, harassment).	
4. Information Disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The address of the company's website is: www.topoint.tw The company has already posted its governance information on the website. Viewers may also use the website to link to the Market Observation Post System for enquiry of the company's financial and CSR report.	No discrepancy.
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: None				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): Please go to the address of the company's website: www.topoint.tw				

- (7) Enquiry of corporate governance rules and related regulations: Please go to the corporate governance section of the "Market Observation Post System" .
- (8) The information to help investors more aware of how the company's corporate governance is operated:
- Please go to "Investor Relations" of company's website [www.topoint.tw](http://www.topoint.tw)
  - Advanced study the governance rules of Managers: Please go to the corporate governance section of the "Market Observation Post System" on [http://newmops .twse.com.tw](http://newmops.twse.com.tw).
- (9) Execution of internal control system:
- Internal control declaration: **Please refer to Page 81.**
  - Entrustment of CPA to audit internal control system: None.
- (10) The punishments applied to the company and its employees due to law violation, the punishments applied by the company to its internal employee due to violation of internal control system, major drawbacks and improvement in the recent year and the current year as of the annual report publication date:
- As regulated by the company, other than including the violation of internal control system in the rating of personnel annual performance evaluation, the company has also given a detailed account of the punishments, major drawbacks and expected improvement deadline in each audit report. At the same time, the audit unit has continued to track the improvement status and make records. The major drawbacks had been corrected in the recent year and the current year as of the annual report publication date.
- (11) Major resolutions made in shareholders' meetings and board meetings in the recent year and the current year as of the annual report publication date:

**A.The company had the 2021 general shareholders meeting held with the following resolution reached (2021/07/22):**

- Acknowledged the proposal for the 2020 Business Report and Financial Statements.
- Acknowledged the 2020 Earnings Distribution.  
Implementation status: Resolution passed. The 2020 earnings distribution has been fully allocated. August 02,2021 is set as the ex-dividend date and August 17 of the same year is set as the cash dividend payment date. The cash dividend is NT\$1.58 per share.
- Passed the proposal for the amendment to the "Articles of Incorporation".  
Implementation status: Approved and registered by the Ministry of Economic Affairs on August 25, 2021, and related matters were handled in accordance with the amended Articles of Incorporation.
- Passed the proposal for the amendment to the "Procedures for Acquisition or Disposal of Assets".  
Implementation status: The amended "Procedures for Acquisition or Disposal of Assets" were uploaded to the Market Observation Post System and disclosed on the company website on July 22, 2021, and matters were handled in accordance with the amended procedures.
- Passed the proposal for the amendment to the "Procedures of Endorsement & Guarantees".  
Implementation status: The amended "Procedures of Endorsement & Guarantees" were uploaded to the Market Observation Post System and disclosed on the company website on July 22, 2021, and matters were handled in accordance with the amended procedures.
- Passed the proposal for the amendment to the "Procedures of External Lending".  
Implementation status: The amended "Procedures of External Lending" were uploaded to the Market Observation Post System and disclosed on the company website on July 22, 2021, and matters were handled in accordance with the amended procedures.
- Passed the proposal for the amendment to the "Procedures for Financial Derivatives Transactions".  
Implementation status: The amended "Procedures for Financial Derivatives Transactions" were uploaded to the Market Observation Post System and disclosed on the company website on July 22, 2021, and matters were handled in accordance with the amended procedures.
- Passed the proposal for the amendment to the "Regulations for the Election of Directors and Supervisors".  
Implementation status: The amended "Regulations for the Election of Directors

and Supervisors" were uploaded to the Market Observation Post System and disclosed on the company website on July 22, 2021, and matters were handled in accordance with the amended procedures.

(i) Election of the 9<sup>th</sup> session of the Company's directors.

Implementation status: Approved and registered by the Ministry of Economic Affairs on August 25, 2021.

The list of new directors :

Title	Name	Received
Director	David Lin	108,837,171
Director	Karen Lin	88,161,091
Director	UMC Capital Corp.	86,841,624
Director	Macking International Investment Corp. Representative: Wen Chin Li	88,045,209
Independent Director	Amy Chen	81,230,999
Independent Director	Jeff Chen	81,258,664
Independent Director	Eric Hsu	81,224,658

(h) Passed the proposal for the release of the new directors from non-competition restrictions.

Implementation status: Approved and registered by the Ministry of Economic Affairs on August 25, 2021.

## B. Board meetings

Date	Content
2021.02.26	1. Approved the Financial Statements and Business Report of 2020. 2. Approved dividend distribution of 2020. Cash dividends of NT\$224,645,138 (NT\$1.58 per share) 3. Approved 2020 remuneration of employees & directors. 4. Approved amendments to "Articles of Incorporation".
2021.03.19	1. Approved 2021 AGM agenda. 2. Approved of Election of Directors. 3. Approved of exemption limitation of non-competition on the New directors of the Company.
2021.05.07	1. Approved the Financial Statement for 1 <sup>st</sup> quarter of 2021. 2. Approved of formulates the Audit Committee Charter.
2021.06.29	1. Approve the date and location of the 2021 Annual General Meeting of Shareholders. 2. Approved the syndicated loan agreement.
2021.07.22	1. Announces the appointment of chairman. 2. Approved the appointment of the members of Remuneration Committee.
2021.08.06	1. Approved the Financial Statement for 2 <sup>nd</sup> quarter of 2021.
2021.11.05	1. Approved the Financial Statement for 3 <sup>rd</sup> quarter of 2021. 2. Approved the Change of Spokesperson.
2022.02.24	1. Approved the Financial Statements and Business Report of 2021. 2. Approved dividend distribution of 2021. Cash dividends of NT\$327,015,075 (NT\$2.3 per share) 3. Approved 2021 remuneration of employees & directors. 4. Approved the amendments to the "Articles of Incorporation". 5. Approved the Amendment to part of "The Procedure of the Acquisition and Disposal of Assets" 6. Approved of elect a new Independent Director to fill the vacancy. 7. Approved of exemption limitation of non-competition on directors. 8. Approved 2022 AGM agenda.

(12) The directors or supervisors who have objected to the resolutions reached by the board of directors and the objections are recorded or declared in writing in the most recent years and up to the date of the annual report printed: None.

- (13) Resignation and dismissal of managerial officers related to the financial report (including chairperson, president, chief accounting officer, chief financial officer, chief internal auditor, corporate governance supervisor, and R&D supervisor) in the past year and up to the date of report:

Title	Name	Date of appointment	Date of dismissal	Reason for dismissal
R&D supervisor	Slash Chen	2002/02/01	2022/03/01	position adjustment

#### 4. CPAs Fees:

- (1) Information on fees to CPA

					NT\$ (thousand)
Name of the firm	Names of CPA	During the audit	Audit fee	Non-audit fee	Note
Deloitte & Touche	Chien-Hsin, Hsieh	Jan. 1, 2021~ Dec. 31, 2021	2,000~4,000	20	Non-audit fee: tax expense.
	Chao-Mei Chen				

- (2) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.
- (3) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.
- (4) If the audit fees were reduced more than 10% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

## 5. CPA's Information:

### (1) Regarding former CPA:

Replacement date	Approved by the board of directors on February 22, 2019.		
Replacement reasons	The CPA certifying the company's 2019 Q1 financial statements were CPA Wan-Yi, Liao and Yung-Fu, Liu at Deloittee & Touche – Taiwan. However, due to the firm's internal task transfer and arrangement, the company's 2019 Q1 financial statements were certified by CPA Zhao-Mei, Chen and Chien-Shin, Shieh		
Please explain whether the termination or refusal of the commission is initiated by the entrusted or CPA.	The party		
	Status	CPA	Entrustor
	Not applicable		
	Took initiative in terminating the commission	Not applicable	
	Refusal (discontinuation) of the commission		
The opinions on the auditing reports in the recent two years and reasons, except the issue of unqualified opinions.	Not applicable		
Different opinions with the issuer:	Yes		Accounting principle or practice
			Disclosure of financial reports
			Auditing range and steps
			Others
	No	√	
Why	Not applicable.		
Other disclosure items: ( The items required to be disclosed as per item 4, subparagraph 1 of article 11 in regulations governing the preparation of financial reports by securities issuers. )	None		

### (2) Regarding successor CPA:

Name of the firm	Deloitte & Touche – Taiwan
Names of CPA	Chien-Shin, Shieh and Zhao-Mei, Chen
Date of commission	As passed by the board of directors on February 22, 2019.
Items and results of the consultation made before the commission for the possible opinions on the accounting process method or accounting principle and the financial reports of specific transactions	None
The written opinions from the successor CPA against the ones from the former CPA.	None

### (3) The response made by former CPA for the issues listed in item 3 of subparagraph 1 of article 22 of "regulations governing the preparation of financial reports by securities issuers": None.

6. If the Chairman, General Manager, and financial or accounting manager of the company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

7. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads, and Shareholders 10% shareholding or more:

(1) Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Department Heads and Shareholders

Unit: share

Title	Name	2021		As of Feb 28,2022	
		Net change in Shareholding	Net change in Share Pledged	Net change in Shareholding	Net change in Share Pledged
Chairman	David Lin	-	-	-	-
Director and President	Karen Lin	85,000	-	-	-
Director	Fortune Venture Capital Corporation	-	-	-	-
	Kris Peng	-	-	-	-
Director	Macking International Investment Corporation	-	-	-	-
	Wen-Jin, Li	-	-	-	-
Independent director	Amy Chen	-	-	-	-
Independent director	Jeff Chen	-	-	-	-
Independent director	Eric Hsu	-	-	-	-
Executive Vice President	Stanley Weng	-	-	-	-
Vice President	Jacky Huang	10,000	-	-	-
Chairman's Special Assistant	Slash Chen	(25,000)	-	-	-
Senior Director	Charles Yen	-	-	-	-
Financial Manager	Julianna Ko	(24,542)	-	-	-

(2) The information of the related party who was the corresponding party of the equity transfer: None.

(3) The information of the related party who was the corresponding party of the equity pledge: None.

8. The relation of the top ten shareholders as defined by Finance Standard Article 6:

April 11, 2022

Name	Current shareholding		Shareholding of spouse and minors		Shares held in the names of others		The relation of the top ten shareholders as defined by Finance Standard Article 6	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	relationship
David Lin	5,324,342	3.74%	-	N/A	-	N/A	Liu-Ze, Lin Ji-ping, Lin	Brothers Daughter
Macking International Investment	4,416,152	3.11%	-	N/A	-	N/A	-	N/A
Fortune Venture Capital Corporation	3,000,600	2.11%	-	N/A	-	N/A	-	N/A
Liu-Ze, Lin	2,227,268	1.57%	-	N/A	-	N/A	David Lin Yan-Hong, Lin	Brothers Son
Ji-ping, Lin	2,105,098	1.48%	-	N/A	990,000	0.70%	David Lin	Father
Gen-Qing, Chen	2,035,211	1.43%	331,316	0.23%	-	N/A	-	N/A
Morgan Stanley & Co. International Plc	1,746,596	1.23%	-	N/A	-	N/A	-	N/A
Yan-Hong, Lin	1,725,422	1.21%	-	N/A	-	N/A	Liu-Ze, Lin	Father
Acadian Emerging Markets Small Cap Equity Fund LLC	1,674,600	1.18%	-	N/A	-	N/A	-	N/A
Ji-Xing, Huang	1,585,132	1.11%	-	N/A	-	N/A	-	N/A

9. Investment form Directors, Supervisors, Managers and directly or indirectly controlled businesses:

Unit: Share

Trans-investment business	The company's investment		Investment made by directors, supervisors, managers and the businesses directly or indirectly controlled by the company		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Total shareholding ratio
Topoint Technology Co.,Ltd.(B.V.I)	7,194	100%	-	-	7,194	100%
Unipoint Technology Co., Ltd.	30,696,297	61.76%	-	-	30,696,297	61.76%
Warpspeed Corporation(B.V.I)	50,000	100%	-	-	50,000	100%
Topoint Japan Co., Ltd.	600	100%	-	-	600	100%
Unipoint Technology Holdings Co., Ltd.(B.V.I.)	11,200	100%	-	-	11,200	100%
Raypoint Precision Tools Co.,Ltd.	50,000	100%	-	-	50,000	100%
Topmicron Investment Ltd.	-	-	-	61.76%	-	61.76%
Drilltek Corporation	7,692,816	58.72%	-	-	7,692,816	58.72%
Cosmos Vacuum Technology Corporation	21,621,548	56.39%	-	-	21,621,548	56.39%
H&N Technology Co., Ltd.	-	-	-	56.39%	-	56.39%
Cosmos Integration Corporation	-	-	-	56.39%	-	56.39%
Universal Technology Corp.	-	-	-	56.39%	-	56.39%
Shanghai Topoint Precision Technology Co., Ltd.	-	-	-	100%	-	100%
Sharpont Technology (Qinhuangdao) Co., Ltd.	-	-	-	100%	-	100%
Unipoint Technology Holdings Co., Ltd.(B.V.I.)	-	-	-	100%	-	100%
Sharpont Technology (Shenzhen) Co., Ltd.	-	-	-	100%	-	100%
Sharpont Technology (Suzhou) Co., Ltd.	-	-	-	100%	-	100%
Kunshan Restek Technology Co., Ltd.	-	-	-	75%	-	75%
Kunshan Topoint Electronics Co. Ltd.	-	-	-	100%	-	100%
Sharpont Electronics (Huaian) Co., Ltd.	-	-	-	100%	-	100%
Chengdu Raypoint Precision Tools Co., Ltd.	-	-	-	100%	-	100%
Winpoint Electronics (Huaian) Co., Ltd.	-	-	-	100%	-	100%
Shanghai Ringpoint Nano Material Co., Ltd.	-	-	-	75%	-	75%
Cosmos Technology Corporation	-	-	-	56.39%	-	56.39%



## IV. Stock subscription

### 1. Capital and shares:

#### (1) Stock capital

Unit: NT\$ thousand/1,000 shares

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Capital sources	Use of non-cash property to pay for the shares	Others	
04/1996	10	1,500	15,000	1,500	15,000	15,000	Cash capital increase	-	04/12/1996 1996 Jien (3) Geng Zi No. 48510
05/1997	10	6,000	60,000	3,250	32,500	17,500	Cash capital increase	-	02/23/1998 1998 Jien (3) Jia Zi No. 124692
06/1998	10	20,000	200,000	9,920	99,200	49,200 17,500	Cash capital increase Capital surplus transfer	-	11/18/1998 1998 Jien (3) Jia Zi No. 259480
09/1999	10	20,000	200,000	13,852	138,253	20,800 18,253	Cash capital increase Earnings transfer	-	10/21/1999 Jing (1999) Shang Zi No. 08813853
05/2000	23	49,000	490,000	27,300	273,000	120,000 14,747	Cash capital increase, earnings and capital surplus transfer	-	2000/06/28 Jing (2000) Shang Zi No. 089121529
05/2002	10	49,000	490,000	34,000	340,000	67,000	Earnings and capital surplus transfer	-	2001/09/19 Jing (2001) Shang Zi No. 0901372890
11/2002	20	49,000	490,000	39,000	390,000	50,000	Cash capital increase	-	2002/01/03 Jing (2001) Shang Zi No. 09001523010
12/2003	10	49,000	490,000	41,000	410,000	20,000	Cash capital increase	-	2003/12/29 Jing-Shou-Zhong Zi No. 09233192270
08/2004	10	42,693	426,930	42,693	426,930	16,930	Earnings transfer	-	2004/10/05 Jing-Shou-Zhong Zi No. 09332806590
10/2004	16.8	70,000	700,000	48,393	483,930	57,000	Cash capital increase	-	2004/12/29 Jing-Shou-Zhong Zi No. 09333262600
09/2005	10	70,000	700,000	55,258	552,581	68,651	Earnings and capital surplus transfer	-	2005/09/16 Jing-Shou-Shang Zi No. 09401183300
06/2006	10	140,000	1,400,000	65,258	652,581	100,000	Cash capital increase	-	2006/06/20 Jing-Shou-Shang Zi No 09501118760
09/2006	10	140,000	1,400,000	75,428	754,288	101,707	Earnings transfer	-	2006/09/07 Jing-Shou-Shang Zi

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Capital sources		Use of non- cash property to pay for the shares	Others
									No. 09501202460
10/2006	10	140,000	1,400,000	76,116	761,161	6,873	Shares transferred from corporate bonds	-	2006/10/07 Jing-Shou-Shang Zi No. 09501232720
01/2007	10	140,000	1,400,000	77,388	773,882	12,721	Shares transferred from corporate bonds	-	2007/10/23 Jing-Shou-Shang Zi No. 09601018460
04/2007	10	140,000	1,400,000	78,605	786,050	12,168	Shares transferred from corporate bonds	-	2007/04/17 Jing-Shou-Shang Zi No. 09601080210
07/2007	10	140,000	1,400,000	84,242	842,421	56,371	Shares transferred from corporate bonds	-	2007/07/23 Jing-Shou-Shang Zi No. 09601175210
08/2007	10	140,000	1,400,000	95,469	954,691	112,270	Earnings transfer	-	2007/08/24 Jing-Shou-Shang Zi No. 09601206420
08/2008	10	140,000	1,400,000	106,868	1,068,680	113,988	Earnings transfer	-	2008/08/28 Jing-Shou-Shang Zi No. 09701219390
10/2008	10	140,000	1,400,000	107,056	1,070,565	1,885	Stock Option transfer	-	2008/10/21 Jing-Shou-Shang Zi No. 09701266600
08/2009	21	200,000	2,000,000	117,056	1,170,564	100,000	Cash capital increase	-	2009/08/26 Jing-Shou-Shang Zi No. 09801191340
09/2009	10	200,000	2,000,000	126,584	1,265,840	95,275	Earnings transfer	-	2009/09/11 Jing-Shou-Shang Zi No. 09801205940
10/2009	10	200,000	2,000,000	126,671	1,266,717	877	Stock Option transfer	-	2009/10/30 Jing-Shou-Shang Zi No. 09801249110
01/2010	10	200,000	2,000,000	127,577	1,275,577	8,860	Stock Option transfer	-	2010/01/19 Jing-Shou-Shang Zi No. 09901011840
04/2010	10	200,000	2,000,000	127,694	1,276,947	1,370	Stock Option transfer	-	2010/04/16 Jing-Shou-Shang Zi No. 09901076220
09/2010	10	300,000	3,000,000	131,551	1,315,519	38,571	Earnings transfer	-	2010/09/03 Jing-Shou-Shang Zi No. 09901203020

Month / year	Issued price (\$)	Approved capitalization		Paid-in capitalization		Remarks			
		Shares	Amount	Shares	Amount	Amount	Source	Use of non-cash property to pay for the shares	Others
11/2010	21.1	300,000	3,000,000	133,921	1,339,216	23,696	CB transfer	-	2010/11/01 Jing-Shou-Shang Zi No. 09901244520
01/2011	10	300,000	3,000,000	134,060	1,340,604	1,388	Stock Option transfer	-	2011/01/25 Jing-Shou-Shang Zi No. 10001017040
04/2011	21.1 10	300,000	3,000,000	139,370	1,393,699	53,096	CB transfer and Stock Option transfer	-	2011/04/21 Jing-Shou-Shang Zi No. 10001080020
07/2011	21.1	300,000	3,000,000	144,109	1,441,093	47,393	CB transfer	-	2011/07/28 Jing-Shou-Shang Zi No. 10001173710
08/2011	21.1 10	300,000	3,000,000	152,569	1,525,685	84,592	CB transfer and Earnings transfer	-	2011/08/26 Jing-Shou-Shang Zi No. 10001199400
08/2012	10	300,000	3,000,000	156,658	1,566,578	40,893	Earnings transfer	-	2012/08/24 Jing-Shou-Shang Zi No. 10101176420
09/2013	10	300,000	3,000,000	157,890	1,578,905	12,327	Earnings transfer	-	2013/09/03 Jing-Shou-Shang Zi No. 10201180390
04/2014	20.7	300,000	3,000,000	157,938	1,579,380	475	Stock Option transfe	-	2014/04/15 Jing-Shou-Shang Zi No. 10301065310
07/2014	20.7	300,000	3,000,000	158,166	1,581,665	2,285	Stock Option transfe	-	2014/07/18 Jing-Shou-Shang Zi No. 10301141790
10/2014	20.7	300,000	3,000,000	158,800	1,588,005	6,340	Stock Option transfe	-	2014/10/16 Jing-Shou-Shang Zi No. 10301216480
01/2015	20.7	300,000	3,000,000	159,046	1,590,465	2,460	Stock Option transfe	-	2015/01/23 Jing-Shou-Shang Zi No. 10401007350
04/2015	20.7	300,000	3,000,000	159,155	1,591,557	1,092	Stock Option transfe	-	2015/04/16 Jing-Shou-Shang Zi No. 10401070200
07/2015	20.7	300,000	3,000,000	159,204	1,592,040	483	Stock Option transfe	-	2015/07/21 Jing-Shou-Shang Zi No. 10401147210
01/2016	20.7	300,000	3,000,000	159,478	1,594,782	2,742	Stock Option transfe	-	2016/01/19 Jing-Shou-Shang Zi No. 10501010900
09/2018	10	300,000	3,000,000	143,530	1,435,304	159,478	capital reduction	-	2018/09/03 Jing-Shou-Shang Zi No. 10701109470
06/2019	10	300,000	3,000,000	142,180	1,421,804	13,500	Cancellation of treasury shares	-	2019/06/06 Jing-Shou-Shang Zi No. 10801065750

April 11, 2022 / Unit: share

Type of Shares	Authorized Shares			Remarks
	Outstanding shares	Un-issued shares	Total	
Common stock	142,180,467	157,819,533	300,000,000	-

(2) Status of shareholders

April 11, 2022

Status of shareholders Q'ty	Government agencies	Financial institutions	Other institutional investors	Foreign institutional & Natural Persons	Domestic Natural Persons	Total
Number of shareholders	1	4	74	80	32,724	32,883
Shareholding	78	480,687	14,272,298	27,081,270	100,346,134	142,180,467
Shareholding ratio	0.00%	0.34%	10.04%	19.04%	70.58%	100.00%

(3) Status of Shareholding Distributed

Face value per share: \$10 April 11, 2022

Classification	Number of shareholder	Shareholding	Shareholding Ratio (%)
1-999	14,516	1,144,520	0.81%
1000-5,000	15,018	30,383,269	21.37%
5,001-10,000	1,877	15,130,097	10.64%
10,001-15,000	498	6,453,603	4.54%
15,001-20,000	313	5,783,700	4.07%
20,001-30,000	259	6,659,360	4.68%
30,001-40,000	105	3,768,941	2.65%
40,001-50,000	83	3,863,620	2.72%
50,001-100,000	117	8,505,252	5.98%
100,001-200,000	38	5,679,599	4.00%
200,001-400,000	18	5,416,674	3.81%
400,001-600,000	11	5,060,261	3.56%
600,001-800,000	9	6,357,570	4.47%
800,001-1000,000	4	3,672,200	2.58%
1000,001-	17	34,301,801	24.12%
Total	32,883	142,180,467	100.00%

## (4) Roster of Major shareholders:

April 11, 2022

Shareholding Shareholder's Name	Shareholding	Shareholding ratio
David Lin	5,324,342	3.74%
Fortune Venture Capital Corporation	4,416,152	3.11%
Macking International Investment Corporation	3,000,600	2.11%
Liu-Ze, Lin	2,227,268	1.57%
Ji-Ping, Lin	2,105,098	1.48%
Gen-Cing, Chen	2,035,211	1.43%
Morgan Stanley & Co. International Plc	1,746,596	1.23%
Yan-Hong, Lin	1,725,422	1.21%
Acadian Emerging Markets Small Cap Equity Fund LLC	1,674,600	1.18%
Ji-Xing, Huang	1,585,132	1.11%

## (5) Market price, net value, earnings, dividend per share and related information in the recent two years. .

Unit: NT\$/share

Year		2020	2021	As of Mar. 31,2022
Item				
Market price per share	Highest	29.15	49.50	43.00
	Lowest	14.50	25.65	35.30
	Average	22.04	38.47	36.88
NAV	Pre-distribution	31.26	32.68	As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2022.
	Post-distribution	29.68	30.38	
EPS	Weighted average shares	142,180,467	142,180,467	
	EPS (pre-adjustment) (post-adjustment)	1.98	3.14	
DPS	Cash dividend	1.58	2.3	
	Stock Dividends	-	-	
		-	-	
	Accumulated dividends having yet to be paid	-	-	
Analysis of ROI	P/E	11.13	12.25	
	Dividend ratio	13.95	16.73	
	Cash dividend yield	7.17%	5.98%	

- (6) Execution of Dividend Policy
- a. In accordance with Article 18-1 of the Article of Incorporation, If there is any net profit after closing of a fiscal year, When allocating the net profits for each fiscal year, according to the following sequence: (i) offset its losses in previous years. (ii) set aside a legal reserve at 10% of the profit left over. (iii) set aside or return the special reserve which could be appropriated according. (iv) after deducting the above, and with opening accumulation of undistributed earnings by the Board of Directors, will be reported to shareholders. It is authorized the distributable dividends and bonuses or legal capital reserve and capital reserve in whole or in part may be paid in cash after a resolution has been. Adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition, there to a report of such Distribution shall be submitted to the shareholders' meeting. In view of the Company's current business growth, and in consideration of its future business development plans, financial structure and shareholders' equity. Shareholders of the company dividend distribution shall not be lower than 20% of the Distributable Earnings for the same year. Cash dividends shall not be lower than 10% of the total shareholders' dividends distributed for the same year.
  - b. Proposed Distribution of Dividend : Not Applicable.
- (7) Impact of the proposed stock dividend in shareholders meeting on business performances and EPS:
- There was no stock dividend distribution proposed or adopted at the most recent shareholders' meeting.
- (8) Employee bonuses and remuneration of directors and supervisors
- a. The ratio or range of employee bonuses and remuneration of directors and supervisors stated in the corporate constitution:  
Article 18 Profit before income tax set aside Employees' bonus to employees in the range of 1% to 25%. Remuneration of directors shall be no more than 3%.  
Employees' dividend of distribution shall be stock or cash. Remuneration of director's shall be cash. The new stock provides by the Board of Directors meeting preceding on the Last Trade price and above mentioned to count the shares. Then by the Board of Directors, will be reported to shareholders.
  - b. Basis for estimating the amount of compensation for employees, directors and supervisors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:  
The distribution of remuneration to directors and supervisors is subject to the requirements of the law and the Company's dividend policy. The appropriated amount is recognized as operating expenses for the current year. However, if the actual distribution amount resolved by the Board of Directors is different from the estimated amount, it is recognized as profit or loss in the following year.
  - c. Distribution of compensation passed by the Board of Directors:
    - (i) Employee and directors' remuneration will be distributed in cash or stocks. As passed in the board meeting on February 24, 2022 for 2021 annual earnings distribution, NT\$14,526,809 is for remuneration of directors and supervisors and NT\$87,160,857 for employee bonus.
    - (ii) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined: None.
  - d. Actual distribution of employee bonus and remuneration of board directors and supervisors in the previous year (including dividend shares, amount and stock price), discrepancies if any from the amount of employees' bonus and directors and supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies: There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

(9) Treasury stock:

Frequency of shares repurchased	1st
Purpose of the share repurchase	transferring to employees
Original scheduled period for the repurchase	2016/03/15~2016/05/14
Originally determined repurchase price range	NTD \$18~30 per share
Number of shares repurchased	1,500,000 Shares
Total monetary amount of shares repurchased	\$ 31,725,673
The cumulative number of shares held during the repurchase period as a percentage of the total planned repurchase	50%
Cancellation and transfer	1,500,000 Shares
Cumulative number of own shares held	0 Shares
Ratio of cumulative number of own shares held during the repurchase period to the total number of the Company's issued shares	0%

2. Corporate bonds: None.

3. Preferred stock: None.

4. ADR/GDR: None.

5. Employee stock option certificates: None.

6. New restricted employee shares: None.

7. Merger and acquisition (including merger, acquisition, and split): None.

8. Fund implementation plan: None.

## V. Overview of business operation

### 1. Principal activities

#### (1) Scope of Business

##### ①. Major Business the Company has Engaged

- i. Manufacture and sales of micro-drills exclusively for printed circuit boards.
- ii. Manufacture and sales of digital drilling machines exclusively for printed circuit boards.
- iii. Manufacture and sales of the peripheral facilities for the process of printed circuit boards.
- iv. General export/import trading and agency businesses.

##### ②. Major products and their ratios in the company's total businesses

Unit: NT\$ Thousand; %

Business items	2020		2021	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Precision metal products and Processing services	2,911,564	97.92	3,680,555	97.53
Others	61,862	2.08	93,191	2.47
Total	2,973,426	100.00	3,773,746	100.00

##### ③. Major Products of the Company

Product		Specification (Diameter)
Drill bit	Micro size	Below 0.25mm
	Mini size	0.30mm~0.45mm
Router bit	Micro size	0.50mm~0.75mm
	Mini size	0.80mm~3.175mm
	Large size	Above 3.175mm

##### ④. New Products under Development

- i. Sustainable development of performance enhancing micro drills.
- ii. Sustainable development of performance enhancing micro routers.
- iii. Development of prolonged tool life product and high aspect ratio drills.
- iv. Development and mass production of drills specially designed for ABF substrate.

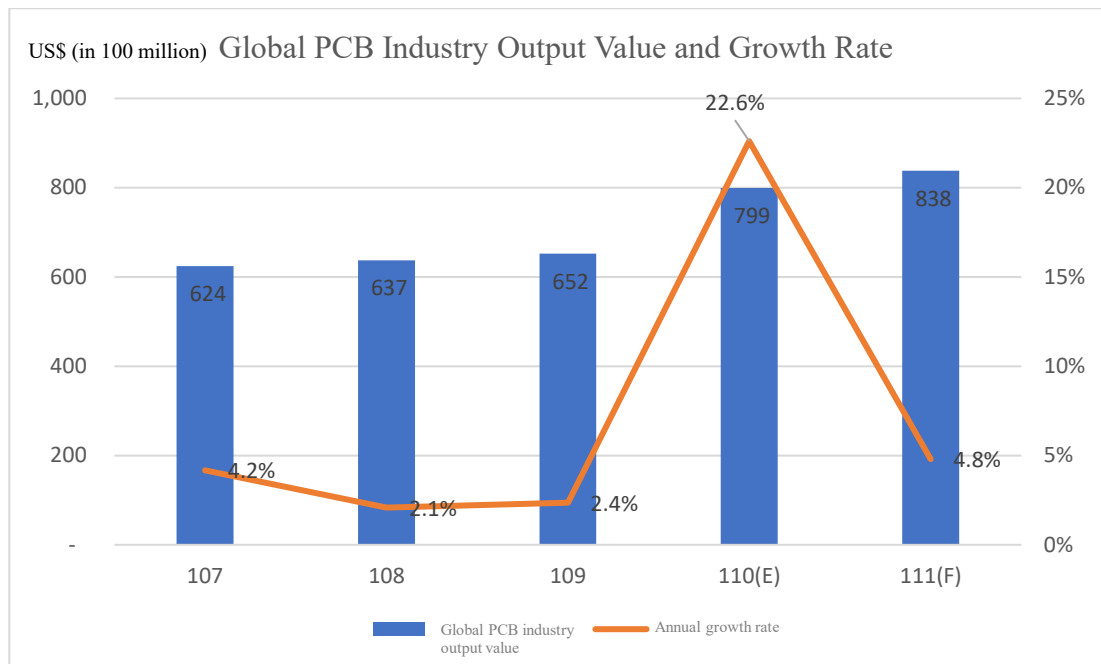
#### (2) Industry Overview

##### ①. Industry Status and Development

Drills are used in the fabrication of printed circuit boards (PCB) mechanical drilling process. By penetrating the contacting points between PCB layers, point-to-point electrical connections are fabricated. The electrical components on the PCB can thus be connected. As such, drills are indispensable in the entire electronic supply chain, and the supply and demand of drills are closely related to the development of PCB industry.

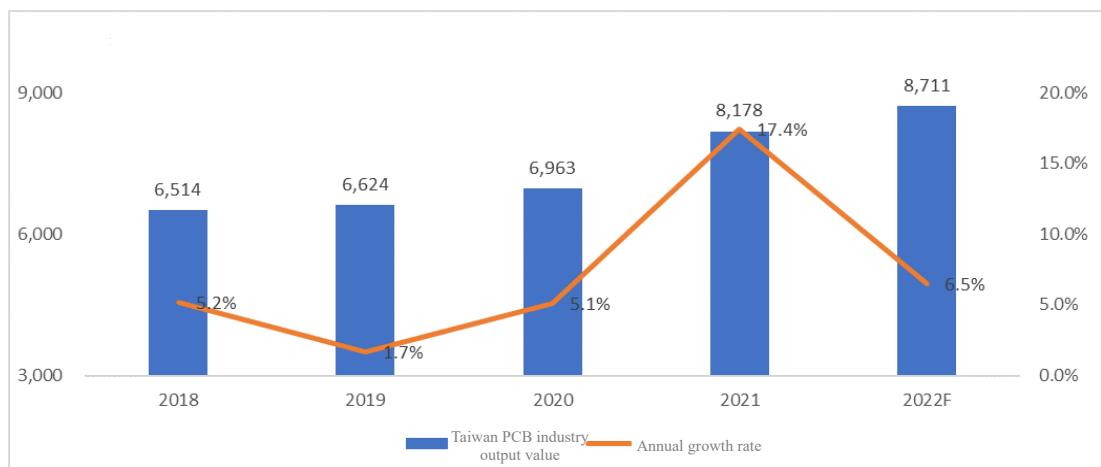
In 2021, although the COVID-19 pandemic was still looming over the global PCB industry, due to strong demand of terminal products, the annual output value was expected to grow by 22.6%, totaling US\$79.9 billion. According to the forecast of Prismark Partners (January 2022), in 2022, the output value of global PCB industry is forecasted to reach as high as US\$83.8 billion, or a 4.8% increase as compared to the preceding year.





Source : Prismark (2022/01), compiled by the Company

In 2021, statistics showed that the annual output value amounted to NT\$817.8 billion, or a growth of 17.5% as compared to 2020. This is a record growth where the total output value exceeded NT\$800 billion for the first time, whilst the annual growth rate is the highest since 2010. Comparing with the terminal product market which showed sluggish growth, or even a decline due to chip shortage and the pandemic, Taiwan PCB industry has maintained a strong performance. The deviation can be analyzed from three aspects: (1) Price hike of upstream raw materials and tight supply of PCB output have driven the price quotation of PCB products. It is especially evident for Ajinomoto Build-up Film (ABF) substrates. (2) With the specifications of terminal products upgraded continuously, the use of PCBs shall also increase accordingly. For example, 5G mobile phones has increased the number of packaging modules, which has also driven the use of substrates and soft plates; or the design demand of electrical vehicles has driven the automobile electronic products, which shall also drive up the use of PCB products across the board. (3) Although PCBs are not the main component in shortage for terminal products, the downstream customers still wish to maintain inventories for PCBs to avoid a sudden deterioration of the pandemic or an interruption of supply due to shipping congestion. Therefore, despite the terminal product market shows sluggish growth, the order for PCBs does not fluctuate much. As such, other than the market factors, the three factors above are also the supporting elements for the growth of Taiwan PCB industry output value.



Source : TPCA (2022/03), compiled by the Company

According to the forecast of Taiwan Printed Circuit Association (TPCA) in February 2022, the Taiwan PCB industry shall continue to grow, but at a lower extent than 2021. The growth rate for 2022 is forecasted to be at 6.5%.

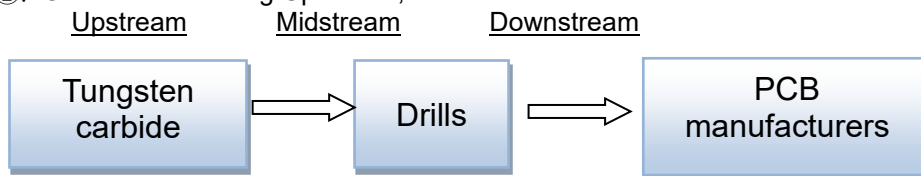
Positive factors include:

- (1) The substrate plant is also under active expansion this year and new production capacity shall be gradually released;
- (2) The penetration rate of 5G mobile phones is forecasted to expand. The upgrade of specifications of mobile phone is helpful in the increase of volume and unit price of PCB products.
- (3) In the international trend of carbon neutrality and the reward policy of the US, China and Europe, the sales of electrical vehicles shall continue to grow, which in turn, will increase the volume of automobile electronics. This shall also be helpful in the increase of volume and unit price of PCB products.
- (4) Driven by the demands in 5G, AIoT and HPC, the growth of demand for servers is forecasted to be strong;
- (5) The trend of co-existing with the virus is beneficial for the overall economic recovery;
- (6) Other emerging application development (Mini LED, low altitude satellite etc.).

Negative factors include:

- (1) Growing inflation is forecasted to influence consumer confidence;
- (2) Continuous semiconductor component shortage may suppress the momentum of terminal product sales;
- (3) Demand for personal computers, laptops and tablets may fall with the easing of the pandemic;
- (4) Uncertainties in the energy policy of Mainland China shall be disadvantageous to the production of Taiwanese businesses thereof.
- (5) Geopolitical conflicts cause instability internationally.

## ②. Correlations among Upstream, Midstream and Downstream Industries



## ③. Product Development

- (1) The high-speed transmission and miniaturization trend of terminal electronics shall drive PCB businesses in developing new material and production technology. Wearable device will shrink the surface area of motherboard, and therefore the line-up of electronic components has to be more compact. Therefore, PCB with higher unit density shall be adopted, e.g. the adoption of any-layer high-density interconnect (HDI) and modified semi-additive process (mSAP) technologies. To cater to the demand, drills shall also embark on a trend in enhancing high precision and efficiency. This, in turn, shall translate into requirements for higher drill bit quality.
- (2) Embedded passive component technology refers to embedding IC in substrates, or embedding capacitance, resistance and inductance components in PCBs. This is beneficial in enhancing the quality of line signal, reducing surface area and lowering power consumption. With the increase of penetration rate of mobile devices, the increase in demand for embedded passive component technology will grow more evidently. It is expected that embedded passive component technology shall become one of the key technologies of PCB manufacturers. The use of drills, in turn, shall also be driven up.
- (3) With growing awareness in environmental protection globally, copper clad laminate (CCL) is heading toward non-halogen and non-phosphorous, and heat resistant. As such, the market share of eco-friendly laminates shall increase. Countermeasures to cope with material change must be considered for drill bit production so as to ensure the quality of drills is able to cater to future market demand.
- (4) In the future, with growing market demand for 5G and vehicle substrates, PCBs shall utilize thick copper high frequency material, rigid-flex board and HDI in large volume. The material selection and shape design of drills must be adjusted to cater to the properties of material subjecting to the fabrication process.

#### ④. Competition Status

Due to demand change in the global consumer market, the PCB industry is facing a change from mass production of standard specification products to featured small-volume-large-variety and large-volume-large-variety production models. Especially with competition posed by PCB manufacturers from Mainland China, intellectualized upgrading of industrial chain, and efficiency and flexibility of overall technologically improved production process that integrate information and communication with smart equipment, many drill bit manufacturers have to make plans regarding their own production capacity and technology in a more flexible manner in terms the product design and application so as to cater to changes in the PCB industry.

Different PCB material requires drills of different diameter and technology. Currently, the major suppliers of drills are manufacturers from Japan, Taiwan and Mainland China. For manufacturers from Japan, apart from one manufacturer who has the number one market share globally, other Japanese manufacturers have shrunk in scale over the past few years. In Taiwan, the main competitors of the Company are Keyware and Tera Auto Tech Corporation. Different manufacturers focus on different products and have their own niche. For domestic manufacturers, the Company has the highest market share, and has the capability matching the Japanese counterpart in providing drills of micro sizes (below 0.25 mm) for HDI and IC substrate fabrication. In recent years, manufacturers from Mainland China actively enter the market. They mainly produce traditional PCB drills of small sizes (above 0.30 mm). As market players are abundant, the price competition in low end mature market is relatively intense. The Company continues to focus on the development of micro-sized and high-performance drills so that it has more competitive advantage in the medium and high end market.

### (3) Technology and R&D Overview

#### ①. R&D personnel and their education as well as work experience

February 28, 2022

Item / Education	PhD / Masters	University graduates	Senior high school	Total	Service seniority
No. of personnel	4	23	4	31	10.83
Ratio	12.9%	74.2%	12.9%	100%	

#### ②. Amounts invested in annual R&D in the recent five years

Unit: NT\$ thousand

Item / year	2020	2021
R&D expense	111,785	121,259
Sales revenue	2,973,426	3,773,746
Ratio	4%	3%

#### ③. The products and technology successfully developed

2017	Mass production of high life expectancy and unique performance of coating drill. Mass production of ultra-high aspect ratio coating drill series.
2018	Mass production of new metal coating products series. Mass production of high precision slot and router series.
2019	Mass production of super wear resistant products. Mass production of burrs for thick plates.
2020	Development and mass production of drills specially designed for ABF substrate. Mass production capacity of drills reached 23 million units.
2021	Mass production of drills which are especial for ABF substrate and electric vehicle. Mass production capacity of drills reached 25 million units.

#### ④. Long and Short-term Business Development Plans

##### i. Short-term Plan

- Continue to introduce innovative value-added products.
- Develop new markets and strengthen partnerships with customers.
- Increase production capacity to increase global market share.
- Cost control and maximization of production efficiency.
- Integrated resource and strengthen system processes.

ii. Long-term Plan

- a. Continue to develop core technology related new business to build up driving momentum for future business growth.
- b. Continue to seek any opportunity of strategic alliances to strengthen the company's competitive advantage.

## 2. Market analysis and the condition of sale and production

### (1) Market Analysis

#### ①. Sales Breakdown by Region

Unit: NT\$ thousand; %

Region Year	2020		2021	
	Amount of sales	% in revenue	Amount of sales	% in revenue
Domestic sales	826,834	27.81	1,258,011	33.34
China	1,909,642	64.22	2,262,199	59.95
Others	236,950	7.97	253,536	6.71
Total	2,973,426	100.00	3,773,746	100.00

#### ②. Market Share

The company speculated its global market share approximately 10%, with monthly sales volume at 25 million pieces vs. monthly total demand of 230 million pcs worldwide; making the company a leading drill supplier in the world.

#### ③. The Status of Future Market Demand and Supply and Prospect

- i. Demand Side. The growth demand of high frequency and high speed, HDI and carrier boards and flexible boards. From 5G related products. Annual global production value is estimated at US\$ 83.8 billion and growth rate for 2022 is estimated at 4.8%.
- ii. Supply Side: The Capacity of top three drill suppliers was took up 70% of global shares at the end of 2021. It should help balance the demand and supply status as the market demand recover.

#### ④. Competition Niche

- i. Advanced Core Technology: with high-precision grinding technology, high process yield and consistent mass production quality, these core technologies shall facilitate the company to maintain leading position in the PCB drill supply industry; furthermore, these are stepping stones for the company to cross into drilling services and metal cutting tool business.
- ii. Flexible capacity allocation capabilities on 25 million pcs production base.
- iii. Cost control effectiveness: highly automated production lines, continuous production improvement, advantage in material cost, maintained our cost competitiveness.
- iv. Comprehensive customer base of worldwide well-known manufacturers.

#### ⑤. Advantages/Disadvantages for the Future Development and Solutions

##### i. Advantages

- ① 、 China PCB market grows fast and technology ability is upgraded. It will drive the demands of high-end products.
- ② 、 Positive prospects of cloud computing servers and base stations will increase demand for PCB drills and drilling service.
- ③ 、 Continue to hold the leading position in advanced technology along with high-yield and stable production, enabling steady orders and new business.

## ii. Disadvantages

- ①、China's red supply chain rises, low-end mature products face price pressure
- ②、Major raw material of the company's products is tungsten carbide. The company may not be in best position in material procurement because of its characteristic of rareness.

## iii. Policy of Response

- ①、Strengthen sales marketing activities.
- ②、To expedite R&D development and put high value-added products to mass production.
- ③、To strengthen process management and effectively reduce production costs.
- ④、Develop new supply of raw material, to further enhance material cost management.

## (2) Major Applications and Production Process of the Main Products

### ①. Major Applications of the Main Products

Item	Major Functions	Major Applications
Drills	To form through-holes for interlayer of IC substrate, HDI, traditional PCB and FPC	Computer : Desktops, Laptops, servers and etc. Communication: cell phones, networking products and etc. Consumer: tablet PCs, game console, TV, wearable devices, automobile and etc.
Routers	To cut out profiles of printed circuit board	

### ②. Production process



### ③. Supply Status of Major Materials

The major material of the company's products is tungsten carbide. Its material features and quality stability are the prime concerns in procurement. The company has established good relationship with its suppliers; hence the supply status is properly and stably sustained.

Major material	Suppliers	Supply status
Tungsten carbide	Mitsubishi Sumitomo Kyocera	Good

- ④. Major Customers with over 10% net sales and Suppliers with over 10% total purchases of the last two fiscal years:

a. Material supplier list

Unit: NT\$ thousand; %

2020				2021			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
A	116,225	19.19	None	A	136,534	20.53	None
Other	489,562	80.81	-	Other	528,377	79.47	-
Purchase Amount-Net	605,787	100.00	-	Purchase Amount-Net	664,911	100.00	-

Reasons for changes: No difference.

b. List of major clients

Unit: NT\$ thousand; %

2020				2021			
Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer	Name	Amount	Ratio to annual net purchase amount (%)	Relationship with the issuer
Sales Amount-Net	2,973,426	100.00	-	Sales Amount-Net	3,773,746	100.00	-

Reasons for changes: No difference.

Note: In the last two years, no revenue from a single customer has accounted for more than 10% of the combined company's total revenue.

⑤. Output values in the recent two years

Unit: NT\$ thousand/1,000pcs

Year/output value	2020			2021		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Major products						
PCB Tool	267,667	243,319	1,025,430	296,011	255,931	1,094,234
Total	267,667	243,319	1,025,430	296,011	255,931	1,094,234

⑥. Sales turnovers in the recent two years

Unit: NT\$ thousand/1,000 pcs

Year/sales turnover	2020				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	volume	value	Volume	Value	Volume	Value	Volume	value
Major products								
Precision metal products and Processing services	45,688	821,148	167,822	2,090,417	55,126	1,225,604	199,473	2,454,951
Others	-	5,686	-	56,175	-	32,407	-	60,785
Total	45,688	826,834	167,822	2,146,592	55,126	1,258,011	199,473	2,515,735

### 3. Status of employees:

Year		2020	2021	February 28,2022
Number of employees	Indirect	230	225	234
	Direct	129	130	119
	Total	359	355	353
Average age		37.8	39.1	39.3
Average service years		7.34	7.9	7.9
Education distribution ratio	PhD	0.3%	0.6%	0.6%
	Master	5%	5.4%	5.4%
	College	45.7%	44.8%	44.8%
	Senior high school graduate	47.6%	47.3%	47.6%
	senior high school and Below	1.4%	1.9%	1.6%

Note: The number of global employees of the company is 1,966. The data only counts the number of the parent company, excluding the number of domestic and foreign subsidiaries.

### 4. Expenditure on Environmental Protection:

- (1) To elaborate on the amount the company spent on loss (including compensation) and punishment caused by environmental pollution for the recent two years and the current year as of the annual report publication date, and disclose the counter measures (including improvement measures) and possible disbursements (covering the estimated amounts of possible losses, punishments and compensation caused by not taking counter measures. If the amounts can't be appropriately estimated, please state why): None.

- (2) Influence of RoHS :

As confirmed by the Industrial Development Bureau of Ministry of Economic Affairs as per doc.

Guang-Dian-Zi no. 09500240130 dated March 29, 2006, the company is free from the restriction of RoHS requested by EU for hazardous substances.

### 5. Employee / Employer relation:

- (1) Working environment and personal safety

The Company deeply believes that "sustainable development" is the challenging goal encountered by businesses in the 21<sup>st</sup> century: we will never forget to exercise social responsibilities while pursuing growth. In addition to continuously enhancing production technology and product quality, we also actively establish an environmental management system and safety and health management system, establish social environmental responsibilities and safety and health policies and exercise responsibilities of good social citizens. We are not only devoted to environmental protection, but also establish a safe healthy and comfortable working environment. For standards and compliance rules regarding environmental protection, safety health policies, we commit to the following execution guidelines:

- Comply with various environmental regulations – comply and satisfy environmental protection, labor safety and health regulations and other requirements promulgated by the government, respond to global green environment, labor rights and zero disaster exercise.
- Constant environmental improvement – keep the environmental management system in constant operation, meanwhile being devoted to current environment improvement to enhance overall performance.
- Ongoing waste reduction – reduce the creation of waste and reduce the waste volume created via recycle classification as much as possible.
- Ongoing pollution prevention - launch overall planning via stream thinking to reduce the possibility to generate pollution.
- Respect of life – safety is my responsibility, superiors in various degrees and all employees including OEM companies, contractors, suppliers, part-time students, contracted employees, temporary employees and outsourcing personnel shall comply

- Safety discipline - with the governmental regulations and various work safety and environmental protection resolutions. In particular, superiors in different levels shall set a good example with their own conduct and execute good supervision.
- Risk management – identify risks and by danger assessment and risk evaluation and control the risk according to risk levels. Meanwhile, carry out safety and health self-management and establish an occupational safety and health management system (ISO 45001)
- Pollution Prevention - source management, carry out water reduction, energy saving, reuse, cleaning process, cost reduction, reduction impact to ecological environment and establishment of environmental management system (ISO 14001).
- Ongoing improvement – environmental protection popularization, safety and health training, environmental safety conscious reinforcement, environmental system and regulations implementation, systematic management, ongoing improvement, quality environmental protection construction, safe and healthy working place.
- Carry out health management and promote employees' physical and mental health.

(2) Assessment of employees' behavioral ethics

The company has established "Ethical Corporate Management Best Practice Principles" and "standards of conduct" as standards for compliance by directors, supervisors, managers and employees

- When engaging in commercial activities, directors, supervisors, managers, employees of the company or persons having substantial control over such company ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct") for purposes of acquiring or maintaining benefits.
- When conducting business, the company and their directors, supervisors, managers, employees and substantial controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the company operate permit so.
- When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, The Company and their directors, supervisors, managers, employees and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- When making or offering donations and sponsorship, the company and their directors, supervisors, managers, employees and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.
- The company and their directors, supervisors, managers, employees and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Avoid conflict of interest: taking overall Company interest into consideration without intention to gain improper interest for themselves, spouse, parents, children or relative within the third-degree of kinship or impair the Company's interest.
- Avoid chance to make money for one's own: avoid opportunities to make money for one's own by using Company property, information and or taking advantage of duties.
- Confidentiality: information regarding the Company itself or its businesses, unless it is publicized under authorization or legal regulations, shall be kept confidential.



- Fair trade: treat the Company's customers, suppliers and competitors as fair as possible.
- Protect and properly use the Company's assets: protect the Company's assets to ensure that they can be efficiently and legally used for public affairs.
- Comply with laws and regulations: comply with all applicable regulations, rules and laws of the Company.
- Encourage reporting of any illegal conduct or conduct violating ethical behavior standards.
- Punishment: The Company shall investigate the responsibilities of any person that neglects his/her duties according to the violation condition and take appropriate legal actions.

### (3) Employees' welfare

To value employees and take good care of them, the Company has established an employee recreation area, and offered extra life and medical insurance to protect employees, in which the field personnel shall have accident insurance with a higher insurance amount.

There is an employee welfare committee organized to plan a variety of employee welfare matters. In addition to employee travel and various recreational activities, there are also subsidies for marriage, giving birth and education, solicitation money and gifts to three major holidays, birthdays, etc. provided.

- Salary and bonus: cash gift for shopping during the three major traditional holidays, and Employee compensation, Annual Senior Employee Commendation.
- Insurance: apart from the labor insurance and national health insurance required by law, Employees are enrolled in the group comprehensive insurance policy, free regular medical checkups for employees. Healthcare, including visits from medical, Massage services from people with visual impairments.
- employee activity: Employee travel allowance and health promotion program, Offer various types of clubs with subsidies, year-end party prize drawing.
- Intimate facilities: Birthday cash gift, Employee wedding, funeral service, hospitalization, and childbirth subsidies, Independent and private medical and lactation (breastfeeding) room, Meal subsidies and Free parking.

### (4) Employee advanced studies and training

Various training courses were implemented under the plan referring to "implementation and management procedures of educational training", which allowed all employees to be capable of undertaking work. To ensure the efficiency of training, the training system is divided into: internal and external training courses and accreditation appraisal. The Company not only holds training courses for new comer and on service personnel, but also actively cultivates internal lecturers as well as a training system and advanced employee studies for the expectation to cultivate internal talents in different fields, enhance personnel quality and to achieve the goal of speed talent training, skill improvement and experience inheritance.

#### Implementation of employee education and training in the current year:

Total number of trainees	Total training hours
11,083	11,198 hours

Affected by the Covid-19 epidemic, the company immediately launched various epidemic prevention measures promotion and training to demonstrate risk management and control capabilities, and strengthen the promotion of online digital courses to minimize the impact of the training plan and effectively promote the learning and growth of employees despite the epidemic. In order to provide the best learning environment for all employees, we mainly carry out three key talent training programs: "Job Learning Map", "Diversified Education and Training Courses", "Online Digital Learning". The goal is to improve the training system and popularize training resources., and continue to inherit knowledge, skills and corporate culture. For detailed course content, website <https://www.topoint.tw/tw/resource/Learning and Development>.

(5) Retirement system

The Company follows Chapter 6 of the Labor Standard Law to implement employee retirement related affairs and contribute employee pension reserves as regulated in the old system and labor pension as required in the new system monthly pursuant to regulations. The Company has one person in filed a retirement application until December 31, 2021.

(6) Labor relationship

The Company has emphasized employee welfare and interest since its establishment, and the labor relation is very cohesive. The Company holds labor meetings periodically and provides employee proposal and opinion boxes for employees to respond to problems and constitute good interaction. It is expected to establish a cohesive relationship between labor and capital.

(7) As of the printing date of the annual report, the losses suffered and possible estimate amount in the future arising from disputes between labor and capital and correspondent actions. If it is unable to make a reasonable estimate, please explain the fact that cannot be reasonably estimated: None.

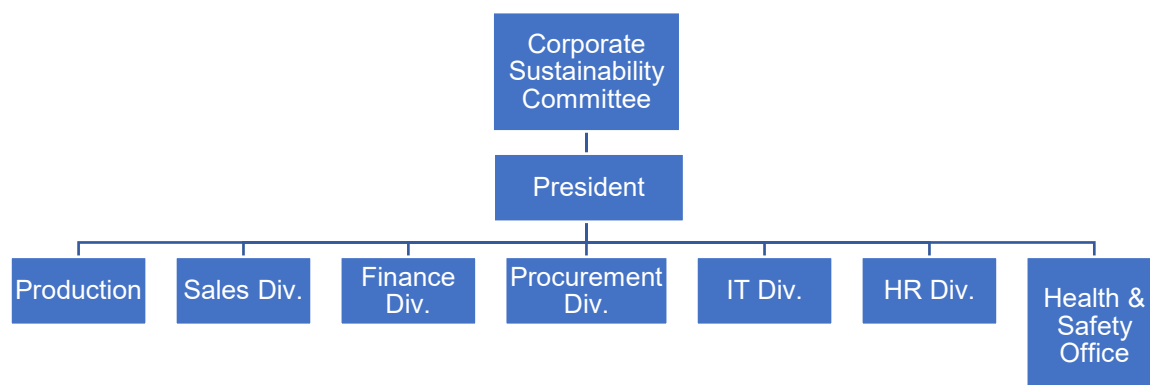
## 6. Information and communication management

(1) The framework, policy, concrete management measures of information and communication management and resources invested:

To mitigate information and communication risks, in 2018, the Company had established “Business Continuation Management Committee” that is in charge of overseeing the IT division in formulating and implementing the relevant policies of information security and protection, managing risk and performing compliance review. The top management in IT division shall report the results, issues and directions of information security management to the Business Continuation Management Committee on a regular basis, as well as supervising, evaluating and executing the relevant information and network security management mechanism.

Apart from formulating information security strategies, the Company also ensures compliance of the relevant standards. In addition to regular internal audits, the Company also invites external agency to conduct audit. Every quarter, the Company invites external vendor to perform system examination and convenes examination meetings to review and determine the strategies and policies on information security and protection so as to ensure the effectiveness of information security management measures.

### A. Information Security Organizational Structure



B. Information security policy of the Company

The policy includes four aspects as follows:

- (a) Regulations: Formulate regulations pertaining to information security management to govern employee conduct.
- (b) Installation of hardware: Install comprehensive information security equipment to implement information security management.
- (c) Training: Establish notification mechanism for major information security incidents to increase the awareness of employees in this regard.
- (d) Review of policies: Promote continuous improvement on information security to ensure corporate sustainable development.

In terms of the goals and directions (management, operation and technicality), it is to reduce information security threats for the Company, establish confidentiality protection services that cater to customer needs and bear the top specifications. The Company seeks to establish multi-layered information security protection, continuously adopt new technology for information security defense, integrate and internalize internal control mechanism in the maintenance of software and hardware, supplier information security management and other routine procedures, systemize monitoring measures for information security, and protect the confidentiality, integrity and availability of the Company's important assets. Moreover, the Company also actively oversee the results of information security management. It shall undertake the information security indicator measurement and quantitative analysis according to the audit results. By regularly performing simulation for cyber-attack, the Company can assess the maturity of its information security. Meanwhile, by consistently reviewing and making improvements, the Company implements supervision and audits to ensure the sustained effectiveness of information security regulations. When employees violate the regulations and protocols, the Company shall undertake measures in accordance with the procedures for handling information security violation. According to the results of performance indicators and maturity assessment, the Company regularly reviews and undertakes information security measures, training courses and awareness program to ensure no leaking of important confidential information.

C. Promotion of information security measures and its implementation results

Item	Description	Results
1. Information security policy	Newly amended regulations	2 regulations
2. Training/awareness promotion	Information security and confidentiality training program for new recruits and supervisors	70 hours
	Yearly information security and training program for employees	716 hours
3. Incident(s)/violation(s)	Non-compliance of information security regulations and leaking incident, and disciplinary actions	None
4. System examination	Office automation (OA)/operational technology (OT) environmental equipment/mainframe/active directory (AD)/e-mail/network	June/December
5. Certification obtained	ISO/IEC 27001 Information security management	In progress
6. Auditing	External professional agency/internal audit/customer	Once for each

- (2) In the most recent year up to the publication date of the annual report, the total losses incurred by the company due to major information security incident, possible influences and countermeasures. If an estimation cannot be made, the reason should also be disclosed: None.

7. Important agreements (including supply and sales contracts, technical corporation contracts, engineering contracts, long-term loan contracts, and the important contracts which may influence shareholders' equity)

Contract characteristics	The interested party	Contract start and end dates	Major content	Restriction
Long-term loan contract	Mega International Commercial Bank	2021.12~2028.12	Payment due date	None

## VI. Financial information

### 1. Condensed balance sheet and Income statement of the last five years

#### A-1-1. Condensed Balance Sheet-IFRSs (Consolidated Financial Statements)

Unit: NT\$ 1,000

<div style="display: flex; align-items: center;"> <div style="transform: rotate(-45deg); white-space: nowrap;">Item \ Year</div> <div>Year</div> </div>		Condensed Balance Sheet of fiscal year 2017~2021				
		2017	2018	2019	2020	2021
Current Assets		3,869,456	3,982,776	3,998,337	4,662,360	5,486,774
Property, plant and equipment		2,142,951	2,071,314	1,751,469	1,452,804	1,664,522
Intangible Assets		28,114	20,864	12,958	25,614	38,057
Other Assets		248,825	273,003	233,170	208,077	345,979
Total Assets		6,289,346	6,347,957	5,995,934	6,348,855	7,535,332
Current Liabilities	Before allocation	1,009,662	1,090,740	882,697	1,023,505	1,416,335
	After allocation	1,072,853	1,261,356	1,053,314	1,248,150	1,743,350
Non-Current Liabilities		621,185	633,590	587,497	549,255	895,972
Total Liabilities	Before allocation	1,630,847	1,724,330	1,470,194	1,572,760	2,312,307
	After allocation	1,694,038	1,894,946	1,640,811	1,804,283	2,639,322
Equity attributable to shareholders of the company		4,408,323	4,369,192	4,277,144	4,444,899	4,646,931
Capital Stock		1,594,783	1,435,305	1,421,805	1,421,805	1,421,805
Capital surplus		1,232,138	1,228,597	1,230,872	1,229,931	1,227,748
Retained earnings	Before allocation	1,823,902	2,014,663	2,028,936	2,138,482	2,360,612
	After allocation	1,760,711	1,844,047	1,858,319	1,913,419	2,033,597
Other stockholders' equity		(210,804)	(279,177)	(404,469)	(345,319)	(363,234)
Treasury stock		(31,696)	(30,196)	-	-	-
Non-controlling interest		250,176	254,435	248,596	331,196	576,094
Total equities	Before allocation	4,658,499	4,623,627	4,525,740	4,776,095	5,223,025
	After allocation	4,595,308	4,453,011	4,355,123	4,562,375	4,896,010

## A-1-2. Condensed Balance Sheet-IFRSs (Parent Company Only Financial Statements)

Unit: NT\$ 1,000

<div>Year</div> <div>Item</div>		Condensed Balance Sheet of fiscal year 2017~2021				
		2017	2018	2019	2020	2021
Current Assets		953,931	1,005,391	834,531	744,067	680,695
Property, plant and equipment		324,122	285,975	266,087	302,995	372,784
Intangible Assets		7,579	4,793	1,127	3,428	2,618
Other Assets		3,883,934	3,913,629	3,909,309	4,169,281	4,726,470
Total Assets		5,169,566	5,209,788	5,011,054	5,219,771	5,782,567
Current Liabilities	Before allocation	344,952	426,077	352,820	444,937	520,190
	After allocation	408,143	596,693	523,437	669,582	847,205
Non-Current Liabilities		416,291	414,519	381,090	330,353	615,446
Total Liabilities	Before allocation	761,243	840,596	733,910	775,290	1,135,636
	After allocation	824,434	1,011,212	904,527	999,935	1,462,651
Equity attributable to shareholders of the company		4,408,323	4,369,192	4,277,144	4,444,481	4,646,931
Capital Stock		1,594,783	1,435,305	1,421,805	1,421,805	1,421,805
Capital surplus		1,232,138	1,228,597	1,230,872	1,229,931	1,227,748
Retained earnings	Before allocation	1,823,902	2,014,663	2,028,936	2,138,064	2,360,612
	After allocation	1,760,711	1,844,047	1,858,319	1,913,419	2,033,597
Other stockholders' equity		(210,804)	(279,177)	(404,469)	(345,319)	(363,234)
Treasury stock		(31,696)	(30,196)	-	-	-
Non-controlling interest		-	-	-	-	-
Total equities	Before allocation	4,408,323	4,369,192	4,277,144	4,444,481	4,646,931
	After allocation	4,345,132	4,198,576	4,106,527	4,219,836	4,319,916

## B-1-1. Condensed Income Statement-IFRSs (Consolidated Financial Statements)

Unit: NT\$1,000

Item \ Year	Condensed Balance Sheet of fiscal year 2017~2021				
	2017	2018	2019	2020	2021
Net sales	3,283,163	3,282,444	3,006,253	2,973,426	3,773,746
Gross Profit	888,435	909,845	859,195	969,264	1,234,058
Operating Income	308,733	328,983	307,102	467,417	643,002
Non-operating income and expenses	11,344	10,224	23,859	(1,857)	22,343
Income before tax	320,077	339,207	330,961	465,560	665,345
Operating income	233,439	254,676	203,007	303,546	491,194
Loss of business units	-	-	-	-	-
Net income	233,439	254,676	203,007	303,546	491,194
Other comprehensive income	(66,708)	(68,379)	(126,585)	57,850	(22,418)
Total comprehensive income	166,731	186,297	76,422	361,396	468,776
Net income attributable to Shareholders of the company	236,418	253,641	190,275	281,567	446,526
Net income attributable to non-controlling interest	(2,979)	1,035	12,732	21,979	44,668
Total comprehensive income attributable to Shareholders of the company	170,690	185,579	64,986	338,895	429,278
Total comprehensive income attributable to non-controlling interest	(3,959)	718	11,436	22,501	39,498
Earnings per share	1.50	1.69	1.34	1.98	3.14

B-1-2. Condensed Income Statement- IFRSs(Parent Company Only Financial Statements)

Unit: NT\$1,000

Item \ Year	Condensed Balance Sheet of fiscal year 2017~2021				
	2017	2018	2019	2020	2021
Net sales	1,142,819	1,172,272	1,020,624	1,148,344	1,171,961
Gross Profit	383,260	441,774	333,450	422,412	393,415
Operating Income	174,055	208,548	156,395	188,989	124,602
Non-operating income and expenses	100,345	126,368	63,334	133,126	354,783
Income before tax	274,400	334,916	219,729	322,115	479,385
Operating income	236,418	253,641	190,275	281,567	446,526
Loss of business units	-	-	-	-	-
Net income	236,418	253,641	190,275	281,567	446,526
Other comprehensive income	(65,728)	(68,062)	(125,289)	57,328	(17,248)
Total comprehensive income	170,690	185,579	64,986	338,895	429,278
Net income attributable to Shareholders of the company	236,418	253,641	190,275	281,567	446,526
Net income attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to Shareholders of the company	170,690	185,579	64,986	338,895	429,278
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	1.50	1.69	1.34	1.98	3.14

C. Auditing by CPAs

CPAs and their auditing opinions in the past five years

Year	CPAs	Opinions
2017	Wan-Yi, Liao & Yung-Fu, Liu (Deloitte & Touche-Taiwan)	Unqualified
2018	Wan-Yi, Liao & Yung-Fu, Liu (Deloitte & Touche-Taiwan)	Unqualified
2019	Chao-Mei, Chen & Chien-Hsin, Hsieh (Deloitte & Touche-Taiwan)	Unqualified
2020	Chien-Hsin, Hsieh & Chao-Mei, Chen (Deloitte & Touche-Taiwan)	Unqualified
2021	Chien-Hsin, Hsieh & Chao-Mei, Chen (Deloitte & Touche-Taiwan)	Unqualified

## 2.1-1. Financial analysis in the past five years-IFRSs (Consolidated Financial Statements)

<div> <div>Year</div> <div>Item</div> </div>		Condensed Income Statement of fiscal year 2017~2021				
		2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets	25.93	27.16	24.52	24.81	30.69
	Ratio of long-term capital to fixed assets	239.00	245.18	281.18	343.69	349.83
Solvency (%)	Current Ratio	383.24	365.14	452.97	455.53	387.39
	Quick Ratio	334.13	315.67	402.21	406.95	337.74
	Times interest Earned Ratio	16.95	20.10	22.91	49.13	54.25
Operating ability	Account Receivables Turnover (times)	2.49	2.41	2.37	2.65	3.06
	Day's sales in accounts receivable	146.59	151.45	154.01	137.74	119.28
	Inventory Turnover (times)	4.98	4.75	4.49	4.37	4.34
	Account Payable Turnover (times)	12.18	11.58	11.48	10.89	8.63
	Average days in sales	73.29	76.84	81.29	83.52	84.10
	Fixed Assets Turnover (times)	1.41	1.56	1.57	1.84	2.39
	Total Assets Turnover(times)	0.52	0.52	0.50	0.48	0.54
Profit ability	Ratio of Return on assets (%)	3.97	4.26	3.49	5.04	7.21
	Ratio of Return on shareholders' equity (%)	5.02	5.49	4.44	6.52	9.81
	Ratio of Income before tax to Capital stock (%)	20.07	23.63	23.28	32.74	46.80
	Profit ratio (%)	7.11	7.76	6.75	10.21	13.02
	EPS (\$)	1.50	1.69	1.34	1.98	3.14
Cash Flows (%)	Cash flow ratio (%)	71.40	50.92	107.63	87.55	57.19
	Cash flow adequacy ratio (%)	150.98	147.46	170.91	197.57	166.39
	Cash reinvestment ratio (%)	5.62	4.69	7.49	6.58	4.77
Balance	Degree of operating leverage	5.04	4.52	4.84	3.30	3.13
	Degree of financial leverage	1.07	1.06	1.06	1.02	1.02

**Analysis of financial ratio change in the last two fiscal years: (If the difference does not exceed 20%, the analysis is not required)**

- (1) Financial Structure: The increase in Debt Ratio in 2021 mainly due to the increase in both Long /Short-term borrowings and Accounts payable.
- (2) Operating Ability: The decrease in Accounts Payable Turnover (turns) in 2021 mainly due to the increase in Accounts payable.
- (3) Operating Ability: The increase in Total Assets Turnover (turns) in 2021 mainly due to the increase in revenue.
- (4) Profitability: The increase in all ratio in 2021 mainly due to the increase in both revenue and total comprehensive income increase.
- (5) Cash Flow: The decrease in cash flow reinvestment ratio in 2021 was mainly due to the decrease in net cash generated from operating activities



2.1-2. Financial analysis in the past five years-IFRSs (Parent Company Only Financial Statements)

<div> <div>Year</div> <div>Item</div> </div>		Condensed Income Statement of fiscal year 2017~2021				
		2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets	14.73	16.13	14.65	14.85	19.64
	Ratio of long-term capital to fixed assets	1,483.97	1,667.70	1,742.72	1,569.30	1407.50
Solvency (%)	Current Ratio	276.54	235.96	236.53	167.23	130.86
	Quick Ratio	234.05	194.75	194.38	131.89	98.97
	Times interest Earned Ratio	35.29	32.00	23.67	43.22	46.33
Operating ability	Account Receivables Turnover (times)	4.15	4.41	3.98	4.46	3.85
	Day's sales in accounts receivable	87.95	82.77	91.71	81.84	94.81
	Inventory Turnover (times)	5.35	4.79	4.43	4.93	4.97
	Account Payable Turnover (times)	14.73	11.42	9.84	10.97	10.29
	Average days in sales	68.22	76.20	82.39	74.04	73.44
	Fixed Assets Turnover (times)	2.90	3.84	3.70	4.04	3.47
	Total Assets Turnover(times)	0.22	0.23	0.20	0.22	0.20
Profit ability	Ratio of Return on assets (%)	4.75	5.06	3.88	5.64	8.27
	Ratio of Return on shareholders' equity (%)	5.38	5.78	4.40	6.47	9.82
	Ratio of Income before tax to Capital stock (%)	17.21	23.33	15.45	22.68	33.72
	Profit ratio (%)	20.69	21.64	18.64	24.56	38.10
	EPS (\$)	1.50	1.69	1.34	1.98	3.14
Cash Flows (%)	Cash flow ratio (%)	82.24	69.13	48.69	53.24	35.70
	Cash flow adequacy ratio (%)	173.13	165.17	153.68	124.07	110.16
	Cash reinvestment ratio (%)	2.04	3.38	0.02	0.97	-0.55
Balance	Degree of operating leverage	4.14	2.86	3.65	2.63	3.77
	Degree of financial leverage	1.06	1.05	1.08	1.04	1.08

**Analysis of financial ratio change in the last two fiscal years: (If the difference does not exceed 20%, the analysis is not required)**

- (1) Financial Structure: The increase in debt ratio in 2021 mainly due to the increase in Long-term borrowings.
- (2) Solvency: The decrease in current ratio and Quick ratio mainly due to the increase in current liabilities.
- (3) Profitability: The increase in all ratio in 2021 mainly due to the increase in both revenue and total comprehensive income increase.
- (4) Cash Flow: The decrease in cash flow ratio and cash flow reinvestment ratio in 2021 was mainly due to the decrease in net cash generated from operating activities.
- (5) Leverage : The increase in operating Leverage in 2021 mainly due to the decrease in profit from operations.

Note1: Equations:

1. Financial structure

(1)Ratio of liabilities to assets=Total liabilities/Total assets

(2)Ratio of long-term capital to fixed assets= (Net Shareholder's equity + Long-term liabilities) / Net fixed assets.

2. Debt-paying ability

(1)Current Ratio=Current assets/Current liabilities

- (2) Quick Ratio = (Current assets - Inventory - Prepaid expense) / Current liabilities
  - (3) Times interest Earned Ratio = Net profit before tax and interest expense / interest expense
  3. Operating ability
    - (1) Receivables (Including accounts receivable and the notes receivable due to operation) turnover ratio = Net sales / Average receivables (including accounts receivable and the notes receivable due to operation) balance
    - (2) Average cash receiving days = 365 / Turnover rate of total assets.
    - (3) Inventory Turnover Ratio = Cost of sales / Average amount of inventory
    - (4) Payables (including accounts payable and the notes payable due to operation) turnover ratio = Cost of sales / Average Payables (including accounts payable and the notes payable due to operation) balance
    - (5) Average period of sales = 365 / Inventory Turnover Ratio
    - (6) Ratio of Fixed Assets Turnover = Net sales / Net fixed assets
    - (7) Ratio of Total Assets Turnover = Net sales / Total assets
  4. Profitability
    - (1) Return on assets = [gain and loss after tax + interest expense × (1 - tax ratio)] / Average Total assets
    - (2) Return on shareholders' equity = gain and loss after tax / Average Net shareholders' equity.
    - (3) Net profit margin = gain and loss after tax / Net sales
    - (4) EPS = (Net income - Preferred dividend) / weighted average number of issued shares (Note4)
  5. Cash Flows
    - (1) Cash flow ratio = Operating net Cash Flows / Current liabilities
    - (2) Net Cash flow adequacy ratio = the past five years' operating net Cash Flows / the past five years' (capital expense + inventory increasing amount + cash dividend).
    - (3) Ratio of cash reinvestment = (Operating net Cash Flows - cash dividend) / (Gross fixed assets + Long-term investment + other financial assets + operating capital) (Note5)
  6. Balance:
    - (1) Degree of Operating leverage = (Net operating income - operating cost and expense changes) / Operating income (Note6)
    - (2) Degree of Financial leverage = Operating income / (Operating income - interest expense)
- Note2: The notice items for calculating EPS are as follows:
1. Based on weighted average common shares, not the weighted average number of issued shares.
  2. For capitalization with cash or Treasury stock trade, the stock circulation must be included for consideration to calculate weighted average stock shares.
  3. For capitalization with retained earnings and additional paid-in capital, the earnings per share calculated semi-annually and annually must be adjusted retroactively and proportionally to the capitalization but without considering the issuance period of the capitalization.
  4. If preferred stock shares are nonconvertible and cumulative, the dividend of the year (whether it is distributed or not) should be deducted from net income or added to the net loss. If preferred stock shares are not cumulative, preferred stock dividend should be deducted from net income if there is any but it needs not be added to net loss if there is any.
- Note3: The notice items for cash flow analysis are as follows:
1. Net cash flow from operating activity meant for the net cash inflow from operating activity on the Statement of Cash Flow.
  2. Capital expenditure meant for the cash outflow of capital investment annually.
  3. Increase of inventory is counted only when ending inventory exceeds beginning inventory. If the ending inventory is decreased, it is booked as zero value.
  4. Cash dividend includes the amount for common stock and preferred stock.
  5. Gross fixed assets meant for the total fixed assets before deducting the cumulative depreciation.
- Note4: Issuers are to have operating cost and operating expenses classified into the category of fixed and variable. If the classification of operating cost and operating expense involves estimation or discretionary judgment, it must be made reasonably and consistently.

3. Audit Committee' Report for the Most Recent Year: Please refer to **Page71** in the annual report for details.

5. Consolidated financial difficulties of the Company and related party on the Company's financial position: Please refer to **Page81~172** in the annual report for details.

6.

5. Parent-Company-Only Financial statements in the most recent years: Please refer to **Page173~240** in the annual report for details.

6. Impact of financial difficulties of the Company and related party on the Company's financial position: None.

## **Topoint Technology Co., Ltd.**

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

The Board of Directors has prepared and submitted the 2021 business report, financial statements, and earnings distribution proposal. The financial statements were audited by the CPAs: Chien-Hsin, Hsieh and Chao-Mei, Chen of Deloitte & Touche-Taiwan. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Topoint Technology Co., Ltd. According to relevant the Securities and Exchange Act and the Company Law, we hereby submit this report.

Sincerely yours,

2022 Shareholder's Meeting of Topoint Technology Co., Ltd.

Audit Committee convener: Chun-Yeh, Chen

Feb. 24, 2022

## VII. Review of financial position, management performance and risk management

### 1. Financial position

#### A. Financial status comparison analysis

Unit: NT\$1,000

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	\$5,486,774	\$4,662,360	824,414	17.68
Property, plant and equipment	1,664,522	1,452,804	177,330	11.92
Intangible assets	38,057	25,614	29,028	321.50
Other noncurrent assets	345,979	208,077	137,902	66.27
Total assets	7,535,332	6,348,855	1,168,674	18.36
Current liabilities	1,416,335	1,023,505	392,830	38.38
Noncurrent liabilities	895,972	549,255	339,839	61.11
Total liabilities	2,312,307	1,572,760	732,669	46.38
Total equity attributable to owners of the Company	4,646,931	4,444,899	202,450	4.56
Common stock	1,421,805	1,421,805	-	-
Capital surplus	1,227,748	1,229,931	(2,183)	-0.18
Retained earnings	2,360,612	2,138,482	222,548	10.41
Other equity	(363,234)	(345,319)	(17,915)	5.19
Treasury shares	-	-	-	-
NON-CONTROLLING INTERESTS	576,094	331,196	233,555	68.18
Total shareholders' equity	5,223,025	4,776,095	436,005	9.11

Note:

(1) The increase in intangible assets was mainly due to the recognition of goodwill by subsidiaries.

(2) The increase in other noncurrent assets was mainly due to the prepayments for equipment.

(3) The increase in current liabilities was mainly due to the acquisition of equity interests in subsidiaries.

(4) The increase in noncurrent liabilities was mainly due to the long-term borrowings and lease liabilities.

(5) The increase in non-controlling interests was mainly due to the acquisition of minority interests in subsidiaries.

## 2. Management performance

### A. Comparison of business performance

Unit: NT\$ 1,000

Item	Year	2021	2020	Amount change	Ratio change (%)
Net operating income			\$2,973,426	800,320	26.92
Operating cost			2,003,273	535,526	26.72
Gross profit			970,153	264,794	27.32
Operating expense			497,159	111,672	22.46
Operating income			468,306	175,585	37.56
Non-operating income and expenses			(1,857)	24,200	1,303.18
Net income before tax			466,449	199,785	42.91
Income tax expense(gain)			162,192	12,137	7.49
Net income			304,257	187,648	61.82
Net profit attributed to: Owner of the Company			281,985	164,959	58.59
Analysis of financial ratio change:					
(1) The increase in operating profit was mainly due to the increase in revenue.					
(2) The decrease in non-operating income and expenses was mainly due to an increase in impairment losses on assets.					
(3) The increase in income tax expense was mainly due to an increase in net profit before tax.					
(4) The increase in consolidated interests and attributable to the parent company is mainly due to the above changes					

### B. KPI

Industry-specific Key Performance Indicator (KPI):

The Company periodically reviews various financial and industrial key performance indicators among businesses in the same industry to control the competitive advantages and industrial movements in a timely manner. The key performance indicator analyses in 2021 are as follows (consolidated number):

Market Share (%)	20.0%
Quality Yield Rate (%)	98.8%
Production Utilization (%)	86.5%

### 3. Analysis of Cash Flows

#### A. Liquidity analysis of the last two years

Item \ Year	2021	2020	Fluctuation ratio %
Cash flow ratio	57.19	87.55	(34.68)
Cash adequacy ratio	166.39	197.57	(15.78)
Cash reinvestment ratio	4.77	6.58	(27.51)
Analysis of financial ratio change: The decrease in cash flow reinvestment ratio in 2021 was mainly due to the decrease in net cash generated from operating activities.			

#### B. Analysis of cash liquidity in one year

Unit: NT\$ 1,000

Beginning cash balance	Expected net cash flow from operating activity of the year	Expected cash outflow of the year	Expected cash surplus (deficit)	Remedial measures for the expected insufficient cash	
				Investing activity	Financing activity
2,577,744	874,144	1,007,278	2,444,610	-	-
Remedial measures for the expected insufficient cash and liquidity analysis: N/A					

4. Impact of major capital expenditure on finance and business: None.

5. Most recent fiscal year investment policies, reasons for gain or loss and action plan in regard to investment plans in current year and the next year:

- (1) Most recent fiscal year investment policies: The degree of reinvestment profit, mainly integrated platform to increase revenues and profits as the main policies.
- (2) The main reason for reinvestment profit: The company in 2021 under the equity method Investment income is NT \$347,808 thousand, mainly overseas investee companies operating in good condition, due to profit.
- (3) Investment plans next year: Based on "discipline, insistence and innovation", the perspective of long-term strategic investment plan carefully assessed.

### 6. Risk Management

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

##### A. Interest Rates

The Company's obtains more favorable borrowing interest rates and financing channels in the market based on the timing of capital needs, and uses the funds for the most effective dispatch to reduce interest expenses. As of December 31, 2021, the short-term and long-term loans amounted to NT \$ 747,463 thousand. Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profits for the year ended December 31, 2021 would have increased/decreased by NT \$135 thousand.

##### B. Foreign Exchange Rates

The Company's uses the natural hedging method of balancing foreign currency assets and liabilities, combined with the actual hedging of forward foreign exchange transactions, to continuously control foreign currency positions to reduce the impact of exchange rate fluctuations on the company's profit and loss.

##### C. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

**Management of Finance Risk: transactions of high risk, high leverage investment, loan funds to others, endorsement, and derivatives commodity**

The Company did not engage in any high-risk or high-leveraged investments and procedures related to lending during the most recent fiscal year. The balance of endorsement for subsidiaries, due to business relations is See page 160~161 of the annual report till the end of December 31, 2021. The Company has promulgated its "Procedures for Acquisition or Disposal of Assets", "Procedure of External Lending" and "Procedures for Endorsement & Guarantee", Therefore, there is no significant adverse impact on the company's profit and loss.

**Future R&D plans and expected R&D investment expense**

Project Name	Status	Budget	Estimated Mass Production Time	Key Successful Factors
ABF FC Drill Bit Project	40%	12,000,000	Aug,2022	Cooperate between product design and coating teams
Drilling Big Data Application	20%		Dec,2022	Drilling big data can be collected through our own sub drilling factories
Drill Design Simulation System	50%		Dec,2022	Model Creating & Simulation Software's

- (1) ABF FC demands in the future in very big. It is necessary to develop specific drill bits for ABF FC applications.
- (2) By collecting drilling big data, it will be helpful to our sub drilling factories to share information.
- (3) We must catch up the rapid customer product trend and supply capable drill bits in time. And develop systematic product design process by suitable simulation software's can improve the drill bit design efficiency.

**The impact of change in major policies, and laws, in Taiwan, and abroad, upon the financial standing of the company and the countermeasures**

The operations of the company have all followed the relevant laws and regulations, and noticed the policy direction and corresponded with the strategy appropriately; therefore, the company can always effectively correspond and grasp the domestic and international important policy and legal changes.

**The impact of change in technology( Including information security risks )and industry upon the financial standing of the company and the countermeasures**

The company always attaches great attention to the relevant technology changes of the industry to grasp the market trend and assess the impact it may cause to the company operations.

In response to information security risks and countermeasures, the company has established comprehensive network and computer-related information security protection measures, through continuous review and evaluation of its information security regulations and procedures to ensure their appropriateness and effectiveness; In the future, in order to prevent and reduce the damage caused by such attacks, we will implement relevant improvement measures and continuously update them, regularly perform employee alertness tests and entrust external experts to perform information security assessments. In addition, the internal audit unit arranges an "information security" audit plan every year, and reports its audit results to the audit committee and the board of directors respectively.

**The impact of change in corporate image upon corporate risk management and the countermeasures**

Since the establishment of the company, it has been actively strengthening internal management, improving management quality and effectiveness, continuing to follow and implement various corporate governance requirements, setting up independent directors, and appointing relevant experts to provide timely advice to reduce the occurrence of risks and the impact of risks to the company.

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

**Expected Benefits from, Risks Relating to and Response to Facility Expansion Plans: None.**

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

The company strives to diversify its purchase suppliers or sales customers in order to reduce the risk of excessive concentration.

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

**Effects of, Risks Relating to and Response to Changes in Control over the Company: None.**

**Litigation and non-litigation matters**

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

**Other major risks and countermeasures**

For other risk management and operation situations, please visit the company's official website.  
<https://www.topoint.tw/tw/attention>

7. Other important matters: None.

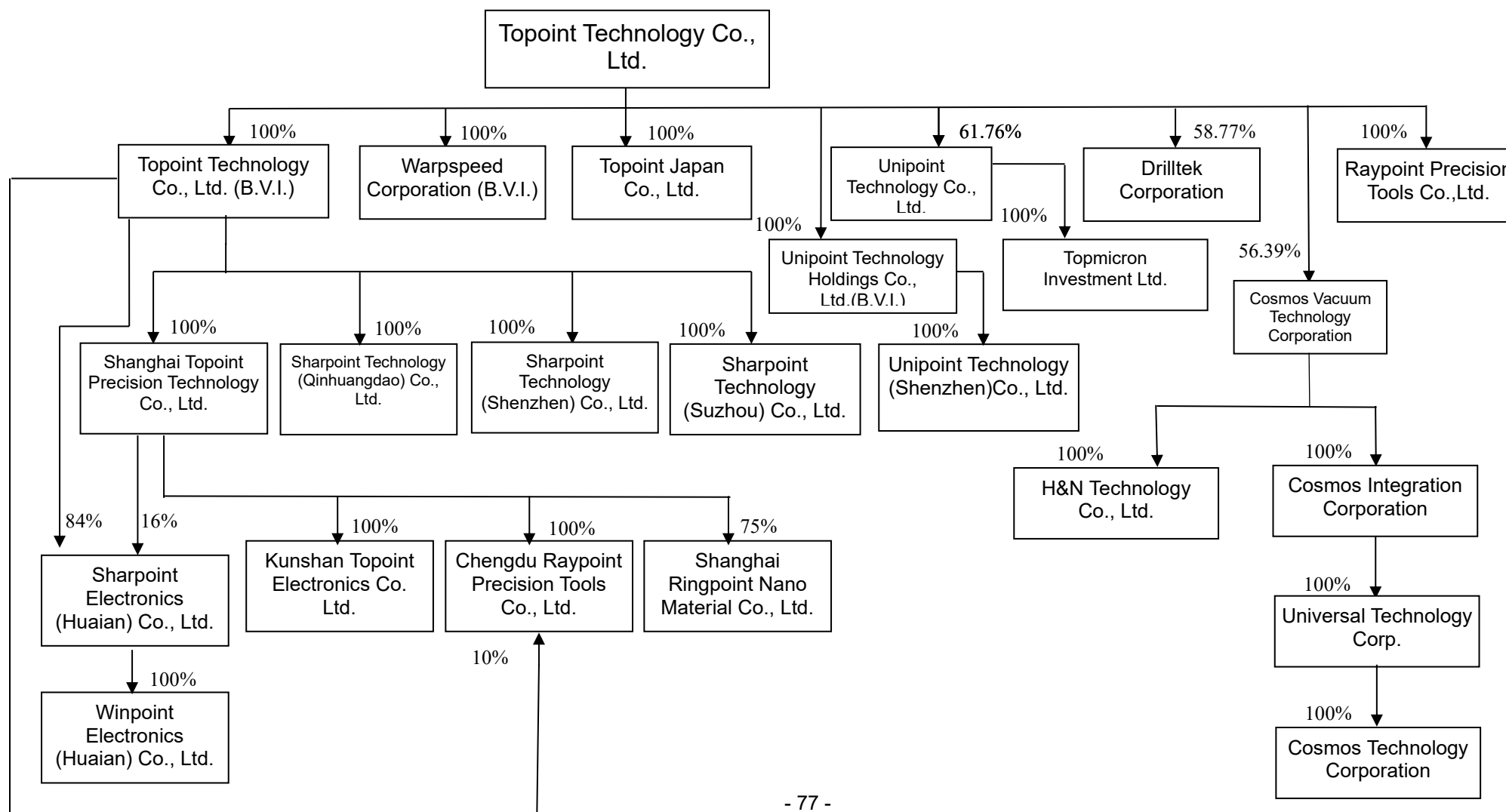


## VIII. Special Disclosures

### 1. Information of Affiliated Firms

#### A. Affiliates Consolidated Business Report

##### (1) Organization chart



## (2) Basic information

Name of the invested company	Area	Major business	Paid-up capital Unit: NT\$ 1,000
Topoint Technology Co., Ltd.(B.V.I.)	British Virgin Islands	International investment	1,772,629
Unipoint Technology Co., Ltd.	Republic of China	Testing of drill bits and mounting plate bolt holes	497,000
Warspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569
Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667
Unipoint Technology Holdings Co., Ltd.(B.V.I.)	British Virgin Islands	International investment	178,814
Raypoint Precision Tools Co.,Ltd.	Republic of Seychelles	International trade	1,511
Topmicron Investment Ltd.	Samoa	International investment	0
Drilltek Corporation	Republic of China	Testing of drill bits and mounting plate bolt holes	131,000
Cosmos Vacuum Technology Corporation	Republic of China	Vacuum coating and router bits	383,446
H&N Technology Co., Ltd.	St. Kitts and Nevis	International trade	6,939
Cosmos Integration Corporation	St. Kitts and Nevis	International investment	241,571
Universal Technology Corp.	St. Kitts and Nevis	International investment	215,793
Shanghai Topoint Precision Technology Co., Ltd.	China	Manufacturing and selling precision equipment and measurement facilities	1,443,066
Sharp Technology (Qinhuangdao) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	250,222
Unipoint Technology Holdings Co., Ltd.(B.V.I.)	British Virgin Islands	International investment	178,814
Sharp Technology (Shenzhen) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	147,583
Sharp Technology (Suzhou) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	177,872
Kunshan Topoint Electronics Co. Ltd.	China	Drilling bits	97,228
Sharp Electronics (Huaian) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	308,875
Chengdu Raypoint Precision Tools Co., Ltd.	China	Cutting equipment	453,943
Winpoint Electronics (Huaian) Co., Ltd.	China	Testing of drill bits and mounting plate bolt holes	25,341
Shanghai Ringpoint Nano Material Co., Ltd.	China	Processing metal products	58,660
Cosmos Technology Corporation	China	Vacuum coating and router bits	231,752

## (3) The shareholder's information presumed to have control and subordination:

None.

(4) The industry covered by the overall affiliates operating business

The operating business of the company and its affiliated enterprises include the R&D, manufacture, and sales of drills, etc.

(5) Affiliated enterprises directors, supervisors, and presidents

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Topoint Technology Co., Ltd. (B.V.I.)	Director	Topoint Technology Hsu-Ting, Lin	7,194	100%
Unipont Technology Co., Ltd.	Director	Topoint Technology Hsu-Ting, Lin	30,696,297	61.76%
Warpspeed Corporation (B.V.I.)	Director	Topoint Technology Hsu-Ting, Lin	50,000	100%
Topoint Japan Co., Ltd.	Director	Topoint Technology Hsu-Ting, Lin	600	100%
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Director	Topoint Technology Hsu-Ting, Lin	11,200	100%
Raypoint Precision Tools Co., Ltd.	Director	Topoint Technology Hsu-Ting, Lin	50,000	100%
Topmicron Investment Ltd.	Director	Topoint Technology Hsu-Ting, Lin	0	61.76%
Drilltek Corporation	Director	Topoint Technology Hsu-Ting, Lin	7,692,816	58.77%
Cosmos Vacuum Technology Corporation	Director	Topoint Technology Hsu-Ting, Lin	21,621,548	56.39%
H&N Technology Co., Ltd.	Director	Cosmos Vacuum Technology Tung-Ching, Sung	112,780	56.39%
Cosmos Integration Corporation	Director	Cosmos Vacuum Technology Tung-Ching, Sung	4,185,266	56.39%
Universal Technology Corp.	Director	Cosmos Vacuum Technology Tung-Ching, Sung	3,738,657	56.39%
Shanghai Topoint Precision Technology Co., Ltd.	Director	Hsu-Ting, Lin	-	-
	Director	Juo-Ping, Lin	-	-
	Director	Sheng-Chou, Weng	-	-
	Supervisor	Chang-Long, Yan	-	-
Sharpont Technology (Qinhuangdao) Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Juo-Ping, Lin	-	-
	Supervisor	Sheng-Chou, Weng	-	-
Unipoint Technology Shenzhen Co., Ltd.	Director	Zhen-Jian, Liu	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Juo-Ping, Lin	-	-
	Supervisor	Chang-Long, Yan	-	-
Sharpont Technology (Shenzhen) Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Juo-Ping, Lin	-	-
	Supervisor	Sheng-Chou, Weng	-	-
Sharpont Technology (Suzhou) Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Sheng-Chou, Weng	-	-

Company Name	Position	Name/Representative	Share holding	
			Amount	%
Kunshan Topoint Electronics Co. Ltd.	Supervisor	Juo-Ping, Lin	-	-
	Director	Sheng-Chou, Weng	-	-
	Director	Chang-Long, Yan	-	-
	Director	Jun-xi, Huang	-	-
	Supervisor	Juo-Ping, Lin	-	-
Sharpoint Electronics (Huaian) Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Sheng-Chou, Weng	-	-
	Supervisor	Juo-Ping, Lin	-	-
Chengdu Raypoint Precision Tools Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Zhan-Yang, Chen	-	-
	Director	Hsu-Ting, Lin	-	-
	Supervisor	Juo-Ping, Lin	-	-
Winpoint Electronics (Huaian) Co., Ltd.	Director	Chang-Long, Yan	-	-
	Director	Hsu-Ting, Lin	-	-
	Director	Sheng-Chou, Weng	-	-
	Supervisor	Juo-Ping, Lin	-	-
Shanghai Ringpoint Nano Material Co., Ltd.	Director	Sheng-Chou, Weng	-	-
	Director	Chang-Long, Yan	-	-
	Director	Ci-Fong, Hong	-	-
	Supervisor	Juo-Ping, Lin	-	-
Cosmos Technology Corporation	Director	Tung-Ching, Sung	-	-
	Supervisor	Jun-xi, Huang	-	-

**B. Affiliates Consolidated Financial Statements: See Page82~P170**

The affiliates of Topoint Technology Co., Ltd., which should have been included in the combined financial statements of Topoint Technology and its affiliates, as of 2021 (from January 1, 2021 to December 31, 2021), based on the “Principles and Guidelines for Preparation of the Affiliates Consolidated Business Report, Affiliates Consolidated Financial Statements, and the Report.”, are the same as those included in the consolidated financial statements of Topoint Technology and its subsidiaries as of 2020, prepared under the Statement of International Financial Reporting Standards (IFRS) No.10. The information required to be disclosed in the consolidated financial statements has already been disclosed in the above consolidated financial statements. Consequently, there is no need to prepare a separate consolidated financial statement of Topoint Technology and its affiliates.

**C. Affiliation Report: N/A**

2. Subscription of marketable securities privately in the most recent years: None.
3. The stock shares of the company held or disposed by the subsidiaries in the most recent years: None.
4. Supplementary disclosures: None.
5. Occurrence of events defined in Securities Transaction Law Article 36.3.2 that has great impact on shareholder's equity or security price in the most years and up to the date of the report printed: None.

Topoint Technology Co., Ltd  
Statement of Internal Control

February 24, 2022

The internal control self-assessment of Topoint Technology Co., Ltd. was conducted for the year ended December 31, 2021 based on the Company's internal control system. The results are described as following:

1. Topoint Technology Co., Ltd. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. Topoint Technology Co., Ltd. has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. Topoint Technology Co., Ltd. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. Topoint Technology Co., Ltd. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. Topoint Technology Co., Ltd. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of Topoint Technology Co., Ltd. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on February 24, 2022, with none of the seven attending directors expressing dissenting opinions on the content of the Statement.

Chairman David, Lin  
President Karen, Lin

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Topoint Technology Co., Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of Topoint Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### The Authenticity of Drill Revenue

Management may feel pressure to achieve planned results and, therefore, auditing standards generally accepted in the Republic of China presume there is a risk of fraud in revenue recognition. We have determined this to apply specifically to the authenticity of transactions of drill sales. Refer to Note 4 to the accompanying consolidated financial statements for the relevant accounting policy of revenue recognition.

By conducting tests of controls, we obtained an understanding of the Group's recognition of drill revenue and of its design and implementation of related controls, and analyzed the changes in the top ten drill sales from customers and the accounts receivable turnover rate; we checked the rationale of drill revenue recognition based on the transactions. We tested the occurrence of drill revenue transactions, we performed journal entry testing by selecting samples of drill revenue journals and matching them with the original orders and external shipping documents or customer receipt documents. We reviewed that there were no significant sales returns after the year end and confirmed that there are no material misstatements of drill revenue.

### **Other Matter**

We have also audited the parent company only financial statements of Topoint Technology Co., Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

We 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 consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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 audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020 (Retrospectively Adjusted) (Note 26)	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,577,744	34	\$ 2,076,110	33
Financial assets at fair value through profit or loss (Notes 4, 7 and 31)	739,226	10	867,099	14
Notes receivable (Notes 4, 9 and 22)	215,914	3	162,793	2
Accounts receivable (Notes 4, 9 and 22)	985,697	13	806,139	13
Accounts receivable - related parties (Notes 4, 22 and 32)	172,901	2	125,566	2
Other receivables (Notes 4 and 9)	56,214	1	125,882	2
Current tax assets (Notes 4 and 24)	641	-	938	-
Inventories (Notes 4 and 10)	687,653	9	482,352	7
Prepayments (Note 11)	33,330	1	14,851	-
Other current assets (Notes 16 and 33)	<u>17,454</u>	<u>-</u>	<u>630</u>	<u>-</u>
Total current assets	<u>5,486,774</u>	<u>73</u>	<u>4,662,360</u>	<u>73</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 31)	48,399	1	50,063	1
Property, plant and equipment (Notes 4, 13 and 33)	1,664,522	22	1,487,192	23
Right-of-use assets (Notes 4 and 14)	107,203	1	74,568	1
Intangible assets (Notes 4, 15 and 26)	38,057	-	9,029	-
Deferred tax assets (Notes 4 and 24)	47,009	1	49,255	1
Other non-current assets (Notes 16 and 20)	<u>143,368</u>	<u>2</u>	<u>34,191</u>	<u>1</u>
Total non-current assets	<u>2,048,558</u>	<u>27</u>	<u>1,704,298</u>	<u>27</u>
<b>TOTAL</b>	<u>\$ 7,535,332</u>	<u>100</u>	<u>\$ 6,366,658</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 33)	\$ 147,463	2	\$ 102,840	2
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 31)	1,034	-	508	-
Contract liabilities (Note 22)	264	-	1,286	-
Notes payable	94,205	1	7,320	-
Accounts payable (Note 18)	300,454	4	185,602	3
Accounts payable - related parties (Note 32)	748	-	374	-
Other payables (Note 19)	774,846	11	644,193	10
Current tax liabilities (Notes 4 and 24)	74,482	1	52,072	1
Lease liabilities (Notes 4 and 14)	13,824	-	8,793	-
Long-term borrowings - current portion (Notes 17 and 33)	-	-	15,500	-
Other current liabilities	<u>9,015</u>	<u>-</u>	<u>5,017</u>	<u>-</u>
Total current liabilities	<u>1,416,335</u>	<u>19</u>	<u>1,023,505</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion (Notes 17 and 33)	600,000	8	324,240	5
Lease liabilities (Notes 4 and 14)	44,814	1	15,714	1
Net defined benefit liabilities (Notes 4 and 20)	16,706	-	10,279	-
Guarantee deposits received	11,845	-	12,520	-
Deferred tax liabilities (Notes 4 and 24)	<u>222,607</u>	<u>3</u>	<u>193,380</u>	<u>3</u>
Total non-current liabilities	<u>895,972</u>	<u>12</u>	<u>556,133</u>	<u>9</u>
Total liabilities	<u>2,312,307</u>	<u>31</u>	<u>1,579,638</u>	<u>25</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Share capital	<u>1,421,805</u>	<u>19</u>	<u>1,421,805</u>	<u>22</u>
Capital surplus	<u>1,227,748</u>	<u>16</u>	<u>1,229,931</u>	<u>19</u>
Retained earnings				
Legal reserve	474,706	6	446,690	7
Special reserve	345,319	5	404,469	7
Unappropriated earnings	<u>1,540,587</u>	<u>21</u>	<u>1,286,905</u>	<u>20</u>
Total retained earnings	<u>2,360,612</u>	<u>32</u>	<u>2,138,064</u>	<u>34</u>
Other equity	<u>(363,234)</u>	<u>(5)</u>	<u>(345,319)</u>	<u>(5)</u>
Total equity attributable to owners of the Company	4,646,931	62	4,444,481	70
<b>NON-CONTROLLING INTERESTS</b>	<u>576,094</u>	<u>7</u>	<u>342,539</u>	<u>5</u>
Total equity	<u>5,223,025</u>	<u>69</u>	<u>4,787,020</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 7,535,332</u>	<u>100</u>	<u>\$ 6,366,658</u>	<u>100</u>

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020 (Retrospectively Adjusted) (Note 26)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 32)	\$ 3,800,700	101	\$ 3,001,350	101
LESS: SALES RETURNS	2,288	-	466	-
SALES DISCOUNTS AND ALLOWANCES	<u>24,666</u>	<u>1</u>	<u>27,458</u>	<u>1</u>
NET OPERATING REVENUE	3,773,746	100	2,973,426	100
OPERATING COSTS				
Operating costs (Notes 10, 23 and 32)	<u>2,539,688</u>	<u>67</u>	<u>2,004,162</u>	<u>67</u>
GROSS PROFIT	<u>1,234,058</u>	<u>33</u>	<u>969,264</u>	<u>33</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing	144,173	4	126,987	4
General and administrative (Note 32)	348,443	9	262,800	9
Research and development	121,259	3	111,785	4
Expected credit gain	<u>(5,044)</u>	<u>-</u>	<u>(4,413)</u>	<u>-</u>
Total operating expenses	<u>608,831</u>	<u>16</u>	<u>497,159</u>	<u>17</u>
OTHER OPERATING INCOME AND EXPENSES (Notes 23 and 32)	<u>17,775</u>	<u>-</u>	<u>(4,688)</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>643,002</u>	<u>17</u>	<u>467,417</u>	<u>16</u>
NON-OPERATING EXPENSES				
Interest income	43,185	1	18,444	-
Dividend income	1,965	-	1,634	-
Other income (Note 32)	9,675	-	22,197	1
Gain on disposals of investments (Note 27)	-	-	37,374	1
Gain or loss on valuation of financial instruments	18,937	1	27,566	1
Foreign exchange gain (loss), net (Note 23)	(9,631)	-	103	-
Loss on disposals of investments (Note 12)	-	-	(2,005)	-
Other expenses	(3,366)	-	(2,087)	-
Impairment loss (Notes 13 and 15)	(25,928)	(1)	(95,410)	(3)
Interest expense	<u>(12,494)</u>	<u>-</u>	<u>(9,673)</u>	<u>-</u>
Total non-operating expenses	<u>22,343</u>	<u>1</u>	<u>(1,857)</u>	<u>-</u>

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020 (Retrospectively Adjusted) (Note 26)	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 665,345	18	\$ 465,560	16
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(174,151)</u>	<u>(5)</u>	<u>(162,014)</u>	<u>(6)</u>
NET PROFIT	<u>491,194</u>	<u>13</u>	<u>303,546</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	534	-	(3,422)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(1,664)	-	(9,967)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	74	-	684	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation to the financial statements of foreign operations	<u>(21,362)</u>	<u>(1)</u>	<u>70,555</u>	<u>2</u>
Total other comprehensive income (loss)	<u>(22,418)</u>	<u>(1)</u>	<u>57,850</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 468,776</u>	<u>12</u>	<u>\$ 361,396</u>	<u>12</u>
NET PROFIT ATTRIBUTED TO:				
Owners of the Company	\$ 446,526	12	\$ 281,567	9
Non-controlling interests	<u>44,668</u>	<u>1</u>	<u>21,979</u>	<u>1</u>
	<u>\$ 491,194</u>	<u>13</u>	<u>\$ 303,546</u>	<u>10</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO:				
Owners of the Company	\$ 429,278	11	\$ 338,895	11
Non-controlling interests	<u>39,498</u>	<u>1</u>	<u>22,501</u>	<u>1</u>
	<u>\$ 468,776</u>	<u>12</u>	<u>\$ 361,396</u>	<u>12</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$3.14</u>		<u>\$1.98</u>	
Diluted	<u>\$3.09</u>		<u>\$1.95</u>	

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

(Concluded)

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	Equity Attributable to Owners of the Company					Other Equity (Note 21)		Non-controlling Interest (Retrospectively Adjusted) (Note 21)	Total Equity	
	Share Capital (Note 21)	Capital Surplus (Note 21)	Retained Earnings (Notes 4 and 21)			Exchange Differences on Translation to the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings (Retrospectively Adjusted)					
BALANCE AT JANUARY 1, 2020	\$ 1,421,805	\$ 1,230,872	\$ 428,201	\$ 279,177	\$ 1,321,558	\$ (431,379)	\$ 26,910	\$ 4,277,144	\$ 248,596	\$ 4,525,740
Appropriation of 2019 earnings										
Legal reserve	-	-	18,489	-	(18,489)	-	-	-	-	-
Special reserve	-	-	-	125,292	(125,292)	-	-	-	-	-
Cash dividends distributed by the Company (NT\$1.2 per share)	-	-	-	-	(170,617)	-	-	(170,617)	-	(170,617)
	-	-	18,489	125,292	(314,398)	-	-	(170,617)	-	(170,617)
Net profit for the year ended December 31, 2020	-	-	-	-	281,567	-	-	281,567	21,979	303,546
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(1,822)	69,329	(10,179)	57,328	522	57,850
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	279,745	69,329	(10,179)	338,895	22,501	361,396
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(1,537)	(1,537)
Difference between consideration and carrying amount of subsidiaries acquired (Note 26)	-	-	-	-	-	-	-	-	72,038	72,038
Changes in percentage of ownership interests in subsidiaries	-	(941)	-	-	-	-	-	(941)	941	-
BALANCE AT DECEMBER 31, 2020	1,421,805	1,229,931	446,690	404,469	1,286,905	(362,050)	16,731	4,444,481	342,539	4,787,020
Appropriation of 2020 earnings										
Legal reserve	-	-	28,016	-	(28,016)	-	-	-	-	-
Special reserve	-	-	-	(59,150)	59,150	-	-	-	-	-
Cash dividends distributed by the Company (NT\$1.58 per share)	-	-	-	-	(224,645)	-	-	(224,645)	-	(224,645)
	-	-	28,016	(59,150)	(193,511)	-	-	(224,645)	-	(224,645)
Net profit for the year ended December 31, 2021	-	-	-	-	446,526	-	-	446,526	44,668	491,194
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	667	(14,925)	(2,990)	(17,248)	(5,170)	(22,418)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	447,193	(14,925)	(2,990)	429,278	39,498	468,776
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(20,999)	(20,999)
Increase in non-controlling interests (Note 26)	-	-	-	-	-	-	-	-	213,382	213,382
Changes in percentage of ownership interests in subsidiaries	-	(2,183)	-	-	-	-	-	(2,183)	1,674	(509)
BALANCE AT DECEMBER 31, 2021	\$ 1,421,805	\$ 1,227,748	\$ 474,706	\$ 345,319	\$ 1,540,587	\$ (376,975)	\$ 13,741	\$ 4,646,931	\$ 576,094	\$ 5,223,025

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

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020 (Retrospectively Adjusted)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 665,345	\$ 465,560
Adjustments for:		
Depreciation	324,718	307,666
Amortization	2,578	3,881
Expected credit loss reversed	(5,044)	(4,413)
Gain on valuation of financial instruments	(18,937)	(27,566)
Interest expense	12,494	9,673
Interest income	(43,185)	(18,444)
Dividend income	(1,965)	(1,634)
(Gain) loss on disposal of property, plant and equipment	(17,775)	4,688
Gain on disposal of investment	-	(35,369)
Impairment loss	25,928	95,410
Net changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	25,860	16,246
Notes receivable	(50,744)	39,665
Accounts receivable	(38,350)	125,096
Accounts receivable - related parties	(47,335)	(5,975)
Other receivables	3,352	(4,247)
Inventories	(61,045)	(41,992)
Prepayments	(12,275)	21,361
Other current assets	(179)	(444)
Contract liabilities	(1,022)	(1,559)
Notes payable	(9,040)	(20,038)
Accounts payable	65,420	3,284
Accounts payable - related parties	374	200
Other payables	105,395	42,869
Other current liabilities	3,299	31
Net defined benefit liability	(6,196)	475
Cash generated from operations	921,671	974,424
Interest received	7,712	15,291
Interest paid	(12,441)	(9,928)
Income tax paid	(106,878)	(83,747)
Net cash generated from operating activities	810,064	896,040
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for financial assets at fair value through profit or loss	(10,854)	(651,099)
Proceeds from financial assets at fair value through profit or loss	186,692	367,332
Disposal of investments accounted for using the equity method	-	8,239
Net cash outflow on acquisition of subsidiaries (Note 26)	(173,162)	(74,116)
Net cash inflow on disposal of subsidiaries (Note 27)	-	42,183

(Continued)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020 (Retrospectively Adjusted)
Payments for property, plant and equipment (Note 29)	\$ (467,649)	\$ (215,788)
Proceeds from disposal of property, plant and equipment (Note 29)	152,114	151,769
Increase in refundable deposits	(1,532)	(2,208)
Payments for intangible assets	(1,322)	(8,601)
Decrease in other non-current assets	458	986
Dividends received	<u>1,965</u>	<u>1,634</u>
Net cash used in investing activities	<u>(313,290)</u>	<u>(379,669)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in short-term borrowings	14,118	13,689
Proceeds from long-term borrowings	300,000	-
Repayments of long-term borrowings	(39,474)	(71,781)
Net decrease in guarantee deposits received	(675)	(231)
Repayment of the principal portion of lease liabilities	(13,220)	(7,977)
Cash dividends paid	(224,645)	(170,617)
Changes in non-controlling interests	11,954	(706)
Dividends paid to non-controlling interests	<u>(20,999)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>27,059</u>	<u>(237,623)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(22,199)</u>	<u>34,465</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,634	313,213
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,076,110</u>	<u>1,762,897</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,577,744</u>	<u>\$ 2,076,110</u>

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

(Concluded)

# TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Topoint Technology Co., Ltd. (the “Company”) was incorporated in 1996. On May 10, 2000, the Securities and Futures Commission (SFC) approved the Company’s application to become a public company. Since December 21, 2004, the Company’s shares have been traded on the Taipei Exchange (TPEX). Later, when the Company’s shares ceased to be traded over the counter, the Company’s shares became listed on the Taiwan Stock Exchange (TWSE) in January 2008. The Company mainly manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in the manufacture of PCB.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 24, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”	January 1, 2021

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.



- b. The IFRSs endorsed by the FSC for application starting from 2022

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **Basis of Preparation**

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

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

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

##### **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

See Note 12, Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

### **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurred, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

### **Foreign Currencies**

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries' operations in other countries or currencies used different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

### **Inventories**

Inventories consist of raw materials, supplies, work in process, finished goods and merchandise and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost on the balance sheet date.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Intangible Assets**

Intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets acquired in a business combination are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

### **Impairment of Property, Plant and Equipment, Right-of-use Assets and Identifiable Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value, any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 360 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Financial liabilities

The Group derecognizes financial liabilities only when, the Group's obligations are discharged or canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

c. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

## **Revenue Recognition**

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

a. Revenue from the sale of goods

Revenue from the sale of goods comes from sales of micro-drill bits for PCBs and precision metal products. Sales of these goods are recognized as revenue when the goods are shipped because it is the time when the customer has full the discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

b. Revenue from the rendering of services

Revenue from the rendering of services comes from testing of drill bits, mounting plate blot holes, manufacturing of metal products and purchasing equipment on behalf of other customers.

As the Group provides drill bits and mounting plate blot holes, customers simultaneously receive and consume the benefits provided by the Groups performance. Consequently, the related revenue is recognized when services are rendered.



For services in purchasing equipment on behalf of customers, the Group does not control the equipment before it is transferred to the customer. The Group neither is responsible for the customer's acceptance of the equipment nor commits itself to obtain the goods from the suppliers before the equipment is purchased by the customer and thus does not take on any inventory risk. Consequently, the Group is an agent and its performance obligation is to procure the equipment on behalf of the customer. The Group recognizes revenue in the net amount of consideration received or receivable when the equipment is transferred to the customer, and the Group has no further obligations to the customer.

## **Leasing**

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### **a. The Group as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

### **b. The Group as lessee**

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## **Employee Benefits**

### **a. Short-term employee benefits**

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies, estimates and underlying assumptions adopted by the Group have no critical accounting judgments and estimation uncertainty after evaluation by the management of the Group.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 1,323	\$ 775
Checking accounts and demand deposits	699,128	700,244
Cash equivalents		
Time deposits	<u>1,877,293</u>	<u>1,375,091</u>
	<u>\$ 2,577,744</u>	<u>\$ 2,076,110</u>

The market interest rate intervals of demand deposits and time deposits at the end of reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.001%-1.00%	0.001%-0.46%
Time deposits	0.30%-3.58%	0.20%-3.85%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Non-derivative financial assets		
Mutual funds	\$ 53,505	\$ 54,584
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts (a)	383	79
Hybrid financial assets		
Structured deposit (b)	<u>685,338</u>	<u>812,436</u>
	<u>\$ 739,226</u>	<u>\$ 867,099</u>

### Financial liabilities held for trading

Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts (a)	<u>\$ 1,034</u>	<u>\$ 508</u>

- a. At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	<b>Currency</b>	<b>Maturity</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2021</u>			
Sell	JPY/NTD	2022.01.27	JPY1,900/NTD476
Sell	JPY/NTD	2022.02.24	JPY1,686/NTD421
Sell	JPY/NTD	2022.03.24	JPY715/NTD173
Sell	JPY/NTD	2022.04.25	JPY2,000/NTD484
Sell	KRW/USD	2022.01.07	KRW346,000/USD288
Sell	KRW/USD	2022.02.09	KRW191,000/USD159
Sell	KRW/USD	2022.02.09	KRW215,000/USD184
Sell	KRW/USD	2022.02.09	KRW69,000/USD58
Sell	KRW/USD	2022.03.07	KRW83,000/USD70
Sell	KRW/USD	2022.03.07	KRW240,000/USD201
Sell	KRW/USD	2022.03.07	KRW98,000/USD82
Sell	KRW/USD	2022.04.07	KRW86,000/USD72
Sell	KRW/USD	2022.04.07	KRW176,000/USD147
Sell	USD/NTD	2022.01.07	USD288/NTD8,053

(Continued)

	Currency	Maturity	Notional Amount (In Thousands)
Sell	USD/NTD	2022.01.20	USD920/NTD25,538
Sell	USD/NTD	2022.02.09	USD159/NTD4,444
Sell	USD/NTD	2022.02.09	USD184/NTD5,103
Sell	USD/NTD	2022.02.09	USD58/NTD1,608
Sell	USD/NTD	2022.02.09	USD70/NTD1,933
Sell	USD/NTD	2022.02.17	USD550/NTD15,190
Sell	USD/NTD	2022.03.07	USD201/NTD5,576
Sell	USD/NTD	2022.03.07	USD82/NTD2,285
Sell	USD/NTD	2022.04.07	USD72/NTD2,003
Sell	USD/NTD	2022.04.07	USD147/NTD4,092
Buy	NTD/JPY	2022.10.24	NTD17,688/JPY71,610
Buy	NTD/JPY	2022.11.25	NTD17,795/JPY71,610

December 31, 2020

Sell	JPY/NTD	2021.01.22	JPY400/NTD110
Sell	JPY/NTD	2021.02.25	JPY120/NTD32
Sell	JPY/NTD	2021.03.25	JPY900/NTD246
Sell	KRW/USD	2021.01.08	KRW290,000/USD256
Sell	KRW/USD	2021.02.09	KRW180,000/USD162
Sell	KRW/USD	2021.03.09	KRW110,000/USD99
Sell	USD/NTD	2021.01.08	USD256/NTD7,315
Sell	USD/NTD	2021.02.09	USD162/NTD4,601
Sell	USD/NTD	2021.03.09	USD99/NTD2,792

(Concluded)

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The purpose of its financial hedging strategy is to avoid price volatility of primary markets.

- b. The Group entered into 92-188 days structured time deposit contract. The structured time deposit contract includes an embedded derivative instrument which is not closely related to the host contract. The entire contract is assessed and mandatorily classified as at FVTPL since it contained a host that is an asset within the scope of IFRS 9.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Zhen Ding Technology Holding Limited	\$ 36,320	\$ 41,199
Unlisted shares		
Ordinary shares - Chipboard Technology Corporation	<u>12,079</u>	<u>8,864</u>
	<u>\$ 48,399</u>	<u>\$ 50,063</u>

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
<u>Notes receivable</u>		
At amortized cost	\$ <u>215,914</u>	\$ <u>162,793</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 985,697	\$ 811,208
Less: Allowance for impairment loss	<u>-</u>	<u>5,069</u>
	\$ <u>985,697</u>	\$ <u>806,139</u>
<u>Other receivables</u>		
Interests receivable	\$ 38,676	\$ 3,203
Purchase of equipment on other's behalf	10,711	11,942
Bank retention accounts	3,288	2,232
Equipment receivable	-	102,311
Export tax rebate	-	745
Others	<u>3,539</u>	<u>5,449</u>
	\$ <u>56,214</u>	\$ <u>125,882</u>

### a. Notes receivable

The average credit period of sales of goods is 90 to 120 days. In determining the recoverability of a note receivable, the Group considered any change in the credit quality of the note receivable since the date credit was initially granted to the end of the reporting period. The notes receivable that are past due recognized 100% allowance for bad debt. As of the reporting date, the Group had no notes receivables that were past due or impaired.

### b. Accounts receivable

#### 1) At amortized cost

The average credit period of sales of goods was from 90 to 150 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base. The Group evaluates the prospect of recovery based on the past due days of accounts receivable and determine the credit losses with the respective risks of default occurring as the weights.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

#### December 31, 2021

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	120 to 180 Days	180 to 360 Days	Over 361 Days	Total
Expected credit loss rate	0%	0%	0%	-	-	-	-	
Gross carrying amount	\$ 970,223	\$ 15,424	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 985,697
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-	-
Amortized cost	<u>\$ 970,223</u>	<u>\$ 15,424</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 985,697</u>

#### December 31, 2020

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	120 to 180 Days	180 to 360 Days	Over 361 Days	Total
Expected credit loss rate	0%	0%-0.1%	-	-	-	-	100%	
Gross carrying amount	\$ 793,903	\$ 12,246	\$ -	\$ -	\$ -	\$ -	\$ 5,059	\$ 811,208
Loss allowance (Lifetime ECL)	-	(10)	-	-	-	-	(5,059)	(5,069)
Amortized cost	<u>\$ 793,903</u>	<u>\$ 12,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 806,139</u>

The movements of the loss allowance of trade receivables were as follows:

	2021	2020
Balance at January 1	\$ 5,069	\$ 9,510
Add: Acquisition through business combinations	238	-
Less: Amounts written off	(226)	(90)
Less: Impairment loss reversed	(5,044)	(4,413)
Foreign exchange gain (loss)	<u>(37)</u>	<u>62</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 5,069</u>

## 2) At FVTPL

For accounts receivable from related parties, the Group will sell them to banks without recourse. The sale will result in derecognizing these trade receivables because the Group will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL because the objective of the Group's business model is neither to collect contractual cash flows nor achieved by collecting contractual cash flows and selling financial assets.

Factored trade receivables for the years ended December 31, 2021 and 2020 were as follows:

### December 31, 2021

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
Mega International Commercial Bank	<u>\$ 81,956</u>	<u>\$ 27,014</u>	<u>\$ 23,726</u>	<u>\$ 652</u>	<u>\$ 2,636</u>	0.94	US\$ 3,000 thousand

### December 31, 2020

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
Mega International Commercial Bank	<u>\$ 96,992</u>	<u>\$ 17,703</u>	<u>\$ 15,471</u>	<u>\$ 513</u>	<u>\$ 1,719</u>	0.85	US\$ 3,000 thousand

The above credit line may be used on a revolving basis.

The above factored accounts receivable have not been received and the retention amounts were reclassified to other receivables - bank retention accounts.

## 3) Other receivables

The Group assesses other receivables for impairment when there is objective evidence of receivable being impaired.

As of the reporting date, the Group had no other receivables that were past due or impaired.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 264,774	\$ 164,691
Supplies	108,042	89,320
Work in process	67,222	37,654
Finished goods	246,983	145,978
Merchandise	<u>632</u>	<u>44,709</u>
	<u>\$ 687,653</u>	<u>\$ 482,352</u>



The nature of cost of goods sold is as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 2,535,947	\$ 1,998,855
Inventory write-downs	<u>3,741</u>	<u>5,307</u>
	<u><b>\$ 2,539,688</b></u>	<u><b>\$ 2,004,162</b></u>

## 11. PREPAYMENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepayment for expense	\$ 15,612	\$ 10,863
Prepaid value-added tax	12,610	722
Prepaid purchases	<u>5,108</u>	<u>3,266</u>
	<u><b>\$ 33,330</b></u>	<u><b>\$ 14,851</b></u>

## 12. SUBSIDIARIES INCLUDED IN CONSOLIDATED FINANCIAL STATEMENTS

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2021	2020	
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	International investment	100.00	100.00	
	Unipoint Technology Co., Ltd.	Processing print circuit board	61.76	61.76	
	Warspeed Corporation (B.V.I.)	International trade	100.00	100.00	
	Topoint Japan Co., Ltd.	Selling electronic components	100.00	100.00	
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	International investment	100.00	100.00	
	E-point Precision Tools Co., Ltd.	Selling cutting tools	-	-	Note 1
	Raypoint Precision Tools Co., Ltd.	International trade	100.00	100.00	
	Drilltek Corporation	Processing print circuit board	58.72	58.77	Note 6
	Cosmos Vacuum Technology Corporation	Vacuum coating and router bits	56.39	-	Note 8
Topoint Technology Co., Ltd. (B.V.I.)	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	100.00	100.00	
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Technology (Shenzhen) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Technology (Suzhou) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	84.00	84.00	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting tools	-	10.00	Note 2

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31		
			2021	2020	
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Manufacturing, processing and selling print circuit board	75.00	75.00	
	Kunshan Topoint Technology Co., Ltd.	Drilling bits	100.00	100.00	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	16.00	16.00	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting tools	100.00	90.00	Note 2
	Shanghai Hejin Roller Technology Co., Ltd.	Manufacturing and selling machinery parts	-	-	Note 3
	Shanghai Ringpoint Nano Material Co., Ltd.	Processing metal products	75.00	81.83	Note 4
Sharpoint Electronics (Huaian) Co., Ltd.	Winpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate blot holes	100.00	100.00	
Unipoint Technology Co., Ltd.	Topmicron Investment Ltd.	International investment	100.00	100.00	
Topmicron Investment Ltd.	Sharpoint Electronics (Suzhou) Co., Ltd.	Processing print circuit board	-	-	Note 5
Drilltek Corporation	Yifeng Co., Ltd.	Manufacturing electronic components	-	-	Note 7
Cosmos Vacuum Technology Corporation	H&N Technology Co., Ltd.	International trade	100.00	-	Note 8
	Cosmos Integration Corp.	International investment	100.00	-	Note 8
Cosmos Integration Corp.	Universal Technology Corp.	International investment	100.00	-	Note 8
Universal Technology Corp.	Cosmos Electronic Technology (Kunshan) Co., Ltd.	Vacuum coating and router bits	100.00	-	Note 8

(Concluded)

Note 1: E-point Precision Tools Co., Ltd. was dissolved in July 2020, and the liquidation process was completed in April 2021, and the shares of E-point Precision Tools Co., Ltd. were refunded to the Company in August 2020.

Note 2: Topoint Technology Co., Ltd. (B.V.I.) disposed of 10% equity of Chengdu Raypoint Precision Tools Co., Ltd to Shanghai Topoint Precision Technology Co., Ltd.

Note 3: Shanghai Topoint Co., Ltd. subscribed for additional new share of Shanghai Hejin Roller Technology Co., Ltd. in August 2020. Therefore, the ownership interest in Shanghai Hejin Roller Technology Co., Ltd. increased from 86.27% to 86.75%. Shanghai Topoint Co., Ltd. disposed of all equity interests in September 2020, refer to Note 27.

Note 4: Non-controlling interests of Shanghai Ringpoint Nano Material Co., Ltd. were transferred from retained earnings to capital in April 2021. Therefore, the ownership interest of Shanghai Topoint Co., Ltd. in Shanghai Ringpoint Nano Material Co., Ltd. decreased from 81.83% to 75%.

Note 5: Topmicron Investment Ltd. completed its liquidation in December 2020.

Note 6: On September 30, 2021, the Company acquired 58.77% equity of Drilltek Corporation. Drilltek Corporation increase cash capital of 30,000 thousand in July 2021. the Company participated in share subscription of Drilltek Corporation resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest of the Company in Drilltek Corporation decreased from 58.77% to 58.72%.

Note 7: Yifeng Co., Ltd. was dissolved in November 2020, and the liquidation process was completed in July 2021, and the shares of Yifeng Co., Ltd. were refunded to Drilltek Corporation in December 2020.

Note 8: Topoint Technology Co., Ltd. (B.V.I.) acquired 56.29% equity of Cosmos Vacuum Technology

Co., Ltd. For related information on business combination, refer to Note 26. The Company acquired 39,204 shares of Cosmos Vacuum Technology Co., Ltd. for \$509 thousand. Therefore, the ownership interest of the Company in Cosmos Vacuum Technology Co., Ltd increased from 56.29% to 56.39%.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2021	2020
Unipoint Technology Co., Ltd.	Taoyuan City	38.24%	38.24%
Cosmos Vacuum Technology Co., Ltd.	New Taipei City	43.61%	-

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Unipoint Technology Co., Ltd.	\$ 7,052	\$ 13,492	\$ 258,735	\$ 251,684
Cosmos Vacuum Technology Co., Ltd.	\$ 9,443	\$ -	\$ 196,491	\$ -

The summarized financial information below represents the amounts before intragroup elimination and after consideration of acquisition premium amortization.

Unipoint Technology Co., Ltd. and Subsidiaries

	December 31	
	2021	2020
Current assets	\$ 594,808	\$ 670,555
Non-current assets	254,797	135,771
Current liabilities	(160,413)	(147,856)
Non-current liabilities	(12,583)	(300)
Equity	\$ 676,609	\$ 658,170
Equity attributable to:		
Owners of Unipoint Technology Co., Ltd.	\$ 417,874	\$ 406,486
Non-controlling interests of Unipoint Technology Co., Ltd.	258,735	251,684
	\$ 676,609	\$ 658,170

	2021	2020
Revenue	\$ 184,590	\$ 266,842
Profit for the year	<u>\$ 18,439</u>	<u>\$ 35,282</u>
Profit attributable to:		
Owners of Unipoint Technology Co., Ltd.	\$ 11,387	\$ 21,790
Non-controlling interests of Unipoint Technology Co., Ltd.	<u>7,052</u>	<u>13,492</u>
	<u>\$ 18,439</u>	<u>\$ 35,282</u>
Net cash inflow (outflow) from:		
Operating activities	\$ 8,097	\$ 144,208
Investing activities	(82,029)	5,077
Financing activities	<u>29,702</u>	<u>(16,357)</u>
Net cash inflow (outflow)	<u>\$ (44,230)</u>	<u>\$ 132,928</u>
Dividends paid to non-controlling interests of:		
Unipoint Technology Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

Cosmos Vacuum Technology Co., Ltd. and Subsidiaries

	December 31, 2021
Current assets	\$ 503,691
Non-current assets	115,528
Current liabilities	(160,617)
Non-current liabilities	<u>(8,039)</u>
Equity	<u>\$ 450,563</u>
Equity attributable to:	
Owners of Cosmos Vacuum Technology Co., Ltd.	\$ 254,072
Non-controlling interests of Cosmos Vacuum Technology Co., Ltd.	<u>196,491</u>
	<u>\$ 450,563</u>
	2021
Revenue	<u>\$ 333,898</u>
Profit for the year	<u>\$ 21,654</u>
Profit attributable to:	
Owners of Cosmos Vacuum Technology Co., Ltd.	\$ 12,211
Non-controlling interests of Cosmos Vacuum Technology Co., Ltd.	<u>9,443</u>
	<u>\$ 21,654</u>

(Continued)

**2021**

Net cash inflow (outflow) from:

Operating activities	\$ 88,995
Investing activities	(9,077)
Financing activities	<u>(35,675)</u>

Net cash inflow \$ 44,243

Dividends paid to non-controlling interests of:

Cosmos Vacuum Technology Co., Ltd.	<u>\$ 13,408</u>
	(Concluded)

**13. PROPERTY, PLANT AND EQUIPMENT**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b> (Retrospectively Adjusted)
Assets used by the Group	<u>\$ 1,664,522</u>	<u>\$ 1,487,192</u>

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment to Be Inspected or under Construction	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 75,652	\$ 579,315	\$ 5,997,489	\$ 22,203	\$ 12,182	\$ 254,974	\$ 225,011	\$ 7,166,826
Acquisition through business combinations (Note 26)	-	6,717	382,167	4,103	1,059	24,689	-	418,735
Additions	-	2,321	266,792	91	3,878	55,017	122,920	451,019
Disposals	-	-	(188,343)	(2,664)	(783)	(6,126)	-	(197,916)
Reclassification	-	213,320	6,387	-	-	303	(220,010)	-
Effect of foreign currency exchange differences	-	(1,621)	(28,159)	(180)	(21)	(658)	(1,192)	(31,831)
Balance at December 31, 2021	<u>75,652</u>	<u>800,052</u>	<u>6,436,333</u>	<u>23,553</u>	<u>16,315</u>	<u>328,199</u>	<u>126,729</u>	<u>7,806,833</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	-	340,293	5,126,005	10,525	10,478	192,333	-	5,679,634
Acquisition through business combinations (Note 26)	-	4,509	292,404	3,343	876	17,643	-	318,775
Depreciation expense	-	28,814	252,162	3,319	939	25,034	-	310,268
Impairment losses recognized	-	-	24,981	762	-	185	-	25,928
Disposals	-	-	(157,034)	(2,112)	(727)	(6,015)	-	(165,888)
Effect of foreign currency exchange differences	-	(790)	(24,944)	(114)	(16)	(542)	-	(26,406)
Balance at December 31, 2021	<u>-</u>	<u>372,826</u>	<u>5,513,574</u>	<u>15,723</u>	<u>11,550</u>	<u>228,638</u>	<u>-</u>	<u>6,142,311</u>
Carrying amount at December 31, 2021	<u>\$ 75,652</u>	<u>\$ 427,226</u>	<u>\$ 922,759</u>	<u>\$ 7,830</u>	<u>\$ 4,765</u>	<u>\$ 99,561</u>	<u>\$ 126,729</u>	<u>\$ 1,664,522</u>
<u>Cost</u>								
Balance at January 1, 2020	\$ 75,652	\$ 573,554	\$ 5,964,659	\$ 22,876	\$ 13,285	\$ 215,242	\$ 173,366	\$ 7,038,634
Acquisition through business combinations (Note 26)	-	-	475,495	440	-	66,857	-	542,792
Additions	-	7,853	153,703	1,942	225	6,568	53,426	223,717
Disposals	-	(6,592)	(573,864)	(3,845)	(1,339)	(28,249)	-	(613,889)
Reclassification	-	-	1,446	1,022	-	1,924	(4,392)	-
Disposal of subsidiaries (Note 27)	-	(120)	(45,294)	(369)	(45)	(7,466)	(1,031)	(54,325)
Effect of foreign currency exchange differences	-	4,620	21,344	137	56	98	3,642	29,897
Balance at December 31, 2020	<u>75,652</u>	<u>579,315</u>	<u>5,997,489</u>	<u>22,203</u>	<u>12,182</u>	<u>254,974</u>	<u>225,011</u>	<u>7,166,826</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment to Be Inspected or under Construction	Total
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 321,026	\$ 4,773,282	\$ 10,577	\$ 10,474	\$ 171,806	\$ -	\$ 5,287,165
Acquisition through business combinations (Note 26)	-	-	400,082	382	-	32,835	-	433,299
Depreciation expense	-	18,754	260,119	3,336	1,059	15,202	-	298,470
Impairment losses recognized	-	44	83,672	18	29	1,840	1,033	86,636
Disposals	-	(1,721)	(359,381)	(3,479)	(1,084)	(23,390)	-	(389,055)
Disposal of subsidiaries (Note 27)	-	(120)	(45,294)	(369)	(45)	(6,016)	(1,031)	(52,875)
Effect of foreign currency exchange differences	-	2,310	13,525	60	45	56	(2)	15,994
Balance at December 31, 2020	-	340,293	5,126,005	10,525	10,478	192,333	-	5,679,634
Carrying amount at December 31, 2020	\$ 75,652	\$ 239,022	\$ 871,484	\$ 11,678	\$ 1,704	\$ 62,641	\$ 225,011	\$ 1,487,192

(Concluded)

As a result of the consideration of the future operation plan and the existing production capacity, the Group has assessed that some of the drill bit supporting service equipment did not meet the production needs and the estimated recoverable amount was zero. The review led to the recognition of an impairment loss of \$25,928 thousand, which was recognized in non-operating expenses for the year ended December 31, 2021.

As a result of the decline in market sales of the products of Shanghai Hejin Roller Technology Co., Ltd., the estimated future cash flows expected to arise from the related equipment decreased. The review led to the recognition of an impairment loss of \$16,456 thousand, the discount rate is 5.18%, which was recognized in non-operating expenses for the year ended December 31, 2020.

As a result of the decline in market sales of the products in the Chengdu Raypoint Precision Tools Co., Ltd. the estimated future cash flows expected to arise from the related equipment decreased. The review led to the recognition of an impairment loss of \$70,180 thousand, the discount rate is 4.98%, which was recognized in non-operating expenses for the year ended December 31, 2020.

The items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	
Main buildings	10-50 years
Elevators	8-15 years
Decorating constructions	3-10 years
Machinery and equipment	3-10 years
Transportation equipment	3-5 years
Office equipment	3-5 years
Miscellaneous equipment	3-10 years

Refer to Note 33 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Land use right	\$ 48,588	\$ 50,077
Buildings	53,017	21,777
Transportation equipment	<u>5,598</u>	<u>2,714</u>
	<u>\$ 107,203</u>	<u>\$ 74,568</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition through business combinations (Note 26)	<u>\$ -</u>	<u>\$ 18,065</u>
Additions to right-of-use assets	<u>\$ 47,356</u>	<u>\$ 2,116</u>
Depreciation charge for right-of-use assets		
Land use right	\$ 1,221	\$ 1,205
Buildings	10,526	7,298
Transportation equipment	<u>2,703</u>	<u>693</u>
	<u>\$ 14,450</u>	<u>\$ 9,196</u>

Except for the addition and the depreciation expenses listed above there was no indication of impairment of the right-of-use assets and no significant sublease for the years ended December 31, 2021 and 2020, respectively.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 13,824</u>	<u>\$ 8,793</u>
Non-current	<u>\$ 44,814</u>	<u>\$ 15,714</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	1.50%-4.75%	1.50%-4.75%
Transportation equipment	1.14%-4.75%	1.14%-4.75%

### c. Material lease-in activities and terms

The Group leases certain transportation equipment with lease terms of 2 years. The Group does not have bargain purchase options to acquire transportation equipment at the end of the lease terms.

The Group also leases certain buildings for the use of plants, office spaces and dormitories with lease terms of 2 to 10 years. The Group does not have bargain purchase options to acquire transportation equipment at the end of the lease terms.

The land use right is amortized by the straight-line method over 49-50 years.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to short-term leases	<u>\$ 940</u>	<u>\$ 2,328</u>
Expenses relating to low-value asset leases	<u>\$ 357</u>	<u>\$ 416</u>
Total cash outflow for leases	<u>\$ (15,509)</u>	<u>\$ (11,111)</u>

The Group's leases of certain transportation equipment, buildings for the use of plants, office spaces and dormitories qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b> <b>(Retrospectively Adjusted)</b>
<u>Carrying value for each classification</u>		
Computer software	\$ 5,213	\$ 5,769
Patents	-	-
Goodwill	<u>32,844</u>	<u>3,260</u>
	<u>\$ 38,057</u>	<u>\$ 9,029</u>

The Company acquired 58.77% equity of Drilltek Corporation in September 2020. For related information on business combination, refer to Note 26.

The Company acquired 56.29% equity of Cosmos Vacuum Technology Co., Ltd. in March 2021; the initial accounting for a business combination was incomplete by the end of the reporting period; thus, the Group reported provisional amounts of goodwill of \$29,584 thousand on the balance sheet date. For related information on business combination, refer to Note 26.



Movements in computer software and patents were as follows:

	<b>Computer Software</b>	<b>Patents</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2021	\$ 8,588	\$ -	\$ 8,588
Additions	1,322	-	1,322
Acquisition through business combinations (Note 26)	1,898	-	1,898
Effect of foreign currency exchange differences	<u>(23)</u>	<u>-</u>	<u>(23)</u>
Balance at December 31, 2021	<u>11,785</u>	<u>-</u>	<u>11,785</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2021	2,819	-	2,819
Amortization expense	2,578	-	2,578
Acquisition through business combinations (Note 26)	1,186	-	1,186
Effect of foreign currency exchange differences	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Balance at December 31, 2021	<u>6,572</u>	<u>-</u>	<u>6,572</u>
Carrying amount at December 31, 2021	<u>\$ 5,213</u>	<u>\$ -</u>	<u>\$ 5,213</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 4,714	\$ 27,411	\$ 32,125
Additions	6,579	2,022	8,601
Disposals	(2,776)	(368)	(3,144)
Disposal of subsidiaries (Note 27)	-	(28,906)	(28,906)
Effect of foreign currency exchange differences	<u>71</u>	<u>(159)</u>	<u>(88)</u>
Balance at December 31, 2020	<u>8,588</u>	<u>-</u>	<u>8,588</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	3,227	15,940	19,167
Amortization expense	2,340	1,541	3,881
Impairment losses recognized	-	8,774	8,774
Disposals	(2,776)	(368)	(3,144)
Disposal of subsidiaries (Note 27)	-	(25,775)	(25,775)
Effect of foreign currency exchange differences	<u>28</u>	<u>(112)</u>	<u>(84)</u>
Balance at December 31, 2020	<u>2,819</u>	<u>-</u>	<u>2,819</u>
Carrying amount at December 31, 2020	<u>\$ 5,769</u>	<u>\$ -</u>	<u>\$ 5,769</u>

As a result of the decline in market sales of the products of Shanghai Hejin Roller Technology Co., Ltd., the estimated future cash flows expected to arise from the related patents decreased. The review led to the recognition of an impairment loss of \$8,774 thousand, the discount rate is 5.18%, which was recognized in non-operating expenses for the year ended December 31, 2020.

There was no indication of impairment of the intangible assets for the year ended December 31, 2021.

The intangible assets are amortized on a straight-line basis over the following estimated useful lives of the assets:

Computer software	1-5 years
Patents	5-13 years

## 16. OTHER ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current</u>		
Restricted deposits	\$ 16,736	\$ -
Payment on behalf of others	592	568
Others	<u>126</u>	<u>62</u>
	<u>\$ 17,454</u>	<u>\$ 630</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 109,992	\$ 7,172
Refundable deposits	18,410	\$ 13,595
Long-term prepaid expenses	10,931	10,414
Net defined benefit asset (Note 20)	<u>4,035</u>	<u>3,010</u>
	<u>\$ 143,368</u>	<u>\$ 34,191</u>

The restricted deposits pledged as collateral are set out in Note 33.

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Unsecured borrowings	\$ 121,463	\$ 102,840
Secured borrowings (Note 33)	<u>26,000</u>	<u>-</u>
	<u>\$ 147,463</u>	<u>\$ 102,840</u>
Interest rate	0.79%-1.85%	1.03%-1.40%

b. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Unsecured borrowings</u>		
Syndicated borrowing - Mega International Commercial Bank, et al. (1)	\$ -	\$ 310,000
Syndicated borrowing - Mega International Commercial Bank, et al. (2)	600,000	-
CTBC Bank (3)		29,740
	<u>600,000</u>	<u>339,740</u>
Less: Current portion	<u>-</u>	<u>15,500</u>
Long-term borrowings	<u>\$ 600,000</u>	<u>\$ 324,240</u>

- 1) Syndicated loan from Mega International Commercial Bank, et al.: In October 2016, the Company obtained an unsecured borrowing for five years of \$1,000,000 thousand from a banking syndicate comprising Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, and CTBC Bank. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid by the maturity date. By contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same. The Company made the payment in advance in December 2021.
- 2) Syndicated loan from Mega International Commercial Bank and other joint loans.: In December, 2021, the Company obtained an unsecured borrowing of \$1,000,000 thousand for 7 years from a banking syndicate, which comprised Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Land Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, CTBC Bank and The Shanghai Commercial & Savings Bank, Ltd. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid on the maturity date. According to the contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same.

Related information as of December 31, 2021 and 2020 is as follow:

	<b>Credit Line</b>	<b>Amount to Be Paid</b>	<b>Interest Rate</b>	<b>Repayment</b>
<u>December 31, 2021</u>				
Unsecured borrowing	\$ 1,000,000	\$ 600,000	1.797%	The credit line balance begins to diminish 60 months after the date the loan is obtained, and the credit line will diminish three times every 12 months. For the first and the second times, the credit line will diminish 10% of the total credit limit, and the remaining credit line balance will diminish on the third time. If the principal amount exceeds the diminishing credit line balance on certain dates, the Company should pay the bank lenders the excess amount.

(Continued)

	<b>Credit Line</b>	<b>Amount to Be Paid</b>	<b>Interest Rate</b>	<b>Repayment</b>
<u>December 31, 2020</u>				
Unsecured borrowing	\$ 752,000	\$ 310,000	1.797%	The credit line balance begins to diminish 24 months after the date the loan is obtained, and the credit line will diminish three times every 12 months. If the principal amount exceeds the diminishing credit line balance on certain dates, the Company should pay the bank lenders the excess amount. Principal repayable on maturity is extended to December 2022 from December 2020. The credit line balance begins to diminish from December 2021 after the date the loan is extended, and the credit line will diminish 5 times every 6 months. The Company made the payment in advance in December 2021.
				(Concluded)

Under the borrowing agreement, certain financial ratios (current ratio, debt to asset ratio, interest coverage and net tangible assets) based on audited annual and semiannual consolidated financial statements of the Company must be in accordance with the criteria stated in the agreements. As of December 31, 2021 and 2020, the Company had all met such criteria.

- 3) Unsecured loan from CTBC Bank: Chengdu Raypoint Precision Tools Co., Ltd. signed a loan agreement in October 2016. The loan is repayable semiannually from April 2017 to August 2023. The loan has repaid \$9,647 thousand and 29,740 thousand early on June 2020 and March 2021. As of December 31, 2020, the loan balance were \$29,740 thousand, at annual interest rate of 4.75%.

## 18. ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Accounts payable - operating	<u>\$ 300,454</u>	<u>\$ 185,602</u>

The average credit period for purchases was 90 to 150 days. The Group has established financial risk management policies to ensure that all payables are repaid within pre-agreed credit periods.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Accrued payroll and employee benefits	\$ 432,203	\$ 381,407
Compensation of employees and remuneration of directors and supervisors	148,767	99,662
Payable for annual leave	13,554	10,425
Payable for purchase equipment	9,526	16,743
Others	<u>170,796</u>	<u>135,956</u>
	<u>\$ 774,846</u>	<u>\$ 644,193</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company, Unipoint Technology Co., Ltd., Drillteck Corporation and Cosmos Vacuum Technology Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

There were no regular employees for Topoint Technology Co., Ltd. (B.V.I.), Warspeed Corporation (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.), Raypoint Precision Tools Co., Ltd., Topmicron Investment Ltd., H&N Technology Co., Ltd., Cosmos Integration Corp. and Universal Technology Corp.

Pension expenses for these defined contribution plans are classified under the following accounts:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	<u>\$ 33,254</u>	<u>\$ 13,675</u>
Operating expenses	<u>\$ 15,661</u>	<u>\$ 9,545</u>

### b. Defined benefit plan

The defined benefit plan adopted by the Company and Drillteck Corporation and Cosmos Vacuum Technology Co., Ltd. in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund of the Company raised in accordance with the Labor Standards Law was sufficient. With the approval of the competent authority in May 2019, the contribution was suspended from May 2019 to April 2021. With the approval of the competent authority in May 2020, the contribution was suspended from May 2020 to April 2021. With the approval of the competent authority in April 2021, the contribution was suspended from May 2021 to

April 2022. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>The Company</u>		
Present value of defined benefit obligation	\$ 28,830	\$ 30,790
Fair value of plan assets	<u>(32,865)</u>	<u>(33,800)</u>
Surplus	<u>\$ (4,035)</u>	<u>\$ (3,010)</u>
Net defined benefit asset	<u>\$ (4,035)</u>	<u>\$ (3,010)</u>
<u>Drilltek Corporation</u>		
Present value of defined benefit obligation	\$ 24,895	\$ 24,655
Fair value of plan assets	<u>(16,228)</u>	<u>(14,376)</u>
Deficit	<u>\$ 8,667</u>	<u>\$ 10,279</u>
Net defined benefit liability	<u>\$ 8,667</u>	<u>\$ 10,279</u>
<u>Cosmos Vacuum Technology Co., Ltd.</u>		
Present value of defined benefit obligation	\$ 20,264	\$ -
Fair value of plan assets	<u>(12,225)</u>	<u>-</u>
Deficit	<u>\$ 8,039</u>	<u>\$ -</u>
Net defined benefit liability	<u>\$ 8,039</u>	<u>\$ -</u>

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

The Company

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2020	<u>\$ 29,035</u>	<u>\$ (32,663)</u>	<u>\$ (3,628)</u>
Net interest expenses (income)	<u>217</u>	<u>(244)</u>	<u>(27)</u>
Recognized in profit or loss	<u>217</u>	<u>(244)</u>	<u>(27)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,067)	(1,067)
Actuarial loss - experience adjustments	<u>1,712</u>	<u>-</u>	<u>1,712</u>
Recognized in other comprehensive income	<u>1,712</u>	<u>(1,067)</u>	<u>645</u>
Benefits paid	<u>(174)</u>	<u>174</u>	<u>-</u>
Balance at December 31, 2020	<u>30,790</u>	<u>(33,800)</u>	<u>(3,010)</u>
Net interest expenses (income)	<u>231</u>	<u>(253)</u>	<u>(22)</u>
Recognized in profit or loss	<u>231</u>	<u>(253)</u>	<u>(22)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		(346)	(346)
Actuarial loss - changes in financial assumptions	272	-	272
Actuarial gain - experience adjustments	<u>(929)</u>	<u>-</u>	<u>(929)</u>
Recognized in other comprehensive income	<u>(657)</u>	<u>(346)</u>	<u>(1,003)</u>
Benefits paid	<u>(1,534)</u>	<u>1,534</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 28,830</u>	<u>\$ (32,865)</u>	<u>\$ (4,035)</u>

Drilltek Corporation

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at September 30, 2020	<u>\$ 21,410</u>	<u>\$ (14,410)</u>	<u>\$ 7,000</u>
Service cost			
Current service cost	717	-	717
Net interest expenses (income)	<u>180</u>	<u>(108)</u>	<u>72</u>
Recognized in profit or loss	<u>897</u>	<u>(108)</u>	<u>789</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(218)	(218)
Actuarial loss - changes in financial assumptions	794	-	794
Actuarial gain - experience adjustments	<u>2,201</u>	<u>-</u>	<u>2,201</u>
Recognized in other comprehensive income	<u>2,995</u>	<u>(218)</u>	<u>2,777</u>
Contributions from employer	<u>-</u>	<u>(287)</u>	<u>(287)</u>
Benefits paid	<u>(647)</u>	<u>647</u>	<u>-</u>
Balance at December 31, 2020	<u>24,655</u>	<u>(14,376)</u>	<u>10,279</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Service cost			
Current service cost	\$ 176	\$ -	\$ 176
Net interest expenses (income)	<u>132</u>	<u>(142)</u>	<u>(10)</u>
Recognized in profit or loss	<u>308</u>	<u>(142)</u>	<u>166</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)		(68)	(68)
Actuarial loss - changes in financial assumptions	76	-	76
Actuarial gain - experience adjustments	<u>1,364</u>	<u>-</u>	<u>1,364</u>
Recognized in other comprehensive income	<u>1,440</u>	<u>(68)</u>	<u>1,372</u>
Contributions from employer	<u>-</u>	<u>(1,642)</u>	<u>(1,642)</u>
Benefits paid	<u>(1,508)</u>	<u>-</u>	<u>(1,508)</u>
Balance at December 31, 2021	<u>\$ 24,895</u>	<u>\$ (16,228)</u>	<u>\$ 8,667</u> (Concluded)

Cosmos Vacuum Technology Co., Ltd.

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at March 29, 2021	<u>\$ 20,691</u>	<u>\$ (11,745)</u>	<u>\$ 8,946</u>
Service cost			
Current service cost	251	-	251
Net interest expenses (income)	<u>58</u>	<u>(32)</u>	<u>26</u>
Recognized in profit or loss	<u>309</u>	<u>(32)</u>	<u>277</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(167)	(167)
Actuarial loss - changes in demographic assumptions	29	-	29
Actuarial gain - changes in financial assumptions	(546)	-	(546)
Actuarial gain - experience adjustments	<u>(219)</u>	<u>-</u>	<u>(219)</u>
Recognized in other comprehensive income	<u>(736)</u>	<u>(167)</u>	<u>(903)</u>
Contributions from employer	<u>-</u>	<u>(281)</u>	<u>(281)</u>
Balance at December 31, 2021	<u>\$ 20,264</u>	<u>\$ (12,225)</u>	<u>\$ 8,039</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the



defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>The Company</u>		
Discount rate(s)	0.65%	0.75%
Expected rate(s) of salary increase	1.00%	1.00%
<u>Drilltek Corporation</u>		
Discount rate(s)	0.75%	0.80%
Expected rate(s) of salary increase	2.50%	2.50%
<u>Cosmos Vacuum Technology Co., Ltd.</u>		
Discount rate(s)	0.70%	-
Expected rate(s) of salary increase	2.00%	-

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>The Company</u>		
Discount rate(s)		
0.25% increase	\$ (670)	\$ (757)
0.25% decrease	\$ 697	\$ 788
Expected rate(s) of salary increase		
0.25% increase	\$ 2,926	\$ 3,322
0.25% decrease	\$ (2,542)	\$ (2,866)
<u>Drilltek Corporation</u>		
Discount rate(s)		
0.25% increase	\$ (375)	\$ (405)
0.25% decrease	\$ 389	\$ 421
Expected rate(s) of salary increase		
0.25% increase	\$ 1,605	\$ 1,740
0.25% decrease	\$ (1,409)	\$ (1,520)

(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Cosmos Vacuum Technology Co., Ltd.</u>		
Discount rate(s)		
0.25% increase	\$ (330)	\$ -
0.25% decrease	\$ 341	\$ -
Expected rate(s) of salary increase		
0.25% increase	\$ 336	\$ -
0.25% decrease	\$ (326)	\$ -
		(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>The Company</u>		
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	13.1 years	14 years
<u>Drilltek Corporation</u>		
The expected contributions to the plan for the next year	\$ 1,642	\$ 6,664
The average duration of the defined benefit obligation	13.6 years	14 years
<u>Cosmos Vacuum Technology Co., Ltd.</u>		
The expected contributions to the plan for the next year	\$ 451	\$ -
The average duration of the defined benefit obligation	7 years	-

## 21. EQUITY

### a. Share capital - ordinary shares

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Registered shares (thousands)	300,000	300,000
Registered capital	\$ 3,000,000	\$ 3,000,000
Issued shares (thousands)	142,181	142,181
Issued capital	\$ 1,421,805	\$ 1,421,805

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

Of the authorized capital, a total of 30,000 thousand shares should be reserved for on employee share option plan, preference shares with warrant and bonds with warrant attached.

b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 1,190,843	\$ 1,190,843
May be used to offset a deficit only		
Exercise of employee share options	8,992	8,992
Changes in percentage of ownership interest in subsidiaries	19,505	21,688
Expiry of employee share options	8,408	8,408
	<u>\$ 1,227,748</u>	<u>\$ 1,229,931</u>

The Group participated in the subscription of shares of Drilltek Corporation resulting in an ownership percentage different from its original ownership interest in July 2021. Therefore, the ownership interest in Drilltek Corporation decreased from 58.77% to 58.72%, and decreased capital surplus - changes in percentage of ownership interest in subsidiaries by \$9 thousand.

The Group acquired the equity of Cosmos Vacuum Technology Co., Ltd. from non-controlling equity interest in September 2021, and the ownership interest increased from 56.29% to 56.39%, and decreased capital surplus - changes in percentage of ownership interest in subsidiaries by \$84 thousand.

The Group participated in the share subscription of shares of Shanghai Ringpoint Nano Material Co., Ltd. in an ownership percentage different from its original ownership interest in April 2021. Therefore, the ownership interest in Shanghai Ringpoint Nano Material Co., Ltd. decreased from 81.83% to 75%, and decreased capital surplus - changes in percentage of ownership interest in subsidiaries by \$2,090 thousand.

The Group subscribed for additional new shares of Shanghai Hejin Roller Technology Co., Ltd. in August 2020. Therefore, the ownership interest increased from 86.27% to 86.75%, and decreased capital surplus - changes in percentage of ownership interest in subsidiaries by \$941 thousand.

The capital surplus from shares issued in excess of par and donations could be used to offset deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the conditions on distribution of compensation of employees and remuneration of directors after amendment, refer to compensation of employees and remuneration of directors in Note 23, d.

To meet the requirements for present and future operational expansion and to satisfy the shareholders' need for cash inflow, the Company's dividend policy states that total dividends should be at least 20% of net income and cash dividends should be at least 10% of total dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022, Rule No. and Rule No. 10901500221 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings on July 22, 2021 and June 10, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 28,016	\$ 18,489		
Special reserve (Reverse)	(59,150)	125,292		
Cash dividends	224,645	170,617	\$1.58	\$1.2

The appropriation of earnings for 2021 was proposed by the Company's board of directors on February 24, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 44,677	
Special reserve	17,915	
Cash dividends	327,015	\$2.3

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 9, 2022.

d. Other equity items

Exchange differences on translation to the financial statements of foreign operations

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) were reclassified to profit or loss on the disposal of the foreign operation.

Unrealized gain/(loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 16,731	\$ 26,910
Recognized for the year		
Unrealized gain	(2,990)	(10,179)
Balance at December 31	<u>\$ 13,741</u>	<u>\$ 16,731</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
		<b>2020</b>
	<b>2021</b>	<b>(Retrospectively Adjusted)</b>
Balance at January 1	\$ 342,539	\$ 248,596
Attributable to non-controlling interests:		
Share of profit for the year	44,668	21,979
Exchange difference arising on translation of foreign entities	(6,437)	1,226
Unrealized gain/(loss) of financial assets at PVTOCI	1,326	212
Remeasurement of defined benefit plans	(172)	(1,145)
Income taxes of defined benefit plans	113	229
Effect of changes in equity interest	12,463	-
Acquisition of non-controlling interests in Cosmos Vacuum Technology Co., Ltd. (Note 26)	200,919	-
Acquisition of non-controlling interests in Cosmos Vacuum Technology Co., Ltd.	(425)	-
Cash dividends to non-controlling interests	(20,999)	-
Subscribed for additional new shares at a percentage difference from its existing ownership percentage	2,099	941
Acquisition of non-controlling interests in Drilltek Corporation (Note 26)	-	72,038
Disposal of subsidiaries	<u>-</u>	<u>(1,537)</u>
Balance at December 31	<u>\$ 576,094</u>	<u>\$ 342,539</u>

## 22. REVENUE

a. Contact balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Trade receivables (Note 9)	<u>\$ 215,914</u>	<u>\$ 162,793</u>	<u>\$ 163,883</u>
Accounts receivable (Note 9)	<u>\$ 985,697</u>	<u>\$ 806,139</u>	<u>\$ 862,609</u>
Accounts receivable - related parties (Note 32)	<u>\$ 172,901</u>	<u>\$ 125,566</u>	<u>\$ 119,591</u>
Contract liabilities			
Sale of goods	<u>\$ 264</u>	<u>\$ 1,286</u>	<u>\$ 2,311</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From the beginning contract liabilities		
Sale of goods	<u>\$ 1,286</u>	<u>\$ 2,311</u>

b. Disaggregation of revenue

Refer to Note 36 for information about disaggregation of revenue.

c. Partially completed contracts

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods		
- in 2021	\$ -	\$ 1,286
- in 2022	<u>264</u>	<u>-</u>
	<u>\$ 264</u>	<u>\$ 1,286</u>

## 23. NET PROFIT

a. Depreciation, and amortization expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b> (Retrospectively Adjusted)
An analysis of depreciation by function		
Operating costs	\$ 279,764	\$ 278,005
Operating expenses	<u>44,954</u>	<u>29,661</u>
	<u>\$ 324,718</u>	<u>\$ 307,666</u>
An analysis of amortization by function		
Operating costs	\$ 1,108	\$ 2,261
General and administrative expenses	1,470	1,601
Research and development expenses	<u>-</u>	<u>19</u>
	<u>\$ 2,578</u>	<u>\$ 3,881</u>

b. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) on disposal of property, plant and equipment	<u>\$ 17,775</u>	<u>\$ (4,688)</u>

c. Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefit (Note 20)		
Defined contribution plans	\$ 48,915	\$ 23,220
Defined benefit plans	421	762
	<u>49,336</u>	<u>23,982</u>
Payroll expenses	1,004,528	779,454
Labor and health insurance expenses	46,948	26,508
Other employee benefits	<u>12,118</u>	<u>10,246</u>
Total employee benefit expenses	<u>\$ 1,112,930</u>	<u>\$ 840,190</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 787,695	\$ 581,807
Operating expenses	<u>325,235</u>	<u>258,383</u>
	<u>\$ 1,112,930</u>	<u>\$ 840,190</u>

d. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates between 1% to 25% and no higher than 3%, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on February 24, 2022 and February 26, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	15.0%	15.0%
Remuneration of directors	2.5%	2.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 87,161	\$ 58,642
Remuneration of directors	14,527	9,774

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

- e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign currency exchange gains	\$ 24,017	\$ 32,084
Foreign currency exchange losses	<u>(33,648)</u>	<u>(31,981)</u>
Net gain (loss)	<u>\$ (9,631)</u>	<u>\$ 103</u>

## 24. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b> <b>(Retrospectively Adjusted)</b>
<u>Current tax</u>		
In respect of the current year	\$ 141,921	\$ 102,513
Income tax on unappropriated earnings	5,921	3,024
Adjustments for prior year	<u>(15,813)</u>	<u>(854)</u>
	<u>132,029</u>	<u>104,683</u>
<u>Deferred tax</u>		
In respect of the current year	<u>42,122</u>	<u>57,331</u>
Income tax expense recognized in profit or loss	<u>\$ 174,151</u>	<u>\$ 162,014</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b> <b>(Retrospectively Adjusted)</b>
Profit before tax	<u>\$ 665,345</u>	<u>\$ 465,560</u>
Income tax expense calculated at the statutory rate	\$ 133,069	\$ 93,112
Nondeductible expenses in determining taxable income	7,636	41,136
Deferred tax effect of earnings of subsidiaries	34,021	25,459
Non-taxable income	(69,007)	(45,974)
Tax preference	(4,867)	(5,158)
Income tax on unappropriated earnings	5,921	3,024
Unrealized loss carryforwards	5,595	36,719
Effect of different tax rate of group entities operating in other jurisdictions	77,596	14,550
Adjustments for prior years' tax	<u>(15,813)</u>	<u>(854)</u>
Income tax expense recognized in profit or loss	<u>\$ 174,151</u>	<u>\$ 162,014</u>



The Income Tax Act in the ROC 20%. In addition, the rate of the corporate surtax applicable to unappropriated earnings was 5%. The applicable tax rate used by subsidiaries in China was 25%, except for the lower corporate tax rate of 15% enjoyed by Shanghai Topoint Precision Technology Co., Ltd. and Chengdu Raypoint Precision Tools Co., Ltd. as a high-technology enterprise.

Raypoint Precision Tools Co., Ltd., Warspeed Corporation (B.V.I.), Topoint Technology Co., Ltd. (B.V.I.), Unipoint Technology Holdings Co., Ltd. (B.V.I.), Topmicron Investment Ltd., H&N Technology Co., Ltd., Cosmos Integration Corp. and Universal Technology Corp. are tax-exempt under the tax laws.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	\$ (74)	\$ (684)
Total income tax recognized in other comprehensive income	\$ (74)	\$ (684)

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	\$ 641	\$ 938
Current tax liabilities		
Income tax payable	\$ 74,482	\$ 52,072

The balances of current tax liabilities on December 31, 2021 and 2020 are net amounts after deducting related prepaid tax.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Acquisition through Business Combina- Tions (Note 26)</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>						
Temporary differences						
Deferred revenue	\$ 12,563	\$ 209	\$ 11,273	\$ -	\$ -	\$ 24,045
Investment loss recognized under the equity method	7,770	117	(2,501)	-	-	5,386
Depreciation difference between financial accounting and taxation	1,127	-	138	-	(6)	1,259
Unpaid expense	2,459	-	(2,446)	-	(13)	-

(Continued)

	Opening Balance	Acquisition through Business Combina- Tions (Note 26)	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Difference	Closing Balance
Write-down of inventories	\$ 7,743	\$ 2,539	\$ (2,119)	\$ -	\$ (10)	\$ 8,153
Others	5,970	2,336	(208)	74	(6)	8,166
	37,632	5,201	4,137	74	(35)	47,009
Tax losses	11,623	-	(11,562)	-	(61)	-
	<u>\$ 49,255</u>	<u>\$ 5,201</u>	<u>\$ (7,425)</u>	<u>\$ 74</u>	<u>\$ (96)</u>	<u>\$ 47,009</u>
<u>Deferred tax liabilities</u>						
Temporary differences						
Property, plant and equipment	\$ 6,878	\$ -	\$ (712)	\$ -	\$ -	\$ 6,166
Investment gain recognized under the equity method	185,216	132	33,890	-	(5,602)	213,636
Pension expenses difference between financial accounting and taxation	1,286	-	5	-	-	1,291
Others	-	-	1,514	-	-	1,514
	<u>\$ 193,380</u>	<u>\$ 132</u>	<u>\$ 34,697</u>	<u>\$ -</u>	<u>\$ (5,602)</u>	<u>\$ 222,607</u>
						(Concluded)

For the year ended December 31, 2020

	Opening Balance	Acquisition through Business Combina- Tions (Note 26)	Disposal of Subsidiaries	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>							
Temporary differences							
Deferred revenue	\$ 11,954	\$ -	\$ -	\$ 609	\$ -	\$ -	\$ 12,563
Investment loss recognized under the equity method	7,272	-	-	498	-	-	7,770
Depreciation difference between financial accounting and taxation	990	-	-	119	-	18	1,127
Unpaid expense	3,620	-	-	(1,194)	-	33	2,459
Write-down of inventories	11,025	208	(165)	(3,343)	-	18	7,743
Others	4,951	2,369	-	(2,046)	684	12	5,970
	39,812	2,577	(165)	(5,357)	684	81	37,632
Tax losses	38,223	-	-	(26,689)	-	89	11,623
	<u>\$ 78,035</u>	<u>\$ 2,577</u>	<u>\$ (165)</u>	<u>\$ (32,046)</u>	<u>\$ 684</u>	<u>\$ 170</u>	<u>\$ 49,255</u>
<u>Deferred tax liabilities</u>							
Temporary differences							
Property, plant and equipment	\$ -	\$ 7,056	\$ -	\$ (178)	\$ -	\$ -	\$ 6,878
Investment gain recognized under the equity method	169,140	-	-	25,458	-	(9,382)	185,216
Pension expenses difference between financial accounting and taxation	1,281	-	-	5	-	-	1,286
	<u>\$ 170,421</u>	<u>\$ 7,056</u>	<u>\$ -</u>	<u>\$ 25,285</u>	<u>\$ -</u>	<u>\$ (9,382)</u>	<u>\$ 193,380</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31, 2021</b>
Loss carryforwards	
Expiry in 2022	\$ 31,967
Expiry in 2023	39,539
Expiry in 2024	79,819
Expiry in 2025	43,649
Expiry in 2026	<u>20,095</u>
	<u><u>\$ 215,069</u></u>

- f. Loss carryforwards as of December 31, 2021

<b>Company Name</b>	<b>Unused Amount</b>	<b>Expiry Year</b>
Kunshan Restek Technology Co., Ltd.	\$ 83	2022
	136	2023
	<u>6</u>	2024
	225	
Chengdu Raypoint Precision Tools Co., Ltd.	11,969	2024
	5,955	2025
	<u>3,606</u>	2026
	21,530	
Sharpint Technology (Shenzhen) Co., Ltd.	7,992	2022
	<u>9,665</u>	2023
	<u>17,657</u>	
	<u><u>\$ 39,412</u></u>	

- g. Income tax assessments

Income tax returns of the Company through 2018 have been examined and cleared by the tax authorities.

Income tax returns of Unipoint Technology Co., Ltd. through 2019 have been examined and cleared by the tax authorities.

Income tax returns of Drilltek Corporation through 2019 have been examined and cleared by the tax authorities.

Income tax returns of Cosmos Vacuum Technology Co., Ltd. through 2019 have been examined and cleared by the tax authorities.

## 25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding that were used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b> <b>(Retrospectively Adjusted)</b>
Profit for the year attributable to owners of the Company	<u>\$ 446,526</u>	<u>\$ 281,567</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in computation of basic earnings per share	142,181	142,181
Effect of potentially dilutive ordinary shares:		
Employee s' compensation issue to employees	<u>2,372</u>	<u>2,392</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>144,553</u>	<u>144,573</u>

The Group may settle compensation paid to employees in cash or shares; therefore the Group assumes the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 26. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Drilltek Corporation	Processing print circuit board	September 30, 2020	58.77	<u>\$ 105,945</u>
Cosmos Vacuum Technology Co., Ltd.	Vacuum coating and router bits	March 29, 2021	56.29	<u>\$ 274,770</u>

Drilltek Corporation was acquired in September 2020 by cash in order to meet capacity requirements and for the expansion of the Group's operating activities in print circuit board products.

Cosmos Vacuum Technology Co., Ltd. was acquired in March 2021 by cash in order to meet capacity requirements and for the expansion of the Group's operating activities in vacuum coating and router bits.

b. Assets acquired and liabilities assumed at the date of acquisition

Acquired Drilltek Corporation

	<b>Drilltek Corporation</b>
Current assets	
Cash and cash equivalents	\$ 31,829
Receivables	105,870
Other	8,910
Non-current assets	
Financial assets at FVTOCI	8,351
Property, plant and equipment	109,493
Right-of-use assets	18,065
Deferred tax assets	2,577
Other	3,729
Current liabilities	
Short-term borrowings	(20,000)
Payables	(35,725)
Other payables	(23,133)
Lease liabilities	(2,387)
Other	(3,122)
Non-current liabilities	
Deferred tax liabilities	(7,056)
Lease liabilities	(15,678)
Net defined benefit liabilities	<u>(7,000)</u>
	<u>\$ 174,723</u>

The Group has adjusted the initial accounting and the provisional amount since the acquisition date. Information on relevant items of balance sheets and statements of comprehensive income that were adjusted retrospectively are as follows:

	<b>December 31, 2021</b>
Property, plant and equipment	<u>\$ 34,388</u>
Goodwill	<u>\$ (16,585)</u>
Deferred tax liabilities	<u>\$ 6,878</u>
Retained earnings	<u>\$ (418)</u>
Non-controlling Interests	<u>\$ 11,343</u>
	<b>2021</b>
Operating cost	<u>\$ 889</u>
Income tax expense	<u>\$ (178)</u>
Net profit	<u>\$ (711)</u>
Total comprehensive income	<u>\$ (711)</u>

Acquired Cosmos Vacuum Technology Co., Ltd.

**Cosmos  
Vacuum  
Technology Co.,  
Ltd.**

Current assets	
Cash and cash equivalents	\$ 101,608
Financial assets at FVTPL	58,644
Receivables	138,504
Inventories	144,457
Other current assets	23,371
Non-current assets	
Property, plant and equipment	99,960
Intangible assets	712
Goodwill	13,978
Deferred tax assets	5,201
Other non-current assets	4,592
Current liabilities	
Short-term borrowings	(31,000)
Payables	(51,369)
Other payables	(33,337)
Other current liabilities	(3,394)
Non-current liabilities	
Deferred tax liabilities	(132)
Net defined benefit liabilities	<u>(12,132)</u>
	<u>\$ 459,663</u>

The net fair value of identifiable net assets was \$445,685 thousand on the date of acquisition of Cosmos Vacuum Technology Co., Ltd. The initial accounting for the acquisition was only provisionally determined at the end of the year. At the date of issuance of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized.

c. Goodwill recognized on acquisition

Acquired Drilltek Corporation

**Drilltek  
Corporation**

Consideration transferred	\$ 105,945
Plus: Non-controlling interests (41.23% in fair value of identifiable net assets of Drilltek Corporation)	72,038
Less: Fair value of identifiable net assets acquired	<u>(174,723)</u>
Goodwill recognized on acquisition	<u>\$ 3,260</u>

The goodwill recognized in the acquisition of Drilltek Corporation mainly included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Acquired Cosmos Vacuum Technology Co., Ltd.

	<b>Cosmos Vacuum Technology Co., Ltd.</b>
Consideration transferred	\$ 274,770
Plus: Non-controlling interests (43.71% in fair value of identifiable net assets of Cosmos Vacuum Technology Co., Ltd.)	200,919
Less: Fair value of identifiable net assets acquired	<u>(445,685)</u>
Goodwill recognized on acquisition	<u>\$ 30,004</u>

The initial accounting for a business combination was incomplete by the end of the reporting period in which the combination occurred; thus, the Group reported provisional amounts for the items for which the accounting was incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional goodwill are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

d. Net cash outflow on the acquisition of subsidiaries

	<b>Drilltek Corporation</b>	<b>Cosmos Vacuum Technology Co., Ltd.</b>
Consideration paid in cash	\$ 105,945	\$ 274,770
Less: Cash and cash equivalent balances acquired	<u>(31,829)</u>	<u>(101,608)</u>
	<u>\$ 74,116</u>	<u>\$ 173,162</u>

e. Impact of acquisition on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

1) The financial results of acquired Drilltek Corporation since the acquisition dates to December 31, 2020

	<b>Drilltek Corporation</b>	
Revenue	<u>\$ 82,191</u>	<u>\$ 82,191</u>
Profit	<u>\$ 12,882</u>	<u>\$ 12,882</u>

Had Drilltek Corporation concluded the acquisition at the beginning of 2020, the Group's revenue would have been \$3,188,120 thousand, and the profit would have been \$312,008 thousand for the year ended December 31, 2020. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2020, nor is it intended to be a projection of future results.

- 2) The financial results of acquired Cosmos Vacuum Technology Co., Ltd. since the acquisition dates to December 31, 2021

		<b>Cosmos Vacuum Technology Co., Ltd.</b>
Revenue	<u>\$ 333,898</u>	<u>\$ 333,898</u>
Profit	<u>\$ 21,654</u>	<u>\$ 21,654</u>

Had Cosmos Vacuum Technology Co., Ltd. concluded the acquisition at the beginning of 2021, the Group's revenue would have been \$3,862,232 thousand, and the profit would have been \$483,876 thousand for the year ended December 31, 2021. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

## 27. DISPOSAL OF SUBSIDIARIES

The Group entered into a sale agreement to dispose of Shanghai Hejin Co., Ltd. The disposal was completed on September 30, 2020, on which date control of Shanghai Hejin Co., Ltd. passed to the acquirer.

- a. Consideration received from disposals

	<b>Shanghai Hejin Co., Ltd.</b>
Cash and cash equivalents	<u>\$ 42,731</u>

- b. Analysis of assets and liabilities on the date control was lost

	<b>Shanghai Hejin Co., Ltd.</b>
Current assets	
Cash and cash equivalents	\$ 548
Note receivables	855
Account receivables	2,165
Other	811
Non-current assets	
Property, plant and equipment	1,450
Intangible assets	3,131
Deferred tax assets	165
Other	173
Current liabilities	
Payables	(643)
Other	<u>(2,383)</u>
Net assets disposed of	<u>\$ 6,272</u>



c. Gain on disposal of subsidiaries

	<b>Shanghai Hejin Co., Ltd.</b>
Consideration received	\$ 42,731
Net assets disposed of	(6,272)
Non-controlling interests	831
Exchange rate translation adjustment	<u>84</u>
Gain on disposals	<u>\$ 37,374</u>

d. Net cash inflow on disposals of subsidiaries

	<b>Shanghai Hejin Co., Ltd.</b>
Consideration received in cash and cash equivalents	\$ 42,731
Less: Cash and cash equivalent balances disposed of	<u>548</u>
	<u>\$ 42,183</u>

## 28. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On July 16, 2021, the Company participated in the subscription of shares of Drilltek Corporation resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Drilltek Corporation decreased from 58.77% to 58.72%.

On September 2, 2021, the Company acquired the equity of Cosmos Vacuum Technology Co., Ltd. from non-controlling interests, and the ownership interest increased from 56.29% to 56.39%.

On April 2, 2021, Shanghai Topoint participated in the share subscription of Shanghai Ringpoint Nano Material Co., Ltd. in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Shanghai Ringpoint Nano Material Co., Ltd. decreased from 81.83% to 75%.

On August 30, 2020, Shanghai Topoint participated in the share subscription of Shanghai Hejin resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest in Shanghai Hejin increased from 86.27% to 86.75%.

The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

## 29. PARTIAL CASH TRANSACTIONS

### a. Non-cash transaction

For the years ended December 31, 2021 and 2020, the Group entered into the following partial cash investing activities, which were not reflected in the consolidated statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash paid for property, plant and equipment acquisition		
Increase in property, plant and equipment	\$ 451,019	\$ 223,717
Net change in prepayments for equipment	102,486	(9,642)
Net change in payable for purchase of equipment	<u>(85,856)</u>	<u>1,713</u>
Cash paid	<u>\$ 467,649</u>	<u>\$ 215,788</u>
Cash received from property, plant and equipment acquisition		
Disposal of property, plant and equipment	\$ 32,028	\$ 224,834
Net gain (loss) on disposal of property, plant and equipment	17,775	(4,688)
Net change in other receivables	102,311	(68,782)
Net change in other receivables - related parties	<u>-</u>	<u>405</u>
Cash paid	<u>\$ 152,114</u>	<u>\$ 151,769</u>

### b. Changes in liabilities arising from financing activities

#### For the year ended December 31, 2021

			Non-cash Changes			
	Opening Balance	Cash Flows	Acquisition of Subsidiaries	New Leases	Foreign Exchange	Closing Balance
Short-term borrowings	\$ 102,840	\$ 14,118	\$ 31,000	\$ -	\$ (495)	\$ 147,463
Long-term borrowings and long-term borrowings - current portion	339,740	260,526	-	-	(266)	600,000
Guarantee deposits received	12,520	(675)	-	-	-	11,845
Lease liabilities	<u>24,507</u>	<u>(13,220)</u>	<u>-</u>	<u>47,356</u>	<u>(5)</u>	<u>58,638</u>
	\$ 479,607	\$ 260,749	\$ 31,000	\$ 47,356	\$ (766)	\$ 817,946

#### For the year ended December 31, 2020

	Non-cash Changes					
	Opening Balance	Cash Flows	Acquisition of Subsidiaries	New Leases	Foreign Exchange	Closing Balance
Short-term borrowings	\$ 68,112	\$ 13,689	\$ 20,000	\$ -	\$ 1,039	\$ 102,840
Long-term borrowings and long-term borrowings - current portion	413,101	(71,781)	-	-	(1,580)	339,740
Guarantee deposits received	12,751	(231)	-	-	-	12,520
Lease liabilities	<u>12,284</u>	<u>(7,977)</u>	<u>18,065</u>	<u>2,116</u>	<u>19</u>	<u>24,507</u>
	<u>\$ 506,248</u>	<u>\$ (66,300)</u>	<u>\$ 38,065</u>	<u>\$ 2,116</u>	<u>\$ (522)</u>	<u>\$ 479,607</u>

## 30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values (or their fair values cannot be reliably measured).

#### b. Fair value of financial instruments that are measured at fair value on a recurring basis

##### 1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 383	\$ -	\$ 383
Mutual funds	53,505	-	-	53,505
Structured deposit	-	685,338	-	685,338
Accounts receivable - related parties	-	-	12,765	12,765
Other receivables	-	-	3,288	3,288
	<u>\$ 53,505</u>	<u>\$ 685,721</u>	<u>\$ 16,053</u>	<u>\$ 755,279</u>

Financial assets at FVTOCI

Listed shares	\$ 36,320	\$ -	\$ -	\$ 36,320
Unlisted shares	-	-	12,079	12,079
	<u>\$ 36,320</u>	<u>\$ -</u>	<u>\$ 12,079</u>	<u>\$ 48,399</u>

Financial liabilities at  
FVTPL

Derivative financial instrument	<u>\$ -</u>	<u>\$ 1,034</u>	<u>\$ -</u>	<u>\$ 1,034</u>
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December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 79	\$ -	\$ 79
Mutual funds	54,584	-	-	54,584
Structured deposit	-	812,436	-	812,436
Accounts receivable - related parties	-	-	7,143	7,143
Other receivables	-	-	2,232	2,232
	<u>\$ 54,584</u>	<u>\$ 812,515</u>	<u>\$ 9,375</u>	<u>\$ 876,474</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Listed shares	\$ 41,199	\$ -	\$ -	\$ 41,199
Unlisted shares	<u>-</u>	<u>-</u>	<u>8,864</u>	<u>8,864</u>
	<u>\$ 41,199</u>	<u>\$ -</u>	<u>\$ 8,864</u>	<u>\$ 50,063</u>
<u>Financial liabilities at FVTPL</u>				
Derivative financial instrument	<u>\$ -</u>	<u>\$ 508</u>	<u>\$ -</u>	<u>\$ 508</u> (Concluded)

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Debt Instruments	Equity Instruments	
Balance at January 1, 2021	\$ 9,375	\$ 8,864	\$ 18,239
Acquisition of subsidiaries			
Recognized in unrealized gain/(loss) on financial assets at FVTOCI	-	3,215	3,215
Purchases	94,361	-	94,361
Settlements	<u>(87,683)</u>	<u>-</u>	<u>(87,683)</u>
Balance at December 31, 2021	<u>\$ 16,053</u>	<u>\$ 12,079</u>	<u>\$ 28,132</u>

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
	Debt Instruments	Equity Instruments	
Balance at January 1, 2020	\$ 10,655	\$ -	\$ 10,655
Acquisition of subsidiaries	-	8,351	8,351
Recognized in unrealized gain/(loss) on financial assets at FVTOCI	-	513	513
Purchases	104,135	-	104,135
Settlements	<u>(105,415)</u>	<u>-</u>	<u>(105,415)</u>
Balance at December 31, 2020	<u>\$ 9,375</u>	<u>\$ 8,864</u>	<u>\$ 18,239</u>

### 3) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- a) The fair values of mutual funds and listed shares are determined at their net asset value and closing price at the end of the reporting period.
- b) Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. The use of estimates and hypotheses of valuation method entity in the Group adopt is in consistent with the market participants, when pricing such financial instruments.
- c) For accounts receivable - related parties and part of other receivables that are measured at FVTPL, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.
- d) Structured deposits are measured using discounted cash flows. Future cash flows are estimated based on contract forward rates, discounted at a rate that reflects the credit risk.
- e) The unlisted equity investment is evaluated using asset-based approach and discounted cash flow method to calculate the present value of expected gain on investment.

Under the asset-based approach, the total value of an investment is based on the fair value of its assets and liabilities. The significant unobservable inputs used are listed in the table below.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount for lack of marketability	10%	10%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount for lack of marketability		
5% increase	\$ (8,790)	\$ (6,571)
5% decrease	\$ 8,790	\$ 6,571

#### c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 755,279	\$ 876,474
Financial assets at amortized cost (Note 1)	3,992,419	3,287,115
Financial assets at FVTOCI	48,399	50,063
		(Continued)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ 1,034	\$ 508
Amortized cost (Note 2)	1,152,672	652,842
		(Concluded)

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, part of accounts receivable - related parties, part of other receivables and other receivable - related parties.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payables, accounts payable - related parties, part of other payables, long-term borrowings and long-term borrowings - current portion.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, accounts receivable, accounts payables, borrowings and lease liabilities. The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk.

There has been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Approximately 6% of the Group's sales were denominated in currencies other than the functional currency of the entity in the Group making the sale, while almost 8% of costs were denominated in the functional currency of the entity in the Group.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 7 and 34.

Sensitivity analysis

The Group was mainly exposed to U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc.

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollars				Korea Won	
	USD:NTD		USD:RMB		KRW:NTD	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020	2021	2020
Profit (loss)	\$ (808)	\$ (767)	\$ 417	\$ 349	\$ (38)	\$ (69)
	Japanese Yen		Euros		Swiss Franc	
	JPY:NTD		EUR:RMB		CHF:RMB	
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020	2021	2020
Profit (loss)	\$ (28)	\$ (32)	\$ (85)	\$ (76)	\$ 6	\$ -

This was mainly attributable to the exposure outstanding on U.S. dollars, Korea won, Japanese yen, Euros and Swiss franc cash in the bank, bank loans, receivables and payables.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 1,883,109	\$ 1,375,669
Financial liabilities	58,638	24,507
Cash flows interest rate risk		
Financial assets	693,312	699,666
Financial liabilities	747,463	442,580

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the year ended December 31, 2021 would have increased/decreased by \$135 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Group's pretax profit for the year ended December 31, 2020 would have increased/decreased by \$643 thousand, which was mainly attributable to the Group's exposure to interest rates on its demand deposits and variable-rate borrowings.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$2,420 thousand and \$2,503 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of the end of the reporting period, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation, is primary from the book value of its financial assets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's concentration of credit risk of 35.40% and 34.19% in total trade receivables as of December 31, 2021 and 2020, respectively, were related to the Group's five largest customers.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2021 and 2020, the available borrowing facilities were \$1,426,931 thousand and \$1,296,752 thousand, respectively.

The Group manages liquidity risk by maintaining adequate bank balance and banking facilities, and continuously monitoring forecast and actual cash flows as well as the maturity profiles of financial assets and liabilities.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The Group's noninterest-bearing liabilities pertaining on non-derivative financial liabilities are paid in succession within one year.



The following table details the Group's remaining maturity for its borrowings with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 27,057	\$ 44,078	\$ 76,328	\$ 600,000	\$ -
Lease liabilities	<u>1,257</u>	<u>3,770</u>	<u>9,951</u>	<u>39,779</u>	<u>10,684</u>
	<u>\$ 28,314</u>	<u>\$ 47,848</u>	<u>\$ 86,279</u>	<u>\$ 639,779</u>	<u>\$ 10,684</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>More than 5 Years</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 32,246	\$ 74,154	\$ 11,940	\$ 324,240	\$ -
Lease liabilities	<u>920</u>	<u>2,760</u>	<u>5,543</u>	<u>14,105</u>	<u>2,575</u>
	<u>\$ 33,166</u>	<u>\$ 76,914</u>	<u>\$ 17,483</u>	<u>\$ 338,345</u>	<u>\$ 2,575</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 42,088	\$ 57,682	\$ 47,272	\$ -
Outflows	<u>(41,981)</u>	<u>(57,580)</u>	<u>(48,133)</u>	<u>-</u>
	<u>\$ 107</u>	<u>\$ 102</u>	<u>\$ (861)</u>	<u>\$ -</u>

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 14,824	\$ 15,146	\$ -	\$ -
Outflows	<u>(15,078)</u>	<u>(15,321)</u>	<u>-</u>	<u>-</u>
	<u>\$ (254)</u>	<u>\$ (175)</u>	<u>\$ -</u>	<u>\$ -</u>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2021 and 2020. Refer to Note 9.

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, transactions between the Group and other related parties do not have significant difference between the Group and non-related parties. Details of transactions are disclosed below.

a. The Group's related parties

Related Party	Relationship with the Group
Other related parties	
Unimicron Technology Corporation	The parent company of the equity-method investor of Unipoint Technology Co., Ltd.
Unimicron Technology (Shenzhen) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (Kunshan) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (FPC) Corp.	Investee of Unimicron Technology Corporation
Unimicron Technology (Suzhou) Corp.	Investee of Unimicron Technology Corporation
Qun Hong Technology Inc.	Subsidiary of Unimicron Technology Corporation
Key management personnel	
Macking International Investment Corporation	Director of the Company

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Other related parties		
Unimicron Technology Corporation	\$ 364,338	\$ 283,320
Others	<u>71,348</u>	<u>120,502</u>
	<u>\$ 435,686</u>	<u>\$ 403,822</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Other related parties	\$ <u>4,035</u>	\$ <u>3,945</u>

d. General and administrative - service fees

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Key management personnel		
Macking International Investment Corporation	\$ <u>2,400</u>	\$ <u>2,400</u>

The Group paid for the consulting fee to Macking International Investment Corporation.

e. Receivables from related parties

Related Party Category/Name	December 31	
	2021	2020
<u>Accounts receivable</u>		
Other related parties		
Unimicron Technology Corporation	\$ 146,566	\$ 85,371
Others	<u>26,335</u>	<u>40,195</u>
	\$ <u>172,901</u>	\$ <u>125,566</u>

The accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for accounts receivables from related parties.

f. Payables to related parties

Related Party Category/Name	December 31	
	2021	2020
Other related parties	\$ <u>748</u>	\$ <u>374</u>

The accounts payable to related parties are unsecured.

g. Disposal of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Other related parties				
Unimicron Technology Corporation	\$ <u>10,500</u>	\$ <u>-</u>	\$ <u>9,968</u>	\$ <u>-</u>

h. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 36,351	\$ 34,914
Post-employment benefits	<u>108</u>	<u>84</u>
	<u>\$ 36,459</u>	<u>\$ 34,998</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral and the future facilities for bank borrowings:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 155,843	\$ 160,789
Restricted deposits	<u>16,736</u>	<u>-</u>
	<u>\$ 172,579</u>	<u>\$ 160,789</u>

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 9,947	27.680 (USD:NTD)	\$ 275,339
USD	319	6.3757 (USD:RMB)	8,838
KRW	1,664,056	0.0235 (KRW:NTD)	39,105
JPY	177,834	0.2405 (JPY:NTD)	42,769
EUR	272	7.2197 (EUR:RMB)	8,533
<u>Financial liabilities</u>			
Monetary items			
USD	7,029	27.680 (USD:NTD)	194,562
USD	1,827	6.3757 (USD:RMB)	50,558
JPY	303,033	0.2405 (JPY:NTD)	72,880
CHF	19	6.9776 (CHF:RMB)	563

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 8,713	28.480 (USD:NTD)	\$ 248,140
USD	739	6.5249 (USD:RMB)	21,034
KRW	840,847	0.0264 (KRW:NTD)	22,198
JPY	13,440	0.2763 (JPY:NTD)	3,713
EUR	216	8.0250 (EUR:RMB)	7,571

Financial liabilities

Monetary items			
USD	6,019	28.480 (USD:NTD)	171,421
USD	1,964	6.5249 (USD:RMB)	55,939
JPY	295	0.2763 (JPY:NTD)	82
CHF	1	7.4006 (CHF:RMB)	34

For the years ended December 31, 2021 and 2020, (realized and unrealized) net foreign exchange (losses) gains were \$(9,631) thousand and \$103 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign functional currency transactions and currencies of the Group entities.

### 35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: Notes 7 and 31

10) Intercompany relationships and significant intercompany transactions: Table 8

11) Information on investees (excluding investees in mainland China): Table 5

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 7

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 7

c) The amount of property transactions and the amount of the resultant gains or losses: Table 7

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None

3) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

### 36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on regional operating performance. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows: Taiwan area, mainland China area and other areas. These segments mainly process PCBs and design, manufacture and sell related cutting equipment.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from operations by reportable segment.

	Taiwan	Mainland China	Others	Elimination	Total
For the year ended December 31, 2021					
Revenues from external customers	\$ 1,602,726	\$ 2,135,209	\$ 35,811	\$ -	\$ 3,773,746
Intersegment revenues	\$ 451,059	\$ 31,722	\$ -	\$ (482,781)	\$ -
Segment income (loss)	\$ 252,934	\$ 415,895	\$ 6,729	\$ (10,213)	\$ 655,345
For the year ended December 31, 2020					
Revenues from external customers	\$ 976,695	\$ 1,967,169	\$ 29,562	\$ -	\$ 2,973,426
Intersegment revenues	\$ 484,088	\$ 70,360	\$ -	\$ (554,448)	\$ -
Segment income (loss)	\$ 272,986	\$ 209,186	\$ 397	\$ (17,009)	\$ 465,560

b. Segment total assets

	December 31	
	2021	2020
Taiwan	\$ 3,038,883	\$ 2,126,184
Mainland China	4,476,537	4,226,536
Others	19,912	13,938
Consolidated total assets	\$ 7,535,332	\$ 6,366,658

c. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the Year Ended December 31	
	2021	2020
Precision metal products and processing services	\$ 3,680,555	\$ 2,911,564
Others	93,191	61,862
	\$ 3,773,746	\$ 2,973,426

d. Geographical information

The Group operates in two principal geographical areas - Taiwan and mainland China.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Taiwan	\$ 1,258,011	\$ 826,834	\$ 1,047,117	\$ 604,106
Mainland China	2,262,199	1,909,642	953,418	1,049,750
Others	<u>253,536</u>	<u>236,950</u>	<u>1,014</u>	<u>1,187</u>
	<u>\$ 3,773,746</u>	<u>\$ 2,973,426</u>	<u>\$ 2,001,549</u>	<u>\$ 1,655,043</u>

Non-current assets exclude deferred tax assets.

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for the years ended December 31, 2021 and 2020.



**TABLE 1**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
1	Topoint Technology Co., Ltd. (B.V.I.)	Topoint Japan Co., Ltd.	Other receivables	Yes	\$ 13,709 (JPY 57,000 thousand)	\$ 13,228 (JPY 55,000 thousand)	\$ 13,228 (JPY 55,000 thousand)	0.60	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$ 4,646,931 (Note 1)	\$ 4,646,931 (Note 1)	Note 3
3	Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Topoint Technology Co., Ltd.	Other receivables	Yes	21,707 (RMB 5,000 thousand)	-	-	4.35	Short-term financing	-	Operating turnover	-	-	-	4,646,931 (Note 1)	4,646,931 (Note 1)	Notes 3
		Chengdu Raypoint Precision Tools Co., Ltd.	Other receivables	Yes	321,270 (RMB 74,000 thousand)	-	-	4.35-4.75	Short-term financing	-	Operating turnover	-	-	-	4,646,931 (Note 1)	4,646,931 (Note 1)	Notes 3

Note 1: The maximum financing allowed for a foreign company in which the lender directly and indirectly held 100% voting shares of is limited to the net value of the lender as of December 31, 2021.

Note 2: The maximum balance for the period and ending balances were approved by the board of directors.

Note 3: Eliminated from the consolidated financial statements.

**TABLE 2**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	b.	\$ 2,788,159 (Note 2)	\$ 83,040 (US\$ 3,000 thousand)	\$ 83,040 (US\$ 3,000 thousand)	\$ -	\$ -	2	\$ 4,646,931 (Note 2)	Y	-	-	Note 6
		Chengdu Raypoint Precision Tools Co., Ltd.	b.	2,788,159 (Note 2)	94,218 (US\$ 750 thousand and RMB 16,920 thousand)	-	-	-	-	4,646,931 (Note 2)	Y	-	Y	Note 6

- Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:
- a. The Company in relation to business.
  - b. A company in which endorsement/guarantee provider holds directly and indirectly over 50% of voting shares.
  - c. A company holds directly and indirectly over 50% voting shares of endorsement/guarantee provider.
  - d. A company directly and indirectly holds more than 90% voting shares of endorsement/guarantee provider.
  - e. Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
  - f. Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
  - g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum of total endorsement/guarantee provided is limited to the net value of the Company as of December 31, 2021. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of the Company as of December 31, 2021.

Note 3: The rate is calculated in accordance with the financial statements of the endorsement/guarantee provider.

Note 4: The maximum balance for the period and ending balance were approved by the board of directors.

Note 5: Indicate “Y” if the endorsement/guarantee is given by parent on behalf of subsidiaries, gain by subsidiaries on behalf of parent or given on behalf of companies in mainland China.

Note 6: Topoint Technology Co., Ltd. provides endorsement guarantee to Topoint Technology Co., Ltd. (B.V.I.) and Chengdu Raypoint Precision Tools Co., Ltd. for short-term operating turnover purpose.

**TABLE 3****TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Topoint Technology Co., Ltd. (the “Company”)	<u>Shares</u> Zhen Ding Technology Holding Limited	-	Financial assets at fair value through other comprehensive income (FVTOCI)	363,000	\$ 36,320	0.04	\$ 36,320	Note 2
Unipoint Technology Co., Ltd.	<u>Share certificates</u> Allianz Global Investors All Seasons Harvest Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	2,038,470	27,069	-	27,069	Note 1
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	1,645,614	26,436	-	26,436	Note 1
Drilltek Corporation	<u>Shares</u> Chipboard Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income (FVTOCI)	663,000	12,079	7.73	12,079	Note 2

Note 1: The fair value of the financial assets at FVTPL was calculated at the net assets value of the mutual fund on December 31, 2021.

Note 2: The fair value of listed shares of the financial assets at FVTOCI was calculated on the closing price of the shares as of December 31, 2021. If there is no market for unlisted shares, the estimated market value is assessed based on the fair value evaluation method.

Note 3: For the information of the investment in subsidiaries, refer to Tables 5 and 6.

**TABLE 4****TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total (Note 1)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note 1)	
Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Sales	\$ 212,080	18	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	\$ 62,406	18	Note 2
Shanghai Topoint Precision Technology Co., Ltd.	Topoint Technology Co., Ltd.	Parent company	Purchase	212,080	26	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(62,406)	29	Note 2
Topoint Technology Co., Ltd.	Raypoint Precision Tools Co., Ltd.	Subsidiary	Sales	201,704	17	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	17,043	5	Note 2
Raypoint Precision Tools Co., Ltd.	Topoint Technology Co., Ltd.	Parent company	Purchase	201,704	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(17,043)	100	Note 2
	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd.	Sales	241,943	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	32,535	100	Note 2
Shanghai Topoint Precision Technology Co., Ltd.	Raypoint Precision Tools Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd.	Purchase	241,943	30	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	(32,535)	15	Note 2

Note 1: The rate is calculated in accordance with individual financial statements of the companies.

Note 2: Eliminated from the consolidated financial statements.

**TABLE 5**

**TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		December 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Notes 5 and 6)
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount (Notes 5 and 6)		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	\$ 1,772,629	\$ 1,772,629	7,194	100.00	\$ 3,727,170	\$ 285,480	\$ 287,484 (Note 1)
	Unipoint Technology Co., Ltd.	Republic of China	Processing print circuit board	305,299	305,299	30,696,297	61.76	413,719	18,439	11,387
	Warspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100.00	484	1,374	1,374
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667	7,667	600	100.00	(1,216)	5,485	5,485
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	178,814	178,814	11,200	100.00	39,131	14,250	(2,383)
				(US\$ 5,600 thousand)	(US\$ 5,600 thousand)					(Note 2)
	Raypoint Precision Tools Co., Ltd.	Republic of Seychelles	International trade	1,511	1,511	50,000	100.00	1,540	17	17
	Drilltek Corporation	Republic of China	Processing print circuit board	123,482	105,945	7,692,816	58.72	150,427	57,733	32,245
	Cosmos Vacuum Technology Corporation	Republic of China	Vacuum coating and router bits	275,279	-	21,621,548	56.39	270,739	21,439	12,199 (Note 3)
Unipoint Technology Co., Ltd.	Topmicron Investment Ltd.	Independent state of Samoa	International investment	-	-	-	100.00	5	5	5
Cosmos Vacuum Technology Corporation	H&N Technology Co., Ltd.	St. Kittsst Nevis	International trade	6,939	-	200,000	100.00	13,725	286	(241)
				(US\$ 200 thousand)						(Note 4)
	Cosmos Integration Corp.	St. Kittsst Nevis	International investment	241,571	-	7,422,000	100.00	233,206	(3,376)	(3,376)
				(US\$ 7,422 thousand)						
Cosmos Integration Corp.	Universal Technology Corp.	St. Kittsst Nevis	International investment	215,793	-	6,630,000	100.00	233,199	(2,603)	(2,603)
				(US\$ 6,630 thousand)						

Note 1: Investment gain is the investee’s net gain of \$285,480 thousand plus realized profits of \$2,004 thousand from upstream and side stream intercompany transactions.

Note 2: Investment gain is the investee’s net gain of \$14,250 thousand minus unrealized profit of \$16,633 thousand from upstream and side stream intercompany transactions.

Note 3: The parent company acquired 56.29% equity of Cosmos Vacuum Technology Co., Ltd., and the ownership interest in Cosmos Vacuum Technology increased from 56.29% to 56.39%.

Note 4: Investment gain is the investee’s net gain of \$286 thousand minus unrealized profit of \$527 thousand from upstream and side stream intercompany transactions.

Note 5: The investees’ financial statements used as basis for calculating investment gains (losses) recognized have all been audited.

Note 6: Eliminated from the consolidated financial statements.

Note 7: For information on investee companies in mainland China, refer to Table 6.

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Investor Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee (Note 7)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 7 and 13)	Carrying Amount as of December 31, 2021 (Notes 7 and 13)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
						Outflow	Inflow							
Topoint Technology Co., Ltd. (the "Company")	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	\$ 1,443,066 (US\$ 44,200 thousand) (Note 1)	Indirect: Through an investment company registered in a third region (Note 2)	\$ 914,337 (US\$ 27,300 thousand)	\$ -	\$ -	\$ 914,337 (US\$ 27,300 thousand)	\$ 240,263	100.00	\$ 240,263	\$ 3,153,487	\$ -	
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	250,222 (US\$ 7,800 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	250,222 (US\$ 7,800 thousand)	-	-	250,222 (US\$ 7,800 thousand)	25,547	100.00	25,547	334,973	-	
	Sharpoint Technology (Shenzhen) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	147,583 (US\$ 5,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	147,583 (US\$ 5,000 thousand)	-	-	147,583 (US\$ 5,000 thousand)	(2,601)	100.00	(2,601)	71,166	-	
	Sharpoint Technology (Suzhou) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	177,872 (US\$ 6,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	177,872 (US\$ 6,000 thousand)	-	-	177,872 (US\$ 6,000 thousand)	18,304	100.00	18,304	238,986	-	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 9)	Indirect: Through an investment company registered in a third region (Note 2)	259,808 (US\$ 8,400 thousand)	-	-	259,808 (US\$ 8,400 thousand)	47,142	100.00 (Note 9)	47,142	331,247 (Note 9)	-	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting equipment	453,943 (RMB 97,000 thousand) (Note 10)	Indirect: Through an investment company registered in a third region (Note 2)	16,934 (US\$ 555 thousand)	-	-	16,934 (US\$ 555 thousand)	(16,501)	100.00 (Note 10)	(16,501)	244,269 (Note 10)	-	
	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate bolt holes	178,814 (US\$ 5,600 thousand)	Indirect: Through an investment company registered in a third region (Note 3)	178,814 (US\$ 5,600 thousand) (Note 11)	-	-	178,814 (US\$ 5,600 thousand) (Note 11)	14,250	100.00	14,250	55,195	-	
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Manufacturing, processing and selling print circuit board	30,480 (US\$ 1,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	-	75.00	-	6	-	
	Kunshan Topoint Technology Co., Ltd.	Drilling bits	97,228 (RMB 20,800 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	(16,691)	100.00	(16,691)	97,693	-	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 9)	Other (Note 4)	- (Note 9)	-	-	- (Note 9)	- (Note 9)	- (Note 9)	- (Note 9)	- (Note 9)	-	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting equipment	455,943 (RMB 97,000 thousand) (Note 10)	Other (Note 4)	- (Note 10)	-	-	- (Note 10)	- (Note 10)	- (Note 10)	- (Note 10)	- (Note 10)	-	
	Shanghai Ringpoint Nano Material Co., Ltd.	Processing metal products	58,660 (RMB 12,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	23,107	75.00	17,686	59,672	-	
Sharpoint Electronics (Huaian) Co., Ltd.	Winpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	25,341 (RMB 5,000 thousand)	Other (Note 5)	- (Note 5)	-	-	- (Note 5)	12,352	100.00	12,352	27,649	-	
Unipoint Technology Co., Ltd.	Sharpoint Electronics (Suzhou) Co., Ltd.	Manufacturing, processing and selling print circuit board	-	Indirect: Through an investment company registered in a third region (Note 6)	59,944 (US\$ 2,000 thousand) (Note 6)	-	(US\$ 54,922 1,833 thousand)	5,022 (US\$ 167 thousand) (Note 6)	-	-	-	-	-	
Cosmos Vacuum Technology Corporation	Cosmos Vacuum Technology (Kunshan) Co., Ltd.	Vacuum coating	231,752 (RMB 7,130 thousand)	Indirect: Through an investment company registered in a third region	217,775 (US\$ 6,700 thousand)	-	-	217,775 (US\$ 6,700 thousand)	(2,603)	100.00	(2,603)	219,626	-	

(Continued)

Investor Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 12)
Topoint Technology Co., Ltd. (the “Company”)	\$ 1,772,629 (US\$ 55,244 thousand)	\$ 2,329,834 (US\$ 72,915 thousand) (Note 8)	\$ 2788,159
Unipoint Technology Co., Ltd.	5,022 (US\$ 167 thousand)	5,022 (US\$ 167 thousand)	405,965
Cosmos Vacuum Technology Corporation	217,775 (US\$ 6,700 thousand)	241,571 (US\$ 7,422 thousand)	269,317

- Note 1:   The amount includes the capitalization of retained earnings of US\$16,700 of Shanghai Topoint Precision Technology Co., Ltd. and US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I).
- Note 2:   The investment company required in third region is Toping Technology Co., Ltd. (B.V.I).
- Note 3:   The investment company required in third region is Unipoint Technology Holdings Co., Ltd. (B.V.I).
- Note 4:   Invested and established by the owned fund of Shanghai Topoint Precision Technology Co., Ltd.
- Note 5:   Invested and established by the owned fund of Sharpoint Electronics (Huaian) Co., Ltd.
- Note 6:   The investment company required in the third region is Topmicron Investment., Ltd., Qunhongdian Company closed its business in December 2019 and the company registration was cancelled.
- Note 7:   Investment gains (losses) and carrying values were recognized on the basis of the investee’s financial statements audited by the independent CPA of the Company.
- Note 8:   Investment amounts authorized by Investment Commission under the Ministry of Economic Affairs (MOEA) included the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd., US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.) and US\$771 thousand for purchasing Unipoint Technology Holdings Co., Ltd. (B.V.I.) from Unipoint Technology Co., Ltd.
- Note 9:   The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co. was US\$8,400 thousand (84%) and US\$1,600 thousand (16%), respectively. The recognition of loss on investment was \$39,599 thousand and \$7,543 thousand, respectively, which led to the ending balance of investment account which was \$278,247 thousand and \$53,000 thousand, respectively.
- Note 10:   The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co. was RMB6,000 thousand (10%) and RMB54,000 thousand (90%), respectively. Topoint Technology Co., Ltd. (BVI) disposed of 10% of the equity to Shanghai Jiandian Precision Tools Co., Ltd. in March 2021; therefore, Shanghai Jiandian Precision Tools Co., Ltd. held 100% ownership of Chengdu Ruidian Precision Tools Co., Ltd. In March 2021, the borrowing was converted into capital of RMB37,000 thousand, and the registration of changes was completed in March 2021.
- Note 11:   Unipoint Technology Shenzhen Co., Ltd. was established through Unipoint Technology Holding Co., Ltd. (B.V.I.) by Unipoint Technology Co., Ltd. for a total investment of US\$5,600 thousand. As a result of the reorganization of the Group, the Company holds a 100% interest in Unipoint Technology Holdings Co., Ltd. (B.V.I).
- Note 12:   According to the Investment Commission under the MOEA, the Company’s issued capital is between \$80,000 thousand and \$5,000,000 thousand, and the upper limit on the Company’s investment is at the highest of 60% of the capital or \$80,000 thousand.
- Note 13:   Eliminated from the consolidated financial statements.

(Concluded)

**TABLE 7****TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES****SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS AND UNREALIZED GAINS OR LOSSES****FOR THE YEAR ENDED DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total Sales or Purchase	Transaction Details		Notes/Accounts Receivable (Payable)		Deferred Gain (Loss)	Note
						Payment Terms	Comparison with Normal Transactions	Ending Balance	% to Total		
0	Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Sales	\$ 413,784	35	Based on mutual agreement	Based on mutual agreement	\$ 38,759	11	\$ 10,818	Notes 1 and 3
			Purchase	31,529	7	Based on mutual agreement	Based on mutual agreement	(4,831)	6	(1,372)	Notes 1 and 3
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	Sales	13,652	1	Based on mutual agreement	Based on mutual agreement	3,284	1	-	Notes 1 and 3
		Sharpoint Technology (Suzhou) Co., Ltd.	Sales	1,505	-	Based on mutual agreement	Based on mutual agreement	744	-	75	Notes 1 and 3
	Unipoint Technology Co., Ltd.	Sharpoint Electronics (Huaian) Co., Ltd.	Purchase	521	-	Based on mutual agreement	Based on mutual agreement	-	-	-	Notes 2 and 3

Note 1: Except for the Company's direct transaction with Shanghai Topoint Precision Technology Co., Ltd., Sharpoint Technology (Qinhuangdao) Co., Ltd. and Sharpoint Technology (Suzhou) Co., Ltd., other transactions were made indirectly through Raypoint Precision Tools Co., Ltd. and Shanghai Topoint Precision Technology Co., Ltd. The prices and payment terms were based on mutual agreement.

Note 2: The prices and payment terms were based on mutual agreement by Unipoint Technology Co., Ltd. and Sharpoint Electronics (Huaian) Co., Ltd.

Note 3: Eliminated from the consolidated financial statements.



TABLE 8

## TOPOINT TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
0	Topoint Technology Co., Ltd.	Raypoint Precision Tools Co., Ltd.	a	Accounts receivable - related parties	\$ 17,043	-	-
				Sales	201,704	-	5
		Shanghai Topoint Precision Technology Co., Ltd.	a	Accounts receivable - related parties	62,407	-	1
				Inventories	672	-	-
				Accounts payable - related parties	4,831	-	-
				Deferred credits	127,121	-	2
				Sales	212,080	-	6
				Unrealized profit	10,818	-	-
				Cost of goods sold	21,497	-	1
				Gain on disposal of property, plant and equipment	1,531	-	-
				Accounts receivable - related parties	3,448	-	-
				Deferred credits	1,098	-	-
		Topoint Japan Co., Ltd.	a	Sales	7,687	-	-
				Unrealized profit	573	-	-
				Cost of goods sold	1,099	-	-
				Rental revenue	4,025	-	-
				Other income	3,096	-	-
				Accounts receivable - related parties	2,970	-	-
				Refundable deposits	300	-	-
				Guarantee deposits received	3	-	-
				Deferred credits	3,334	-	-
				Sales	8,676	-	-
		Unipoint Technology Co., Ltd.	a	Unrealized profit	51	-	-
				Cost of goods sold	383	-	-
				Rental revenue	36	-	-
				Other income	7,781	-	-
				Accounts receivable - related parties	3,284	-	-
				Deferred credits	2,565	-	-
				Sales	13,652	-	-
				Cost of goods sold	306	-	-
				Other income	382	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	a	Accounts receivable - related parties	744	-	-
				Deferred credits	1,330	-	-
				Sales	1,505	-	-
				Unrealized profit	74	-	-
				Cost of goods sold	192	-	-
				Other income	190	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	a	Accounts receivable - related parties	744	-	-
				Deferred credits	1,330	-	-
				Sales	1,505	-	-
				Unrealized profit	74	-	-
				Cost of goods sold	192	-	-
				Other income	190	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Kunshan Topoint Technology Co., Ltd.	a	Deferred credits	\$ 9,342	-	-
				Gain on disposal of property, plant and equipment	735	-	-
				Other income	4,548	-	-
		Drilltek Corporation	a	Accounts receivable - related parties	17,142	-	-
				Accounts payable - related parties	89	-	-
				Sales	43,801	-	-
				Cost of goods sold	1,706	-	-
				Other income	960	-	-
		Shanghai Ringpoint Nano Material Co., Ltd.	a	Cost of goods sold	546	-	-
		Cosmos Vacuum Technology Corporation	a	Other income	560	-	-
				Cost of goods sold	9,954	-	-
				Accounts receivable - related parties	168	-	-
				Accounts payable - related parties	9,791	-	-
1	Topoint Technology Co., Ltd. (B.V.I.)	Topoint Japan Co., Ltd.	c	Accounts receivable - related parties	13,228	-	-
				Interest revenue	70	-	-
2	Raypoint Precision Tools Co., Ltd.	Topoint Technology Co., Ltd.	b	Accounts payable - related parties	17,043	-	-
				Cost of goods sold	201,704	-	5
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties	32,535	-	-
				Sales	241,943	-	6
3	Shanghai Topoint Precision Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Accounts receivable - related parties	4,831	-	-
				Inventories	52,698	-	-
				Machinery and equipment	176,259	-	2
				Accumulated depreciation	250,682	-	3
				Accounts payable - related parties	62,407	-	1
				Sales	31,201	-	1
				Cost of goods sold	254,819	-	7
		Raypoint Precision Tools Co., Ltd.	c	Accounts payable - related parties	32,535	-	-
				Cost of goods sold	241,943	-	6
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Accounts receivable - related parties	15,279	-	-
				Accounts payable - related parties	6	-	-
				Sales	43,029	-	1
				Rental revenue	446	-	-
				Cost of goods sold	892	-	-
		Sharpoint Technology (Shenzhen) Co., Ltd.	c	Accounts payable - related parties	1,841	-	-
				Cost of goods sold	5,210	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts receivable - related parties	978	-	-
				Accounts payable - related parties	105	-	-
				Sales	7,593	-	-
				Cost of goods sold	188	-	-
				Rental revenue	347	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Accounts receivable - related parties	100	-	-
				Accounts payable - related parties	5,789	-	-
				Cost of goods sold	68,221	-	2
				Rental revenue	1,063	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Accounts receivable - related parties	\$ 44,774	-	1
				Sales	138,175	-	4
		Winpoint Electronics (Huaian) Co., Ltd.	c	Cost of goods sold	2,250	-	-
				Sales	47,750	-	1
				Accounts receivable - related parties	22,359	-	-
		Shanghai Ringpoint Nano Material Co., Ltd.	c	Cost of goods sold	202	-	-
				Accounts payable - related parties	17,966	-	-
				Accounts receivable - related parties	252	-	-
				Rental revenue	572	-	-
				Sales	2,228	-	-
		Cosmos Vacuum Technology (Kunshan) Co., Ltd.	c	Cost of goods sold	59,531	-	2
				Accounts payable - related parties	4,918	-	-
				Sales	101	-	1
				Cost of goods sold	4,375	-	-
4	Topoint Japan Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	1,098	-	-
				Accounts payable - related parties	3,448	-	-
		Topoint Technology Co., Ltd. (B.V.I.)	c	Cost of goods sold	16,480	-	-
				Accounts payable - related parties	13,228	-	-
				Interest expenses	70	-	-
5	Unipoint Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Refundable deposits	3	-	-
				Inventories	818	-	-
				Accounts payable - related parties	2,970	-	-
				Guarantee deposits received	300	-	-
				Cost of goods sold	17,325	-	-
				Machinery and equipment	3,097	-	-
				Accumulated depreciation	581	-	-
				Rental revenue	1,200	-	-
				Rental expenses	36	-	-
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Cost of goods sold	521	-	-
		Drilltek Corporation	c	Sales	2,075	-	-
6	Unipoint Technology Shenzhen Co., Ltd.	Sharpoint Technology (Suzhou) Co., Ltd.	c	Rental revenue	173	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Rental revenue	715	-	-
				Gains on disposals of property	16,079	-	-
				Cost of goods sold	2,010	-	-
7	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	306	-	-
				Cost of goods sold	14,340	-	-
				Machinery and equipment	3,818	-	-
				Accumulated depreciation	1,559	-	-
				Accounts payable - related parties	3,284	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	\$ 827	-	-
				Accounts receivable - related parties	6	-	-
				Accounts payable - related parties	15,279	-	-
				Cost of goods sold	43,476	-	1
		Winpoint Electronics (Huaian) Co., Ltd.	c	Rental revenue	65	-	-
				Accounts receivable - related parties	323	-	-
				Rental revenue	857	-	-
		Unipoint Technology Shenzhen Co., Ltd.	c	Machinery and equipment	16,079	-	-
				Accumulated depreciation	2,010	-	-
				Cost of goods sold	715	-	-
8	Sharpoint Technology (Shenzhen) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties	1,841	-	-
				Sales	5,210	-	-
9	Sharpoint Technology (Suzhou) Co., Ltd.	Topoint Technology Co., Ltd.	b	Inventories	192	-	-
				Machinery and equipment	3,356	-	-
				Accumulated depreciation	2,218	-	-
				Accounts payable - related parties	744	-	-
				Cost of goods sold	1,813	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	179	-	-
				Accounts receivable - related parties	105	-	-
				Accounts payable - related parties	978	-	-
				Sales	9	-	-
				Cost of goods sold	7,940	-	-
		Kunshan Topoint Technology Co., Ltd.	c	Cost of goods sold	394	-	-
				Accounts payable - related parties	148	-	-
		Unipoint Technology Shenzhen Co., Ltd.	c	Cost of goods sold	173	-	-
10	Kunshan Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd.	b	Machinery and equipment	52,210	-	1
				Accumulated depreciation	42,868	-	1
				Cost of goods sold	5,283	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties	5,789	-	-
				Accounts payable - related parties	100	-	-
				Sales	68,221	-	2
				Cost of goods sold	1,063	-	-
		Sharpoint Electronics (Huaian) Co., Ltd.	c	Sales	432	-	-
		Sharpoint Technology (Suzhou) Co., Ltd.	c	Accounts receivable - related parties	148	-	-
				Rental revenue	394	-	-
11	Sharpoint Electronics (Huaian) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	2,250	-	-
				Accounts payable - related parties	44,774	-	1
				Cost of goods sold	138,175	-	4
		Kunshan Topoint Technology Co., Ltd.	c	Cost of goods sold	432	-	-
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	c	Cost of goods sold	520	-	-
		Unipoint Technology Co., Ltd.	c	Sales	521	-	-

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
12	Chengdu Raypoint Precision Tools Co., Ltd.	Shanghai Ringpoint Nano Material Co., Ltd.	b	Sales	\$ 212	-	-
13	Winpoint Electronics (Huaian) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Inventories	202	-	-
				Accounts payable - related parties	22,359	-	-
				Cost of goods sold	47,750	-	1
		Sharpont Technology (Qinhuangdao) Co., Ltd.	c	Accounts payable - related parties	323	-	-
		Sharpont Electronics (Huaian) Co., Ltd.	c	Cost of goods sold	857	-	-
				Sales	520	-	-
14	Shanghai Ringpoint Nano Material Co., Ltd.	Topoint Technology Co., Ltd.	b	Accumulated depreciation	546	-	-
		Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties	17,966	-	-
				Accounts payable - related parties	252	-	-
				Cost of goods sold	2,800	-	-
		Chengdu Raypoint Precision Tools Co., Ltd.	c	Sales	59,531	-	2
				Cost of goods sold	212	-	-
15	Drilltek Corporation	Topoint Technology Co., Ltd.	b	Accounts payable - related parties	17,142	-	-
				Accounts receivable - related parties	89	-	-
				Sales	157	-	-
				Cost of goods sold	43,801	-	1
		Unipoint Technology Co., Ltd.	c	Management expenses	960	-	-
				Inventories	1,863	-	-
				Cost of goods sold	2,075	-	-
16	Cosmos Vacuum Technology Corporation	Topoint Technology Co., Ltd.	b	Management expenses	560	-	-
				Accounts receivable - related parties	9,791	-	-
				Accounts payable - related parties	168	-	-
				Sales	9,954	-	-
		Cosmos Technology (Kunshan) Co., Ltd.	c	Accounts receivable - related parties	15,955	-	3
				Accounts payable - related parties	8,182	-	1
				Deferred credits	1,186	-	-
				Sales	26,911	-	8
		H&N Technology Co., Ltd.	c	Cost of goods sold	9,982	-	3
				Unrealized profit	1,240	-	-
				Gain on disposal of property, plant and equipment	280	-	-
				Cost of goods sold	84	-	-
17	Cosmos Technology (Kunshan) Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	c	Accounts receivable - related parties	4,918	-	-
				Sales	4,375	-	-
				Cost of goods sold	101	-	-
				Inventories	419	-	-
		Cosmos Vacuum Technology Corporation	c	Accounts payable - related parties	15,955	-	3
				Accounts receivable - related parties	8,182	-	1
				Sales	10,576	-	3
				Cost of goods sold	26,370	-	8
				Machinery and equipment	10,434	-	2
				Accumulated depreciation	9,492	-	2

(Continued)

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 5)	Payment Terms (Note 3)	% to Total Sales or Assets (Note 4)
		H&N Technology Co., Ltd.	c	Inventories Cost of goods sold	\$ 26 487	- -	- -
18	H&N Technology Co., Ltd.	Cosmos Vacuum Technology Corporation Cosmos Technology (Kunshan) Co., Ltd.	c c	Accumulated depreciation Inventories Cost of goods sold	84 487 26	- - -	- - -

Note 1: Companies are numbered as follows:

- a. The number of Topoint Technology Co., Ltd. (“Topoint”) is “0.”
- b. Subsidiaries are numbered from “1” onward.

Note 2: The flow of transactions is as follows:

- a. From Topoint to the subsidiary.
- b. From the subsidiary to Topoint.
- c. Between subsidiaries.

Note 3: The prices and payment terms for related-party transactions were based on agreements.

Note 4: If the transaction amounts are related to the balance sheet accounts, the percentages are those of the year-end balances to the consolidated total assets. If the transaction amounts are related to the income statement accounts, the percentages are the total amounts of the year to the consolidated total sales.

Note 5: Eliminated from the consolidated financial statements.

(Concluded)

# **Topoint Technology Co., Ltd.**

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2021 and 2020 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Topoint Technology Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of Topoint Technology Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2021 and 2020, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the “parent company only financial statements”).

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### The Authenticity of Drill Revenue

Management may feel pressure to achieve planned results and, therefore, auditing standards generally accepted in the Republic of China presume there is a risk of fraud in revenue recognition. We have determined this to apply specifically to the authenticity of transactions of drill sales. Refer to Note 4 to the accompanying parent company only financial statements for the relevant accounting policy of revenue recognition.

By conducting tests of controls on the Company and its investments accounted for using the equity method, we obtained an understanding of the recognition of drill revenue and of its design and implementation of related controls, and analyzed the changes in the top ten drill sales from customers and the accounts receivable turnover rate. We checked the rationale of drill revenue recognition based on the transactions. We tested the occurrence of drill revenue transactions. We performed journal entry testing by selecting samples of drill revenue journals and matching them with the original orders and external shipping documents or customer receipt documents. We reviewed that there were no significant sales returns after the year end and confirmed that there are no material misstatements of drill revenue.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

In preparing the parent company only 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.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

As part of an audit in accordance with the 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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 audits resulting in this independent auditors' report are Chien-Hsin Hsieh and Chao-Mei Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2022

Notice to Readers

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021		2020 (Retrospectively Adjusted) (Note 12)	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 154,906	3	\$ 298,345	6
Financial assets at fair value through profit or loss (Notes 4, 7 and 29)	383	-	79	-
Notes receivable (Notes 4, 9 and 22)	15,849	-	14,497	-
Notes receivable – related parties (Notes 4, 22 and 30)	-	-	2,352	-
Accounts receivable (Notes 4, 9 and 22)	198,388	4	160,899	3
Accounts receivable - related parties (Notes 4, 22 and 30)	124,013	2	92,913	2
Other receivables (Notes 4 and 9)	14,048	-	14,257	-
Current tax assets (Notes 4 and 24)	-	-	938	-
Inventories (Notes 4 and 10)	160,535	3	152,809	3
Prepayments (Note 11)	<u>12,573</u>	<u>-</u>	<u>6,978</u>	<u>-</u>
Total current assets	<u>680,695</u>	<u>12</u>	<u>744,067</u>	<u>14</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 4, 8 and 29)	36,320	1	41,199	1
Investments accounted for using the equity method (Notes 4 and 12)	4,603,209	79	4,091,432	78
Property, plant and equipment (Notes 4, 13 and 31)	372,784	6	302,995	6
Right-of-use assets (Notes 4 and 14)	5,072	-	447	-
Intangible assets (Notes 4 and 15)	2,618	-	3,428	-
Deferred tax assets (Notes 4 and 24)	36,706	1	27,541	1
Other non-current assets (Notes 16 and 30)	<u>45,163</u>	<u>1</u>	<u>8,662</u>	<u>-</u>
Total non-current assets	<u>5,101,872</u>	<u>88</u>	<u>4,475,704</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 5,782,567</u>	<u>100</u>	<u>\$ 5,219,771</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 17)	\$ 67,019	1	\$ 82,840	2
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 29)	161	-	508	-
Accounts payable (Note 18)	66,189	1	60,075	1
Accounts payable - related parties (Note 30)	15,460	-	9,644	-
Other payables (Note 19)	337,061	6	263,940	5
Current tax liabilities (Notes 4 and 24)	25,743	1	23,768	1
Lease liabilities (Notes 4 and 14)	1,946	-	282	-
Other current liabilities (Note 22)	<u>6,611</u>	<u>-</u>	<u>3,880</u>	<u>-</u>
Total current liabilities	<u>520,190</u>	<u>9</u>	<u>444,937</u>	<u>9</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings, net of current portion (Notes 17 and 31)	600,000	11	310,000	6
Lease liabilities (Notes 4 and 14)	3,126	-	165	-
Guarantee deposits received (Note 30)	9,691	-	10,271	-
Credit balance of investments accounted for using the equity method (Notes 4 and 12)	1,216	-	8,631	-
Deferred tax liabilities (Notes 4 and 24)	<u>1,413</u>	<u>-</u>	<u>1,286</u>	<u>-</u>
Total non-current liabilities	<u>615,446</u>	<u>11</u>	<u>330,353</u>	<u>6</u>
Total liabilities	<u>1,135,636</u>	<u>20</u>	<u>775,290</u>	<u>15</u>
<b>EQUITY</b>				
Share capital	<u>1,421,805</u>	<u>24</u>	<u>1,421,805</u>	<u>27</u>
Capital surplus	<u>1,227,748</u>	<u>21</u>	<u>1,229,931</u>	<u>24</u>
Retained earnings				
Legal reserve	474,706	8	446,690	8
Special reserve	345,319	6	404,469	8
Unappropriated earnings	<u>1,540,587</u>	<u>27</u>	<u>1,286,905</u>	<u>25</u>
Total retained earnings	<u>2,360,612</u>	<u>41</u>	<u>2,138,064</u>	<u>41</u>
Other equity	( 363,234)	( 6)	( 345,319)	( 7)
Total equity	<u>4,646,931</u>	<u>80</u>	<u>4,444,481</u>	<u>85</u>
<b>TOTAL</b>	<u>\$ 5,782,567</u>	<u>100</u>	<u>\$ 5,219,771</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020 (Retrospectively Adjusted) (Note 12)	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 30)	\$ 1,186,313	101	\$ 1,155,422	101
LESS: SALES RETURNS	2,264	-	448	-
SALES DISCOUNTS AND ALLOWANCES	<u>12,088</u>	<u>1</u>	<u>6,630</u>	<u>1</u>
NET OPERATING REVENUE	1,171,961	100	1,148,344	100
OPERATING COSTS (Notes 10, 23 and 30)				
Cost of goods sold	<u>778,546</u>	<u>66</u>	<u>725,932</u>	<u>63</u>
GROSS PROFIT	393,415	34	422,412	37
Unrealized gain on transactions with subsidiaries	( <u>12,131</u> )	( <u>1</u> )	( <u>15,759</u> )	( <u>2</u> )
Realized gross profit	<u>381,284</u>	<u>33</u>	<u>406,653</u>	<u>35</u>
OPERATING EXPENSES (Note 23)				
Selling and marketing	39,213	3	35,694	3
General and administrative (Note 30)	156,608	14	131,995	11
Research and development	<u>61,352</u>	<u>5</u>	<u>52,273</u>	<u>5</u>
Total operating expenses	<u>257,173</u>	<u>22</u>	<u>219,962</u>	<u>19</u>
OTHER OPERATING INCOME AND EXPENSES (Note 23)	<u>491</u>	<u>-</u>	<u>2,298</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>124,602</u>	<u>11</u>	<u>188,989</u>	<u>16</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit or loss of subsidiaries accounted for using the equity method	347,808	30	118,928	10
Other income (Note 30)	18,168	2	16,633	2
Rental income (Note 30)	4,061	-	6,130	1
Dividend income	1,634	-	1,634	-
Interest income	664	-	1,048	-
Gain on financial instruments at fair value through profit or loss	651	-	238	-
Foreign exchange loss, net (Note 23)	( 7,500)	( 1)	( 3,846)	-
Other expenses	( 128)	-	-	-
Interest expense	( <u>10,575</u> )	( <u>1</u> )	( <u>7,639</u> )	( <u>1</u> )
Total non-operating income and expenses	<u>354,783</u>	<u>30</u>	<u>133,126</u>	<u>12</u>

(Continued)

# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020 (Retrospectively Adjusted) (Note 12)	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 479,385	41	\$ 322,115	28
INCOME TAX EXPENSE (Notes 4 and 24)	( 32,859)	( 3)	( 40,548)	( 3)
NET PROFIT	<u>446,526</u>	<u>38</u>	<u>281,567</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	1,003	-	( 645)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	( 4,879)	-	( 10,480)	( 1)
Share of remeasurement of defined benefit plans of subsidiaries accounted for using the equity method	( 135)	-	( 1,306)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income of subsidiaries accounted for using the equity method	1,889	-	301	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	( 201)	-	129	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation to the financial statements of foreign operations	( 14,925)	( 1)	69,329	6
Total other comprehensive income (loss)	( 17,248)	( 1)	57,328	5
TOTAL COMPREHENSIVE INCOME	<u>\$ 429,278</u>	<u>37</u>	<u>\$ 338,895</u>	<u>30</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 3.14</u>		<u>\$ 1.98</u>	
Diluted	<u>\$ 3.09</u>		<u>\$ 1.95</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Share Capital (Note 21)	Capital Surplus (Note 21)	Retained Earnings (Note 21)			Other Equity (Note 21)		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (Retrospectively Adjusted)	Exchange Differences on Translation to the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 1,421,805	\$ 1,230,872	\$ 428,201	\$ 279,177	\$ 1,321,558	(\$ 431,379)	\$ 26,910	\$ 4,277,144
Appropriation of 2019 earnings								
Legal reserve	-	-	18,489	-	( 18,489)	-	-	-
Special reserve	-	-	-	125,292	( 125,292)	-	-	-
Cash dividends distributed by the Company (NT\$1.2 per share)	-	-	-	-	( 170,617)	-	-	( 170,617)
	-	-	18,489	125,292	( 314,398)	-	-	( 170,617)
Net profit for the year ended December 31, 2020	-	-	-	-	281,567	-	-	281,567
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	( 1,822)	69,329	( 10,179)	57,328
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	279,745	69,329	( 10,179)	338,895
Changes in percentage of ownership interests in subsidiaries	-	( 941)	-	-	-	-	-	( 941)
BALANCE AT DECEMBER 31, 2020	1,421,805	1,229,931	446,690	404,469	1,286,905	( 362,050)	16,731	4,444,481
Appropriation of 2020 earnings								
Legal reserve	-	-	28,016	-	( 28,016)	-	-	-
Special reserve	-	-	-	( 59,150)	59,150	-	-	-
Cash dividends distributed by the Company (NT\$1.58 per share)	-	-	-	-	( 224,645)	-	-	( 224,645)
	-	-	28,016	( 59,150)	( 193,511)	-	-	( 224,645)
Net profit for the year ended December 31, 2021	-	-	-	-	446,526	-	-	446,526
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	667	( 14,925)	( 2,990)	( 17,248)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	447,193	( 14,925)	( 2,990)	429,278
Changes in percentage of ownership interests in subsidiaries	-	( 2,183)	-	-	-	-	-	( 2,183)
BALANCE AT DECEMBER 31, 2021	\$ 1,421,805	\$ 1,227,748	\$ 474,706	\$ 345,319	\$ 1,540,587	(\$ 376,975)	\$ 13,741	\$ 4,646,931

The accompanying notes are an integral part of the parent company only financial statements.

# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020 (Retrospectively Adjusted)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 479,385	\$ 322,115
Adjustments for:		
Depreciation	35,279	30,530
Amortization	1,767	1,918
Gain on financial instruments at fair value through profit or loss	( 651)	( 238)
Interest expense	10,575	7,639
Interest income	( 664)	( 1,048)
Dividend income	( 1,634)	( 1,634)
Share of profit or loss of subsidiaries accounted for using the equity method	( 347,808)	( 118,928)
Gain on disposal of property, plant and equipment, net (Note 23)	( 491)	( 2,298)
Unrealized gain on transactions with subsidiaries	12,131	15,759
Net changes in operating assets and liabilities		
Notes receivable	( 1,352)	( 1,849)
Notes receivable – related parties	2,352	( 2,352)
Accounts receivable	( 37,489)	( 10,876)
Accounts receivable - related parties	9,590	( 11,797)
Other receivables	181	( 5,093)
Inventories	( 7,726)	( 10,957)
Prepayments	( 5,595)	10,145
Other current assets	-	254
Accounts payable	6,114	5,253
Accounts payable - related parties	5,816	1,838
Other payables	75,546	41,804
Other current liabilities	( 599)	( 4,700)
Net defined benefit assets	( 22)	( 27)
Cash generated from operations	234,705	265,458
Interest received	692	1,067
Interest paid	( 10,505)	( 7,748)
Income tax paid	( 39,185)	( 21,892)
Net cash generated from operating activities	<u>185,707</u>	<u>236,885</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for financial assets at fair value through profit or loss	-	( 180,000)
Proceeds from financial assets at fair value through profit or loss	-	243,133
Acquisition of long-term equity investments accounted for using the equity method	( 292,816)	( 105,945)
Net cash inflow on disposal of long-term equity investments accounted for using the equity method	-	1,648
		(Continued)



# TOPOINT TECHNOLOGY CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020 (Retrospectively Adjusted)
Payments for property, plant and equipment (Note 27)	(\$ 141,829)	(\$ 58,110)
Proceeds from sale of property, plant and equipment	30,767	138
Decrease (increase) in refundable deposits	( 1,562)	55
Payments for intangible assets	( 957)	( 4,219)
Dividends received	<u>29,720</u>	<u>1,634</u>
Net cash used in investing activities	( <u>376,677</u> )	( <u>101,666</u> )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	( 15,628)	23,689
Proceeds from long-term borrowings	1,400,000	-
Repayments of long-term borrowings	( 1,110,000)	( 50,000)
Decrease in guarantee deposits received	( 580)	( 225)
Repayment of the principal portion of lease liabilities	( 1,423)	( 442)
Dividends paid	( <u>224,645</u> )	( <u>170,617</u> )
Net cash generated from (used in) financing activities	<u>47,724</u>	( <u>197,595</u> )
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	( <u>193</u> )	<u>1,039</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	( 143,439)	( 61,337)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>298,345</u>	<u>359,682</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 154,906</u>	<u>\$ 298,345</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

# TOPOINT TECHNOLOGY CO., LTD.

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Topoint Technology Co., Ltd. (the “Company”) was incorporated in 1996. The Company mainly manufactures and markets micro-drills for printed circuit boards (PCBs), numerically controlled drilling machines for PCBs and peripheral equipment used in the manufacture of PCB.

On May 10, 2000, the Securities and Futures Commission (SFC) approved the Company’s application to become a public company. Since December 21, 2004, the Company’s shares have been traded on the Taipei Exchange (TPEX). Later, when the Company’s shares ceased to be traded over the counter, the Company’s shares became listed on the Taiwan Stock Exchange (TWSE) in January 2008.

The parent company only financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on February 24, 2022.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendments to IFRS 16 “Covid-19 - Related Rent Concessions beyond June 30, 2021”	January 1, 2021

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

The parent company only financial statements have been prepared on the historical cost basis, except for financial instruments which are measured at fair values and the net defined benefit asset which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net profit, other comprehensive income and equity attributable to owners of the company in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through "investments accounted for using the equity method", "share of profit or loss of subsidiaries accounted for using the equity method", "share of other comprehensive income of subsidiaries accounted for using the equity method" and relevant equity items in the parent company only financial statements.

## **Classification of Current and Non-current Assets and Liabilities**

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within twelve months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the parent company only financial statements are authorized for issue; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

## **Foreign Currencies**

In preparing the parent company only financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period, except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including of the subsidiaries' operations in other countries or currencies used different from the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

## **Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are stated at weighted-average cost on the balance sheet date.

## **Investments in subsidiaries**

The Company accounts for its investments in subsidiaries using the equity method. A subsidiary is an entity controlled by the Company.

Under the equity method, investments in subsidiaries are initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income as well as earning distributions of the subsidiaries. Also, the Company recognizes the changes in its share of equity of subsidiaries.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in the subsidiary (including the carrying amount of the subsidiary accounted for using the equity method and the long-term interests that are part of the Company's net investment in the subsidiary in substance), the Company continues to recognize its proportionate share of loss.

Any excess of the acquisition cost over the Company's share of net fair value of identifiable assets and liabilities of a subsidiary which constitutes a business as of the acquisition date is recognized as goodwill. Goodwill is included in the carrying amount of the investment and cannot be amortized. Any excess of the Company's share of net fair value of identifiable assets and liabilities of a subsidiary which constitutes a business as of the acquisition date over the acquisition cost is recognized as a gain in profit or loss.

When the Company loses control over a subsidiary, it measures the retained investment in the subsidiary at fair value on the date it loses control. The difference between the fair value of the retained investment plus proceeds from the disposal and the carrying amount of the investment on the date when control is lost is recognized in profit or loss. In addition, the Company accounts for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized gains or losses from downstream transactions between the Company and its subsidiaries are eliminated in the Company's parent company only financial statements. Profits and losses from upstream and lateral transactions are recognized in the Company's parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

## **Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Intangible Assets**

Intangible assets with finite useful lives are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

## **Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

## **Financial Instruments**

Financial assets and financial liabilities are recognized in the parent company only balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **a. Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

#### **1) Measurement category**

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Dividends and interests on such financial assets are recognized separately in other income and interest income while gains or losses from remeasurement are recognized in other gains and losses. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and other receivables, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

- i. Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.



## 2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information shows that the debtor is unlikely to pay its creditors.
- b) Financial asset is more than 360 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

## 3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

### b. Financial liabilities

The Company derecognizes financial liabilities only when the Company's obligations are discharged or canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### c. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

## **Revenue Recognition**

The Company identifies performance obligations in contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

### **a. Revenue from the sale of goods**

Revenue from the sale of goods comes from sales of micro-drill bits for PCBs and precision metal products. Sales of these goods are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Accounts receivable and revenue are recognized concurrently.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

### **b. Revenue from the rendering of services**

Revenue from the rendering of services comes from manufacturing of metal products and purchasing equipment on behalf of other customers.

As the Company provides manufacturing of metal products, customers simultaneously receive and consume the benefits provided by the Company's performance. Consequently, the related revenue is recognized when services are rendered.

For services in purchasing equipment on behalf of customers, the Company does not control the equipment before it is transferred to the customer. The Company neither is responsible for the customer's acceptance of the equipment nor commits itself to obtain the goods from the suppliers before the equipment is purchased by the customer and thus does not take on any inventory risk. Consequently, the Company is an agent and its performance obligation is to procure the equipment on behalf of the customer. The Company recognizes revenue in the net amount of consideration received or receivable when the equipment is transferred to the customer, and the Company has no further obligations to the customer.

## **Leasing**

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

### **a. The Company as lessor**

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the parent company only balance sheets.

## **Employee Benefits**

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

### **b. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### **c. Current and deferred tax for the year**

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies, estimates and underlying assumptions adopted by the Company have no critical accounting judgments and estimation uncertainty after evaluation by the management of the Company.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	\$ 370	\$ 321
Checking accounts and demand deposits	139,681	85,672
Cash equivalents		
Time deposits	<u>14,855</u>	<u>212,352</u>
	<u>\$ 154,906</u>	<u>\$ 298,345</u>

The interest rate intervals of demand deposits and time deposits at the end of reporting period were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Demand deposits	0.001%~0.04%	0.001%~0.08%
Time deposits	0.38%~0.815%	0.34%~0.815%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	<u>\$ 383</u>	<u>\$ 79</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	<u>\$ 161</u>	<u>\$ 508</u>

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currency	Maturity	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	JPY/NTD	2022.01.27	JPY1,900/NTD476
Sell	JPY/NTD	2022.02.24	JPY1,686/NTD421
Sell	JPY/NTD	2022.03.24	JPY715/NTD173
Sell	JPY/NTD	2022.04.25	JPY2,000/NTD484
Sell	KRW/USD	2022.01.07	KRW346,000/USD288
Sell	KRW/USD	2022.02.09	KRW191,000/USD159
Sell	KRW/USD	2022.02.09	KRW215,000/USD184
Sell	KRW/USD	2022.02.09	KRW69,000/USD58
Sell	KRW/USD	2022.03.07	KRW83,000/USD70
Sell	KRW/USD	2022.03.07	KRW240,000/USD201
Sell	KRW/USD	2022.03.07	KRW98,000/USD82
Sell	KRW/USD	2022.04.07	KRW86,000/USD72
Sell	KRW/USD	2022.04.07	KRW176,000/USD147
Sell	USD/NTD	2022.01.07	USD288/NTD8,053
Sell	USD/NTD	2022.01.20	USD920/NTD25,538
Sell	USD/NTD	2022.02.09	USD159/NTD4,444
Sell	USD/NTD	2022.02.09	USD184/NTD5,103
Sell	USD/NTD	2022.02.09	USD58/NTD1,608
Sell	USD/NTD	2022.02.09	USD70/NTD1,933
Sell	USD/NTD	2022.02.17	USD550/NTD15,190
Sell	USD/NTD	2022.03.07	USD201/NTD5,576
Sell	USD/NTD	2022.03.07	USD82/NTD2,285
Sell	USD/NTD	2022.04.07	USD72/NTD2,003
Sell	USD/NTD	2022.04.07	USD147/NTD4,092
<u>December 31, 2020</u>			
Sell	JPY/NTD	2021.01.22	JPY400/NTD110
Sell	JPY/NTD	2021.02.25	JPY120/NTD32
Sell	JPY/NTD	2021.03.25	JPY900/NTD246
Sell	KRW/USD	2021.01.08	KRW290,000/USD256
Sell	KRW/USD	2021.02.09	KRW180,000/USD162
Sell	KRW/USD	2021.03.09	KRW110,000/USD99
Sell	USD/NTD	2021.01.08	USD256/NTD7,315
Sell	USD/NTD	2021.02.09	USD162/NTD4,601
Sell	USD/NTD	2021.03.09	USD99/NTD2,792

The Company entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The purpose of its financial hedging strategy is to avoid price volatility of primary markets.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments

	December 31	
	2021	2020
<u>Non-current</u>		
Domestic investments		
Listed shares		
Ordinary shares - Zhen Ding Technology Holding Limited	\$ 36,320	\$ 41,199

## 9. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2021	2020
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 15,849	\$ 14,497
Less: Allowance for impairment loss	-	-
	<u>\$ 15,849</u>	<u>\$ 14,497</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 198,388	\$ 160,899
Less: Allowance for impairment loss	-	-
	<u>\$ 198,388</u>	<u>\$ 160,899</u>
<u>Other receivables</u>		
Purchase of equipment on other's behalf	\$ 10,711	\$ 11,942
Bank retention accounts	3,288	2,232
Others	49	83
	<u>\$ 14,048</u>	<u>\$ 14,257</u>

### a. Notes receivable

The average credit period of sales of goods was 90 days. In determining the recoverability of a note receivable, the Company considered any change in the credit quality of the note receivable since the date credit was initially granted to the end of the reporting period. The notes receivable that are past due recognized 100% allowance for bad debt. As of the reporting date, the Company had no notes receivables that were past due or impaired.

b. Accounts receivable

1) At amortized cost

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by considering the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base. The Company evaluates the prospect of recovery based on the past due days of accounts receivable and determine the credit losses with the respective risks of default occurring as the weights.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2021

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	
Gross carrying amount	\$ 195,697	\$ 2,691	\$ 198,388
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 195,697</u>	<u>\$ 2,691</u>	<u>\$ 198,388</u>

December 31, 2020

	<b>Not Past Due</b>	<b>Less than 60 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	
Gross carrying amount	\$ 159,357	\$ 1,542	\$ 160,899
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 159,357</u>	<u>\$ 1,542</u>	<u>\$ 160,899</u>



## 2) At FVTPL

For accounts receivable from related parties, the Company will sell them to banks without recourse. The sale will result in derecognizing these trade receivables because the Company will transfer the significant risks and rewards relating to them. These trade receivables are classified as at FVTPL because the objective of the Company's business model is neither to collect contractual cash flows nor achieved by collecting contractual cash flows and selling financial assets.

Factored trade receivables as of December 31, 2021 and 2020 were as follows:

### December 31, 2021

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
Mega International Commercial Bank	<u>\$ 81,596</u>	<u>\$ 27,014</u>	<u>\$ 23,726</u>	<u>\$ 652</u>	<u>\$ 2,636</u>	0.94	US\$ 3,000 thousand

### December 31, 2020

Counterparties	Receivables Sold	Receivables Sold at Year-end	Advances Received at Year-end	Not Yet Received as of Year-end	Retention	Interest Rates for Advances Received (%)	Credit Line
Mega International Commercial Bank	<u>\$ 96,992</u>	<u>\$ 17,703</u>	<u>\$ 15,471</u>	<u>\$ 513</u>	<u>\$ 1,719</u>	0.85	US\$ 3,000 thousand

The above credit line may be used on a revolving basis.

The above factored accounts receivables have not been received and the retention amounts were reclassified to other receivables - bank retention accounts.

## 3) Other receivables

The Company assesses other receivables for impairment when there is objective evidence of receivable being impaired.

As of the reporting date, the Company had no other receivables that were past due or impaired.

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Raw materials	\$ 67,688	\$ 67,954
Supplies	24,079	17,022
Work in process	17,008	12,532
Finished goods	43,463	45,110
Merchandise	<u>8,297</u>	<u>10,191</u>
	<u>\$ 160,535</u>	<u>\$ 152,809</u>

The nature of cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	\$ 775,310	\$ 725,426
Inventory write-downs	<u>3,236</u>	<u>506</u>
	<u>\$ 778,546</u>	<u>\$ 725,932</u>

## 11. PREPAYMENTS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Prepaid purchases	\$ 3,254	\$ 2,570
Prepayment for expense	5,319	4,010
Prepaid value-added tax	<u>4,000</u>	<u>398</u>
	<u>\$ 12,573</u>	<u>\$ 6,978</u>

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b> <b>(Retrospectively Adjusted)</b>
Investments in subsidiaries		
Unlisted companies		
Topoint Technology Co., Ltd. (B.V.I.)	\$ 3,727,170	\$ 3,533,786
Unipoint Technology Co., Ltd.	413,718	402,280
Warspeed Corporation (B.V.I.)	484	( 890 )
Topoint Japan Co., Ltd.	( 1,216 )	( 7,741 )
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	39,131	41,750
E-point Precision Tools Co., Ltd.	-	-
Raypoint Precision Tools Co., Ltd.	1,540	1,523
Drill-tek Corporation	150,427	112,093
Cosmos Vacuum Technology Corporation	<u>270,739</u>	<u>-</u>
	4,601,993	4,082,801
Add: Credit balance of investments accounted for using the equity method	<u>1,216</u>	<u>8,631</u>
	<u>\$ 4,603,209</u>	<u>\$ 4,091,432</u>

The percentages of ownership interests and voting rights held by the Company in subsidiaries on the balance sheet date were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Topoint Technology Co., Ltd. (B.V.I.)	100%	100%
Unipoint Technology Co., Ltd.	61.76%	61.76%
Warspeed Corporation (B.V.I.)	100%	100%
Topoint Japan Co., Ltd.	100%	100%
Unipoint Technology Holdings Co., Ltd. (B.V.I.)	100%	100%
E-point Precision Tools Co., Ltd.	-	-
Raypoint Precision Tools Co., Ltd.	100%	100%
Drill-tek Corporation (Note 26)	58.72%	58.77%
Cosmos Vacuum Technology Corporation (Note 26)	56.39%	-

E-point Precision Tools Co., Ltd. was dissolved in July 2020, and the liquidation process was completed in April 2021. The shares of E-point Precision Tools Co., Ltd. were refunded to the Company in August 2020.

On September 30, 2020, the Company acquired 58.77% equity of Drill-tek Corporation (Drill-tek) with \$105,945 thousand. For relevant disclosure on the acquisition, refer to Note 26 in the notes to the consolidated financial statements for the year ended December 31, 2021. The Company completed the identification of the difference between the acquisition cost of Drill-tek and the Company's share of net fair value of identifiable assets and liabilities in 2021 and retrospectively decreased the investments accounted for using the equity method and retained earnings of \$418 thousand as of December 31, 2020 as well as the share of profit or loss of subsidiaries accounted for using the equity method of \$418 thousand for the year then ended. Drill-tek increased cash capital of 30,000 thousand in July 2021. the Company participated in share subscription of Drill-tek resulting in an ownership percentage different from its original ownership interest. Therefore, the ownership interest of the Company in Drill-tek decreased from 58.77% to 58.72%.

On March 29, 2021, the Company acquired 56.29% equity of Cosmos Vacuum Technology Corporation (Cosmos) with \$274,770 thousand. For relevant disclosure on the acquisition, refer to Note 26 in the notes to the consolidated financial statements for the year ended December 31, 2021. In September 2021, the Company acquired 39,204 shares of Cosmos with cash of \$509 thousand. Therefore, the ownership interest of the Company in Cosmos increased from 56.29% to 56.39%.

For the nature of activities, principal place of business and country of registration of the aforementioned subsidiaries, refer to Table 5.

The shares of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method for the years ended December 31, 2021 and 2020 were recognized based on the subsidiaries' audited financial statements.

### 13. PROPERTY, PLANT AND EQUIPMENT - FREEHOLD

	December 31							
			2021	2020				
Land			\$ 75,652			\$ 75,652		
Buildings			80,190			85,137		
Machinery and equipment			105,961			123,502		
Transportation equipment			2,571			3,519		
Office equipment			224			844		
Miscellaneous equipment			16,961			14,071		
Equipment to be inspected			<u>91,225</u>			<u>270</u>		
			<u>\$ 372,784</u>			<u>\$ 302,995</u>		
	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Equipment to Be Inspected	Total
<b>Cost</b>								
Balance at January 1, 2021	\$ 75,652	\$ 278,321	\$ 1,892,350	\$ 6,820	\$ 7,978	\$ 72,944	\$ 270	\$ 2,334,335
Additions	-	90	7,082	-	-	7,208	90,955	105,335
Disposals	-	-	( 273,575 )	-	-	-	-	( 273,575 )
Balance at December 31, 2021	<u>75,652</u>	<u>278,411</u>	<u>1,625,857</u>	<u>6,820</u>	<u>7,978</u>	<u>80,152</u>	<u>91,225</u>	<u>2,166,095</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	-	193,184	1,768,848	3,301	7,134	58,873	-	2,031,340
Depreciation expense	-	5,037	22,933	948	620	4,318	-	33,856
Disposals	-	-	( 271,885 )	-	-	-	-	( 271,885 )
Balance at December 31, 2021	<u>-</u>	<u>198,221</u>	<u>1,519,896</u>	<u>4,249</u>	<u>7,754</u>	<u>63,191</u>	<u>-</u>	<u>1,793,311</u>
Carrying amount at December 31, 2021	<u>\$ 75,652</u>	<u>\$ 80,190</u>	<u>\$ 105,961</u>	<u>\$ 2,571</u>	<u>\$ 224</u>	<u>\$ 16,961</u>	<u>\$ 91,225</u>	<u>\$ 372,784</u>
<b>Cost</b>								
Balance at January 1, 2020	\$ 75,652	\$ 270,467	\$ 1,853,563	\$ 6,935	\$ 7,978	\$ 68,470	\$ 2,416	\$ 2,285,481
Additions	-	7,854	54,762	598	-	3,707	75	66,996
Disposals	-	-	( 17,357 )	( 713 )	-	( 72 )	-	( 18,142 )
Reclassification	-	-	1,382	-	-	839	( 2,221 )	-
Balance at December 31, 2020	<u>75,652</u>	<u>278,321</u>	<u>1,892,350</u>	<u>6,820</u>	<u>7,978</u>	<u>72,944</u>	<u>270</u>	<u>2,334,335</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2020	-	188,293	1,766,130	2,976	6,380	55,615	-	2,019,394
Depreciation expense	-	4,891	20,075	1,038	754	3,330	-	30,088
Disposals	-	-	( 17,357 )	( 713 )	-	( 72 )	-	( 18,142 )
Balance at December 31, 2020	<u>-</u>	<u>193,184</u>	<u>1,768,848</u>	<u>3,301</u>	<u>7,134</u>	<u>58,873</u>	<u>-</u>	<u>2,031,340</u>
Carrying amount at December 31, 2020	<u>\$ 75,652</u>	<u>\$ 85,137</u>	<u>\$ 123,502</u>	<u>\$ 3,519</u>	<u>\$ 844</u>	<u>\$ 14,071</u>	<u>\$ 270</u>	<u>\$ 302,995</u>

Upon assessment, there was no indication of impairment of the property, plant and equipment as of December 31, 2021 and 2020.

The items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	
Main buildings	10-50 years
Elevators	8-15 years
Decorating constructions	3-10 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Miscellaneous equipment	3-10 years

Refer to Note 31 for the carrying amount of freehold property, plant and equipment pledged by the Company to secure borrowings.

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Buildings	\$ 1,612	\$ 447
Transportation equipment	<u>3,460</u>	<u>-</u>
	<u>\$ 5,072</u>	<u>\$ 447</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Additions to right-of-use assets	<u>\$ 6,048</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 463	\$ 442
Transportation equipment	<u>960</u>	<u>-</u>
	<u>\$ 1,423</u>	<u>\$ 442</u>

Except for the additions and the depreciation expenses listed above, there was no indication of impairment of the right-of-use assets and no significant sublease for the years ended December 31, 2021 and 2020.

### b. Lease liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Carrying amount</u>		
Current	<u>\$ 1,946</u>	<u>\$ 282</u>
Non-current	<u>\$ 3,126</u>	<u>\$ 165</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Buildings	1.9%	1.5%
Transportation equipment	1.9%	-

### c. Material lease-in activities and terms

The Company leases certain transportation equipment with lease terms of 3 years. The Company does not have bargain purchase options to acquire transportation equipment at the end of the lease terms.

The Company also leases certain buildings for the use of warehouses and dormitories with lease terms of 4 to 5 years. The Company does not have bargain purchase options to acquire buildings at the end of the lease terms.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Expenses relating to low-value asset leases	\$ <u>338</u>	\$ <u>342</u>
Total cash outflow for leases	(\$ <u>1,836</u> )	(\$ <u>797</u> )

The Company's leases of certain office equipment qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Carrying value of computer software	\$ <u>2,618</u>	\$ <u>3,428</u>
<b>Computer Software</b>		
<u>Cost</u>		
Balance at January 1, 2021		\$ 4,533
Additions		957
Disposals		( <u>537</u> )
Balance at December 31, 2021		<u>4,953</u>
<u>Accumulated amortization</u>		
Balance at January 1, 2021		1,105
Amortization expense		1,767
Disposals		( <u>537</u> )
Balance at December 31, 2021		<u>2,335</u>
Carrying amount at December 31, 2021		\$ <u>2,618</u>
<u>Cost</u>		
Balance at January 1, 2020		\$ 3,090
Additions		4,219
Disposals		( <u>2,776</u> )
Balance at December 31, 2020		<u>4,533</u>
<u>Accumulated amortization</u>		
Balance at January 1, 2020		1,963
Amortization expense		1,918
Disposals		( <u>2,776</u> )
Balance at December 31, 2020		<u>1,105</u>
Carrying amount at December 31, 2020		\$ <u>3,428</u>

Upon assessment, there was no indication of impairment of the intangible assets as of December 31, 2021 and 2020.

The intangible assets are amortized on a straight-line basis over the following estimated useful lives of the assets:

Computer software	1-5 years
-------------------	-----------

## 16. OTHER NON-CURRENT ASSETS

	December 31	
	2021	2020
Prepayments for equipment	\$ 34,052	\$ 138
Refundable deposits	7,076	5,514
Net defined benefit asset (Note 20)	<u>4,035</u>	<u>3,010</u>
	<u>\$ 45,163</u>	<u>\$ 8,662</u>

## 17. BORROWINGS

### a. Short-term borrowings

	December 31	
	2021	2020
Unsecured borrowings	<u>\$ 67,019</u>	<u>\$ 82,840</u>
Interest rate	0.79%~1.19%	1.03%~1.40%

### b. Long-term borrowings

	December 31	
	2021	2020
<u>Unsecured borrowings</u>		
Syndicated borrowing - Mega International Commercial Bank, et al. (1)	\$ -	\$ 310,000
Syndicated borrowing - Mega International Commercial Bank, et al. (2)	600,000	-
Less: Current portion	<u>-</u>	<u>-</u>
Long-term borrowings	<u>\$ 600,000</u>	<u>\$ 310,000</u>

- 1) Syndicated loan from Mega International Commercial Bank, et al.: In October 2016, the Company obtained an unsecured borrowing for five years of \$1,000,000 thousand from a banking syndicate comprising Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, and CTBC Bank. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid by the maturity date. According to the contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same. The Company made the payment in advance in December 2021.

- 2) Syndicated loan from Mega International Commercial Bank, et al.: In December, 2021, the Company obtained an unsecured borrowing of \$1,000,000 thousand for 7 years from a banking syndicate, which comprised Mega International Commercial Bank, Taiwan Cooperative Bank, Taipei Fubon Commercial Bank, Land Bank of Taiwan, Hua Nan Commercial Bank, E.SUN Bank, The Bank of East Asia, CTBC Bank and The Shanghai Commercial & Savings Bank, Ltd. The maximum term of loans shall not exceed 180 days, and the loan shall be repaid by the maturity date. According to the contract, the loan can be used on a revolving basis and does not need to go through a capital transfer process if the amount remains the same.

Related information as of December 31, 2021 and 2020 is as follows:

	<b>Credit Line</b>	<b>Amount to Be Paid</b>	<b>Interest Rate</b>	<b>Repayment</b>
<u>December 31, 2021</u>				
Unsecured borrowing	\$ 1,000,000	\$ 600,000	1.797%	The credit line balance begins to diminish 60 months after the date the loan is obtained, and the credit line will diminish three times every 12 months. For the first and the second times, the credit line will diminish 10% of the total credit limit, and the remaining credit line balance will diminish on the third time. If the principal amount exceeds the diminishing credit line balance on certain dates, the Company should pay the bank lenders the excess amount.
<u>December 31, 2020</u>				
Unsecured borrowing	\$ 752,000	\$ 310,000	1.797%	The credit line balance begins to diminish 24 months after the date the loan is obtained, and the credit line will diminish three times every 12 months. If the principal amount exceeds the diminishing credit line balance on certain dates, the Company should pay the bank lenders the excess amount. Principal repayable on maturity is extended to December 2022 from December 2020. The credit line balance begins to diminish from December 2020 after the date the loan is extended, and the credit line will diminish 5 times every 6 months.

Under the borrowing agreement, certain financial ratios (current ratio, debt to asset ratio, interest coverage and net tangible assets) based on audited annual and semiannual consolidated financial statements of the Company must be in accordance with the criteria stated in the agreements. As of December 31, 2021 and 2020, the Company had all met such criteria.



## 18. ACCOUNTS PAYABLE

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Accounts payable - operating	\$ <u>66,189</u>	\$ <u>60,075</u>

The average credit period for purchases was 90 to 120 days. The Company has established financial risk management policies to ensure that all payables are repaid within pre-agreed credit periods.

## 19. OTHER PAYABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Accrued payroll and employee benefits	\$ 161,676	\$ 140,451
Compensation of employees and remuneration of directors and supervisors	137,234	87,950
Payable for purchase of equipment	5,278	7,858
Payable for annual leave	6,903	3,676
Others	<u>25,970</u>	<u>24,005</u>
	<u>\$ 337,061</u>	<u>\$ 263,940</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Pension expenses for these defined contribution plans are classified under the following accounts:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	\$ <u>5,450</u>	\$ <u>5,256</u>
Operating expenses	\$ <u>3,993</u>	\$ <u>4,077</u>

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The pension fund of the Company raised in accordance with the Labor Standards Law was sufficient. With the approval of the competent authority in May 2019, the contribution was suspended from May 2019 to April 2020. With the approval of the competent authority in May 2020, the contribution was suspended from May 2020 to April 2021. With the approval of the competent authority in April 2021, the contribution was suspended from May 2021 to April 2022. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement

requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”). The Company has no right to influence the investment policy and strategy.

The amounts included in the parent company only balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Present value of defined benefit obligation	\$ 28,830	\$ 30,790
Fair value of plan assets	( 32,865)	( 33,800)
Surplus	(\$ 4,035)	(\$ 3,010)
Net defined benefit asset	(\$ 4,035)	(\$ 3,010)

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2020	\$ 29,035	(\$ 32,663)	(\$ 3,628)
Net interest expenses (income)	217	( 244)	( 27)
Recognized in profit or loss	217	( 244)	( 27)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 1,067)	( 1,067)
Actuarial loss - experience adjustments	1,712	-	1,712
Recognized in other comprehensive income	1,712	( 1,067)	645
Benefits paid	( 174)	174	-
Balance at December 31, 2020	30,790	( 33,800)	( 3,010)
Net interest expenses (income)	231	( 253)	( 22)
Recognized in profit or loss	231	( 253)	( 22)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	( 346)	( 346)
Actuarial loss - changes in financial assumptions	272	-	272
Actuarial gain - experience adjustments	( 929)	-	( 929)
Recognized in other comprehensive income	( 657)	( 346)	( 1,003)
Benefits paid	( 1,534)	1,534	-
Balance at December 31, 2021	\$ 28,830	(\$ 32,865)	(\$ 4,035)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)	0.65%	0.75%
Expected rate(s) of salary increase	1.00%	1.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Discount rate(s)		
0.25% increase	(\$ 670)	(\$ 757)
0.25% decrease	\$ 697	\$ 788
Expected rate(s) of salary increase		
1% increase	\$ 2,926	\$ 3,322
1% decrease	(\$ 2,542)	(\$ 2,866)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
The expected contributions to the plan for the next year	\$ -	\$ -
The average duration of the defined benefit obligation	13.1 years	14 years

## 21. EQUITY

### a. Share capital - ordinary shares

	December 31	
	2021	2020
Registered shares (thousands)	300,000	300,000
Registered capital	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Issued shares (thousands)	142,181	142,181
Issued capital	<u>\$ 1,421,805</u>	<u>\$ 1,421,805</u>

The par value of the issued ordinary shares is NT\$10. Each share entitles its holder to a right to vote and to receive dividends.

Of the authorized capital, a total of 30,000 thousand shares should be reserved for employee share option plan, preference shares with warrant and bonds with warrant attached.

### b. Capital surplus

	December 31	
	2021	2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 1,190,843	\$ 1,190,843
<u>May be used to offset a deficit only</u>		
Exercise of employee share options	8,992	8,992
Changes in percentage of ownership interest in subsidiaries	19,505	21,688
Expiry of employee share options	<u>8,408</u>	<u>8,408</u>
	<u>\$ 1,227,748</u>	<u>\$ 1,229,931</u>

The capital surplus from shares issued in excess of par and donations could be used to offset deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the conditions on distribution of compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors in Note 23, d.

To meet the requirements for present and future operational expansion and to satisfy the shareholders' need for cash inflow, the Company's dividend policy states that total dividends should be at least 20% of net income and cash dividends should be at least 10% of total dividends.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1090150022 and Rule No. 10901500221 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2020 and 2019 approved in the shareholders' meetings on July 22, 2021 and June 10, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 28,016	\$ 18,489		
Special reserve (Reverse)	( 59,150)	125,292		
Cash dividends	224,645	170,617	\$ 1.58	\$ 1.2

The appropriation of earnings for 2021 was proposed by the Company's board of directors on February 24, 2022. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 44,677	
Special reserve	17,915	
Cash dividends	327,015	\$ 2.3

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held on June 9, 2022.

d. Other equity items

Unrealized gain/(loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Balance at January 1	\$ 16,731	\$ 26,910
Recognized for the year		
Unrealized gain	( 4,879)	( 10,480)
Share of subsidiaries accounted for using the equity method	<u>1,889</u>	<u>301</u>
Balance at December 31	<u>\$ 13,741</u>	<u>\$ 16,731</u>

## 22. REVENUE

### a. Contact balances

	December 31, 2021	December 31, 2020	January 1, 2020
Notes receivables (Note 9)	\$ <u>15,849</u>	\$ <u>14,497</u>	\$ <u>12,648</u>
Notes receivables – related parties (Note 30)	\$ <u>-</u>	\$ <u>2,352</u>	\$ <u>-</u>
Accounts receivable (Note 9)	\$ <u>198,388</u>	\$ <u>160,899</u>	\$ <u>150,023</u>
Accounts receivable - related parties (Note 30)	\$ <u>124,013</u>	\$ <u>92,913</u>	\$ <u>81,116</u>
Contract liabilities (under other current liabilities)			
Sale of goods	\$ <u>-</u>	\$ <u>883</u>	\$ <u>-</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
From the beginning contract liabilities		
Sale of goods	\$ <u>883</u>	\$ <u>-</u>

### b. Disaggregation of revenue

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Precision metal products and processing services	\$ 935,636	\$ 930,995
Others	<u>236,325</u>	<u>217,349</u>
	<u>\$1,171,961</u>	<u>\$1,148,344</u>

### c. Partially completed contracts

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Sale of goods		
- in 2021	\$ <u>-</u>	\$ <u>883</u>

## 23. NET PROFIT

### a. Depreciation and amortization expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 25,322	\$ 21,895
Operating expenses	<u>9,957</u>	<u>8,635</u>
	<u>\$ 35,279</u>	<u>\$ 30,530</u>
An analysis of amortization by function		
Operating costs	\$ 1,108	\$ 720
General and administrative expenses	<u>659</u>	<u>1,198</u>
	<u>\$ 1,767</u>	<u>\$ 1,918</u>

### b. Other operating income and expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Gain on disposal of property, plant and equipment	<u>\$ 491</u>	<u>\$ 2,298</u>

The gains on disposal of property, plant and equipment for the year ended December 31, 2021 were losses on disposal of \$1,775 thousand and realized deferred revenue of \$2,266 thousand during the year. The gains on disposal of property, plant and equipment for the year ended December 31, 2020 were gains on disposal of \$138 thousand and realized deferred revenue of \$2,160 thousand during the year.

### c. Employee benefit expenses

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefit (Note 20)		
Defined contribution plans	\$ 9,443	\$ 9,333
Defined benefit plans	( <u>22</u> )	( <u>27</u> )
	9,421	9,306
Payroll expenses	344,159	304,275
Labor and health insurance expenses	22,693	21,007
Remuneration to directors	12,907	7,059
Other employee benefits	<u>3,434</u>	<u>1,017</u>
Total employee benefit expenses	<u>\$ 392,614</u>	<u>\$ 342,664</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 220,212	\$ 198,202
Operating expenses	<u>172,402</u>	<u>144,462</u>
	<u>\$ 392,614</u>	<u>\$ 342,664</u>

d. Compensation of employees and remuneration of directors

The Company accrued compensation of employees and remuneration of directors at the rates between 1% to 25% and no higher than 3% of net profit before income tax, compensation of employees, and remuneration of directors, respectively. The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on February 24, 2022 and February 26, 2021, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	15.0%	15.0%
Remuneration of directors	2.5%	2.5%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 87,161	\$ 58,642
Remuneration of directors	14,527	9,774

If there is a change in the amounts after the annual parent company only financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Foreign currency exchange gains	\$ 11,072	\$ 15,411
Foreign currency exchange losses	( 18,572)	( 19,257)
Net gain (loss)	(\$ 7,500)	(\$ 3,846)



## 24. INCOME TAXES

- a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Current tax</u>		
In respect of the current year	\$ 40,956	\$ 41,504
Income tax on unappropriated earnings	4,333	-
Adjustments for prior year	( 3,191)	( 1,116)
	<u>42,098</u>	<u>40,388</u>
<u>Deferred tax</u>		
In respect of the current year	( 9,239)	160
Income tax expense recognized in profit or loss	<u>\$ 32,859</u>	<u>\$ 40,548</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
		<b>(Retrospectively Adjusted)</b>
Profit before tax	<u>\$ 479,385</u>	<u>\$ 322,115</u>
Income tax expense calculated at the statutory rate	\$ 95,877	\$ 64,423
Nondeductible expenses in determining taxable income	476	89
Non-taxable income	( 68,989)	( 23,934)
Income tax on unappropriated earnings	4,333	-
Adjustments for prior years' tax	( 3,191)	( 1,116)
Adjustments for deferred tax of transactions between group entities	<u>4,353</u>	<u>1,086</u>
Income tax expense recognized in profit or loss	<u>\$ 32,859</u>	<u>\$ 40,548</u>

- b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plan	<u>\$ 201</u>	<u>(\$ 129)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Current tax assets		
Tax refund receivable	\$ <u>-</u>	\$ <u>938</u>
Current tax liabilities		
Income tax payable	\$ <u>25,743</u>	\$ <u>23,768</u>

The balances of current tax liabilities on December 31, 2021 and 2020 are net amounts after deducting related prepaid tax.

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 12,563	\$ 11,245	\$ -	\$ 23,808
Investment loss recognized under the equity method	6,740	( 1,375 )	-	5,365
Write-down of inventories	5,547	( 913 )	-	4,634
Others	<u>2,691</u>	<u>409</u>	( <u>201</u> )	<u>2,899</u>
	<u>\$ 27,541</u>	<u>\$ 9,366</u>	( <u>\$ 201</u> )	<u>\$ 36,706</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ -	\$ 122	\$ -	\$ 122
Pension expenses difference between financial accounting and taxation	<u>1,286</u>	<u>5</u>	<u>-</u>	<u>1,291</u>
	<u>\$ 1,286</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 1,413</u>

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Deferred revenue	\$ 11,954	\$ 609	\$ -	\$ 12,563
Investment loss recognized under the equity method	6,815	( 75 )	-	6,740
Write-down of inventories	5,709	( 162 )	-	5,547
Others	<u>3,090</u>	<u>( 528 )</u>	<u>129</u>	<u>2,691</u>
	<u>\$ 27,568</u>	<u>( \$ 156 )</u>	<u>\$ 129</u>	<u>\$ 27,541</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 1	( \$ 1 )	\$ -	\$ -
Pension expenses difference between financial accounting and taxation	<u>1,281</u>	<u>5</u>	<u>-</u>	<u>1,286</u>
	<u>\$ 1,282</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 1,286</u>

e. Income tax assessments

Income tax returns of the Company through 2018 have been examined and cleared by the tax authorities.

## 25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding that were used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<b>2021</b>	<b>2020 (Retrospectively Adjusted)</b>
Profit for the year	<u>\$ 446,526</u>	<u>\$ 281,567</u>

**Weighted average number of ordinary shares outstanding (in thousand shares):**

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in computation of basic earnings per share	142,181	142,181
Effect of potentially dilutive ordinary shares:		
Employee s' compensation issue to employees	<u>2,372</u>	<u>2,392</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>144,553</u>	<u>144,573</u>

The Company may settle compensation paid to employees in cash or shares; therefore, the Company assumes the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

**26. ACQUISITION OF INVESTMENTS IN SUBSIDIARIES – ACQUIRE CONTROL OVER ONE BUSINESS ACTIVITY**

<b>Subsidiary</b>	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Drill-tek Corporation	Processing print circuit board	September 30, 2020	58.77	<u>\$ 105,945</u>
Cosmos Vacuum Technology Co., Ltd.	Vacuum coating and router bits	March 29, 2021	56.29	<u>\$ 274,770</u>

The Company acquired Drill-tek Corporation in order to meet capacity requirements and for the expansion of the Company's operating activities in print circuit board products. For details on the acquisition, refer to Note 26 in the notes to the consolidated financial statements for the year ended December 31, 2021.

The Company acquired Cosmos Vacuum Technology Co., Ltd. in order to meet capacity requirements and for the expansion of the Company's operating activities in vacuum coating and router bits. For details on the acquisition, refer to Note 26 in the notes to the consolidated financial statements for the year ended December 31, 2021.

## 27. PARTIAL CASH TRANSACTIONS

### a. Non-cash transaction

For the years ended December 31, 2021 and 2020, the Company entered into the following partial cash investing activities, which were not reflected in the parent company only statements of cash flows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash paid for property, plant and equipment acquisition		
Increase in property, plant and equipment	\$ 105,335	\$ 66,996
Net change in prepayments for equipment	33,914	( 10,301)
Net change in payable for purchase of equipment	<u>2,580</u>	<u>1,415</u>
Cash paid	<u>\$ 141,829</u>	<u>\$ 58,110</u>

### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
			<b>New Leases</b>	<b>Foreign Exchange</b>	
Short-term borrowings	\$ 82,840	(\$ 15,628)	\$ -	(\$ 193)	\$ 67,019
Long-term borrowings and long-term borrowings - current portion	310,000	290,000	-	-	600,000
Guarantee deposits received	10,271	( 580)	-	-	9,691
Lease liabilities	<u>447</u>	<u>( 1,423)</u>	<u>6,048</u>	<u>-</u>	<u>5,072</u>
	<u>\$ 403,558</u>	<u>\$ 272,369</u>	<u>\$ 6,048</u>	<u>(\$ 193)</u>	<u>\$ 681,782</u>

For the year ended December 31, 2020

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>		<b>Closing Balance</b>
				<b>Foreign Exchange</b>	
Short-term borrowings	\$ 58,112	\$ 23,689	\$ 1,039		\$ 82,840
Long-term borrowings and long-term borrowings - current portion	360,000	( 50,000 )	-		310,000
Guarantee deposits received	10,496	( 225 )	-		10,271
Lease liabilities	<u>889</u>	<u>( 442 )</u>	<u>-</u>	<u>-</u>	<u>447</u>
	<u>\$ 429,497</u>	<u>(\$ 26,978 )</u>	<u>\$ 1,039</u>		<u>\$ 403,558</u>

## 28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balances.

## 29. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements approximate their fair values (or their fair values cannot be reliably measured).

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 383	\$ -	\$ 383
Accounts receivable - related parties	-	-	12,765	12,765
Other receivables	-	-	3,288	3,288
	<u>\$ -</u>	<u>\$ 383</u>	<u>\$ 16,053</u>	<u>\$ 16,436</u>

Financial assets at FVTOCI

Listed shares	<u>\$ 36,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,320</u>
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Financial liabilities at FVTPL

Derivative financial instrument	<u>\$ -</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ 161</u>
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December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets	\$ -	\$ 79	\$ -	\$ 79
Accounts receivable - related parties	-	-	7,143	7,143
Other receivables	-	-	2,232	2,232
	<u>\$ -</u>	<u>\$ 79</u>	<u>\$ 9,375</u>	<u>\$ 9,454</u>

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Listed shares	\$ 41,199	\$ -	\$ -	\$ 41,199
<u>Financial liabilities at FVTPL</u>				
Derivative financial instrument	\$ -	\$ 508	\$ -	\$ 508 (Concluded)

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2021

Financial Assets	Financial Assets at FVTPL Debt Instruments
Balance at January 1, 2021	\$ 9,375
Purchases	94,361
Settlements	( 87,683)
Balance at December 31, 2021	\$ 16,053

For the year ended December 31, 2020

Financial Assets	Financial Assets at FVTPL Debt Instruments
Balance at January 1, 2020	\$ 10,655
Purchases	104,135
Settlements	( 105,415)
Balance at December 31, 2020	\$ 9,375

3) Valuation techniques and assumption applied for the purpose of measuring fair value

The fair values of financial assets are determined as follows:

- The fair values of listed shares are determined at their net asset value at the end of the reporting period.
- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. The use of estimates and hypotheses of valuation method the Company adopts is in consistent with the market participants, when pricing such financial instruments.

- c) For accounts receivable - related parties and part of other receivables that are measured at FVTPL, the fair value is measured according to the original invoice amount and the effect of discounting is immaterial.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatorily classified as at FVTPL	\$ 16,436	\$ 9,454
Financial assets at amortized cost (Note 1)	491,151	573,888
Financial assets at FVTOCI	36,320	41,199
<u>Financial liabilities</u>		
Fair value through profit or loss		
Held for trading	161	508
Amortized cost (Note 2)	754,204	473,433

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, notes receivable -related parties, accounts receivable, part of accounts receivable - related parties and part of other receivables.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, accounts payables, accounts payable - related parties, part of other payables, long-term borrowings and long-term borrowings - current portion.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, accounts receivable, accounts payables, borrowings and lease liabilities. The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk.

There has been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Approximately 54% of the Company's sales were denominated in currencies other than the functional currency of the Company, and almost 64% of costs were denominated in currencies other than the functional currency of the Company.



The carrying amounts of the Company's foreign currency denominated monetary assets, monetary liabilities and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Notes 7 and 32.

#### Sensitivity analysis

The Company was mainly exposed to U.S. dollars, Korea won, and Japanese yen.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 1% against the relevant currency. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<u>U.S. Dollars</u>		<u>Korea Won</u>		<u>Japanese Yen</u>	
	<u>USD:NTD</u>		<u>KRW:NTD</u>		<u>JPY:NTD</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit (loss)	(\$ 699)	(\$ 240)	(\$ 37)	(\$ 69)	(\$ 28)	(\$ 32)

This was mainly attributable to the exposure outstanding on U.S. dollars, Korea won and Japanese yen cash in the bank, bank loans, receivables and payables.

#### b) Interest rate risk

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rate risks at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Fair value interest rate risk		
Financial assets	\$ 14,855	\$ 212,352
Financial liabilities	5,072	447
Cash flows interest rate risk		
Financial assets	139,681	85,672
Financial liabilities	667,019	392,840

#### Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets and liabilities, the analysis was prepared assuming the amount of the asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 25 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the years ended December 31, 2021 and 2020 would have decreased/increased by \$1,318 thousand and \$768 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its demand deposits and variable-rate borrowings.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$1,816 thousand and \$2,060 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the end of the reporting period, the Company's maximum exposure to credit risk, which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation, is primary from the book value of its financial assets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's concentration of credit risk of 37.59% and 42.50% in total trade receivables as of December 31, 2021 and 2020, respectively, were related to the Company's five largest customers.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants. As of December 31, 2021 and 2020, the available borrowing facilities were \$1,109,931 thousand and \$1,019,792 thousand, respectively.

The Company manages liquidity risk by maintaining adequate bank balance and banking facilities, and continuously monitoring forecast and actual cash flows as well as the maturity profiles of financial assets and liabilities.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The Company's noninterest-bearing liabilities pertaining on non-derivative financial liabilities are paid in succession within one year.

The following table details the Company's remaining maturity for its borrowings with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay.

Borrowings with the possibility of immediate repayment are listed in the earliest date in the table below. The possibilities of banks exercising their rights for immediate repayment were not taken into account.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 169	\$ 338	\$ 1,520	\$ 3,192
Variable interest rate liabilities	<u>27,057</u>	<u>24,078</u>	<u>15,884</u>	<u>600,000</u>
	<u>\$ 27,226</u>	<u>\$ 24,416</u>	<u>\$ 17,404</u>	<u>\$ 603,192</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>				
Lease liabilities	\$ 38	\$ 114	\$ 135	\$ 167
Variable interest rate liabilities	<u>32,246</u>	<u>50,594</u>	<u>-</u>	<u>310,000</u>
	<u>\$ 32,284</u>	<u>\$ 50,708</u>	<u>\$ 135</u>	<u>\$ 310,167</u>

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Company's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 42,088	\$ 57,683	\$ 12,662	\$ -
Outflows	<u>( 41,981)</u>	<u>( 57,579)</u>	<u>( 12,650)</u>	<u>-</u>
	<u>\$ 107</u>	<u>\$ 104</u>	<u>\$ 12</u>	<u>\$ -</u>

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Gross settled</u>				
Foreign exchange forward contracts				
Inflows	\$ 14,824	\$ 15,146	\$ -	\$ -
Outflows	( 15,078)	( 15,321)	-	-
	<u>(\$ 254)</u>	<u>(\$ 175)</u>	<u>\$ -</u>	<u>\$ -</u>

e. Transfers of financial assets

For factored trade receivables for the years ended December 31, 2021 and 2020, refer to Note 9.

### 30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. The Company's related parties

<u>Related Party</u>	<u>Relationship with the Company</u>
Subsidiaries	
Raypoint Precision Tools Co., Ltd.	Subsidiary
Warpspeed Corporation (B.V.I.)	Subsidiary
Topoint Technology Co., Ltd. (B.V.I.)	Subsidiary
Topoint Japan Co., Ltd.	Subsidiary
Unipoint Technology Co., Ltd.	Subsidiary
E-point Precision Tools Co., Ltd.	Subsidiary
Drill-tek Corporation	Subsidiary (from October 1, 2020)
Cosmos Vacuum Technology Corporation	Subsidiary (from March 29, 2021)
Shanghai Topoint Precision Technology Co., Ltd.	Second-tier subsidiary
Sharpoint Technology (Qinhuangdao) Co., Ltd.	Second-tier subsidiary
Sharpoint Technology (Suzhou) Co., Ltd.	Second-tier subsidiary
Kunshan Topoint Technology Co., Ltd.	Third-tier subsidiary
Chengdu Raypoint Precision Tools Co., Ltd.	Third-tier subsidiary
Other related parties	
Unimicron Technology Corporation	The parent company of the equity-method investor of Unipoint Technology Co., Ltd.
Qun Hong Technology Inc.	Subsidiary of Unimicron Technology Corporation
Key management personnel	
Macking International Investment Corporation	Director of the Company

b. Operating revenue

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Shanghai Topoint Precision Technology Co., Ltd.	\$ 212,080	\$ 277,424
Raypoint Precision Tools Co., Ltd.	201,704	189,464
Others	75,322	53,776
Other related parties	<u>100,688</u>	<u>111,028</u>
	<u>\$ 589,794</u>	<u>\$ 631,692</u>

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Shanghai Topoint Precision Technology Co., Ltd.	\$ 31,201	\$ 59,811
Others	10,111	10,549
Other related parties	<u>4,035</u>	<u>3,945</u>
	<u>\$ 45,347</u>	<u>\$ 74,305</u>

For operating revenue and purchases of goods, the terms and prices of transactions between the Company and other related parties were not significantly different from the ones of non-related party transactions. The prices and settlements of transactions with related parties were based on mutual agreement.

d. General and administrative - service fees

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Key management personnel		
Macking International Investment Corporation	<u>\$ 2,400</u>	<u>\$ 2,400</u>

The Company paid for the consulting fee to Macking International Investment Corporation.

e. Lease-in agreement

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
<u>Lease expense</u>		
Subsidiaries	<u>\$ 1,200</u>	<u>\$ 1,200</u>

The Company leased buildings for the use of plants from subsidiaries with a lease term of 1 year. As of December 31, 2021 and 2020, the future lease payments amounted to \$1,200 thousand.

f. Lease-out agreement

Operating lease

The Company leased out the right to use machinery and equipment as well as office spaces to Topoint Japan Co., Ltd. and other subsidiaries under operating lease with a lease term of 1 year. The rents were payable monthly based on mutual agreement.

Lease payments receivable in the future is summarized below.

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries		
Topoint Japan Co., Ltd.	\$ 3,752	\$ 4,310
Others	<u>36</u>	<u>36</u>
	<u>\$ 3,788</u>	<u>\$ 4,346</u>

Rental revenue is summarized as follows:

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Topoint Japan Co., Ltd.	\$ 4,025	\$ 6,079
Others	<u>36</u>	<u>51</u>
	<u>\$ 4,061</u>	<u>\$ 6,130</u>

g. Other income

Related Party Category/Name	For the Year Ended December 31	
	2021	2020
Subsidiaries		
Unipoint Technology Co., Ltd.	\$ 7,200	\$ 7,200
Topoint Japan Co., Ltd.	3,096	3,331
Others	<u>1,520</u>	<u>-</u>
	<u>\$ 11,816</u>	<u>\$ 10,531</u>

Other income was mostly service revenue from subsidiaries.

h. Receivables from related parties

Financial Statement Account	Related Party Category/Name	December 31	
		2021	2020
<u>Notes receivable</u>	Subsidiaries		
	Drill-tek Corporation	<u>\$ -</u>	<u>\$ 2,352</u>
<u>Accounts receivable</u>	Subsidiaries		
	Shanghai Topoint Precision Technology Co., Ltd.	\$ 62,406	\$ 33,517

(Continued)

Financial Statement Account	Related Party Category/Name	December 31	
		2021	2020
	Raypoint Precision Tools Co., Ltd.	\$ 17,043	\$ 16,606
	Drill-tek Corporation	17,142	3,841
	Unipoint Technology Co., Ltd.	2,970	21,926
	Others	7,643	4,788
	Other related parties		
	Unimicron Technology Corporation	12,765	7,143
	Others	<u>4,044</u>	<u>5,092</u>
		<u>\$ 124,013</u>	<u>\$ 92,913</u>
			(Concluded)

The accounts receivable from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment loss was recognized for accounts receivables from related parties.

- i. Refundable deposits (recognized under other non-current assets)

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries	<u>\$ 300</u>	<u>\$ 300</u>

- j. Payables to related parties

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries		
Shanghai Topoint Precision Technology Co., Ltd.	\$ 4,831	\$ 7,193
Cosmos Vacuum Technology Corporation	9,791	-
Others	90	2,077
Other related parties	<u>748</u>	<u>374</u>
	<u>\$ 15,460</u>	<u>\$ 9,644</u>

The accounts payable to related parties are unsecured.

- k. Guarantee deposits received

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries	<u>\$ 3</u>	<u>\$ 3</u>

l. Disposal of property, plant and equipment

Related Party Category/Name	For the Year Ended December 31			
	2021		2020	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Subsidiaries				
Shanghai Topoint Precision Technology Co., Ltd.	\$ 71,457	\$ 71,457	\$ -	\$ -

The Company sold machinery and equipment to the subsidiaries and the gain (loss) on disposal was deferred.

m. Endorsement/Guarantee

Endorsement/guarantees provided

Related Party Category/Name	December 31	
	2021	2020
Subsidiaries		
Chengdu Raypoint Precision Tools Co., Ltd.		
Amount guaranteed	\$ -	\$ 95,213
Amount utilized	\$ -	\$ 29,740
Topoint Technology Co., Ltd. (B.V.I.)		
Amount guaranteed	\$ 83,040	\$ 85,440
Amount utilized	\$ -	\$ -

n. Compensation of key management personnel

Remuneration of directors and key executives is as follows:

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 23,627	\$ 23,858
Post-employment benefits	108	84
	\$ 23,735	\$ 23,942

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for future borrowing facilities:

	December 31	
	2021	2020
Property, plant and equipment	\$ 155,842	\$ 160,789



### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than the functional currency of the Company and the related exchange rates between foreign currencies and the functional currency were as follows:

December 31, 2021

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,525	27.680 (USD:NTD)	\$ 152,937
KRW	1,664,056	0.0235 (KRW:NTD)	39,105
JPY	18,233	0.2405 (JPY:NTD)	4,385
Non-monetary items			
USD	136,992	27.680 (USD:NTD)	3,791,935
<u>Financial liabilities</u>			
Monetary items			
USD	3,001	27.680 (USD:NTD)	83,078
KRW	1,005	0.0235 (KRW:NTD)	24
JPY	213	0.2405 (JPY:NTD)	51

December 31, 2020

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,810	28.480 (USD:NTD)	\$ 108,501
KRW	840,847	0.0264 (KRW:NTD)	22,198
JPY	13,440	0.2763 (JPY:NTD)	3,713
Non-monetary items			
USD	128,215	28.480 (USD:NTD)	3,651,552
<u>Financial liabilities</u>			
Monetary items			
USD	2,968	28.480 (USD:NTD)	84,519
KRW	1,132	0.0264 (KRW:NTD)	30
JPY	295	0.2763 (JPY:NTD)	82

Unrealized foreign exchange gains (losses) with significant influence are as follows:

For the Year Ended December 31				
2021			2020	
Foreign Currency	Exchange Rate	Unrealized Foreign Exchange Gain (Loss), Net	Exchange Rate	Unrealized Foreign Exchange Gain (Loss), Net
USD	27.680 (USD:NTD)	( \$ 1,192 )	28.480 (USD:NTD)	( \$ 1,660 )
KRW	0.0235 (KRW:NTD)	( 389 )	0.0264 (KRW:NTD)	1,103
JPY	0.2405 (JPY:NTD)	111	0.2763 (JPY:NTD)	( 65 )
		( \$ <u>1,470</u> )		( \$ <u>622</u> )

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: Table 1
- 2) Endorsements/guarantees provided: Table 2
- 3) Marketable securities held (excluding investment in subsidiaries): Table 3
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 9) Trading in derivative instruments: Notes 7 and 29
- 10) Information on investees: Table 5

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 7
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 7
  - c) The amount of property transactions and the amount of the resultant gains or losses: Table 7
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services: None
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None

TABLE 1

TOPOINT TECHNOLOGY CO., LTD.

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reason for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits	Note
													Item	Value			
1	Topoint Technology Co., Ltd. (B.V.I.)	Topoint Japan Co., Ltd.	Other receivables	Yes	\$ 13,709 (JPY 57,000 thousand)	\$ 13,228 (JPY 55,000 thousand)	\$ 13,228 (JPY 55,000 thousand)	0.60	Short-term financing	\$ -	Operating turnover	\$ -	-	\$ -	\$ 4,646,931 (Note 1)	\$ 4,646,931 (Note 1)	
3	Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Topoint Technology Co., Ltd.	Other receivables	Yes	21,707 (RMB 5,000 thousand)	-	-	4.35	Short-term financing	-	Operating turnover	-	-	-	4,646,031 (Note 1)	4,646,931 (Note 1)	
		Chengdu Raypoint Precision Tools Co., Ltd.	Other receivables	Yes	321,270 (RMB 74,000 thousand)	-	-	4.35-4.75	Short-term financing	-	Operating turnover	-	-	-	4,646,931 (Note 1)	4,646,931 (Note 1)	

Note 1: The maximum financing allowed for a foreign company in which the lender directly and indirectly held 100% voting shares of is limited to the net value of the lender as of December 31, 2021.

Note 2: The maximum balance for the period and ending balances were approved by the board of directors.

TABLE 2

TOPOINT TECHNOLOGY CO., LTD.

ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 4)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 3)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 5)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 5)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 5)	Note
		Name	Relationship											
0	Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	b.	\$ 2,788,159 (Note 2)	\$ 83,040 (US\$ 3,000 thousand)	\$ 83,040 (US\$ 3,000 thousand)	\$ -	\$ -	2	\$ 4,646,931 (Note 2)	Y	-	-	Note 6
		Chengdu Raypoint Precision Tools Co., Ltd.	b.	2,788,159 (Note 2)	94,218 (US\$ 750 thousand and RMB 16,920 thousand)	-	-	-	-	4,646,931 (Note 2)	Y	-	Y	Note 6

Note 1: Relationships between the endorsement/guarantee provider and the guaranteed party:

- a. The Company in relation to business.
- b. A company in which endorsement/guarantee provider holds directly and indirectly over 50% of voting shares.
- c. A company holds directly and indirectly over 50% voting shares of endorsement/guarantee provider.
- d. A company directly and indirectly holds more than 90% voting shares of endorsement/guarantee provider.
- e. Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- f. Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
- g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The maximum of total endorsement/guarantee provided is limited to the net value of the Company as of December 31, 2021. The maximum endorsement/guarantee provided for a single party is limited to 60% of the net value of the Company as of December 31, 2021.

Note 3: The rate is calculated in accordance with the financial statements of the endorsement/guarantee provider.

Note 4: The maximum balance for the period and ending balance were approved by the board of directors.

Note 5: Indicate “Y” if the endorsement/guarantee is given by parent on behalf of subsidiaries, given by subsidiaries on behalf of parent or given on behalf of companies in mainland China.

Note 6: Topoint Technology Co., Ltd. provides endorsement guarantee to Topoint Technology Co., Ltd. (B.V.I.) and Chengdu Raypoint Precision Tools Co., Ltd. for short-term operating turnover purpose.

**TABLE 3**

**TOPOINT TECHNOLOGY CO., LTD.**

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021				
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	Note
Topoint Technology Co., Ltd. (the “Company”)	<u>Shares</u> Zhen Ding Technology Holding Limited	-	Financial assets at fair value through other comprehensive income (FVTOCI)	363,000	\$ 36,320	0.04	\$ 36,320	Note 2
Unipoint Technology Co., Ltd.	<u>Share certificates</u> Allianz Global Investors All Seasons Harvest Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	2,038,470	27,069	-	27,069	Note 1
	Allianz Global Investors All Seasons Return Fund of Bond Funds	-	Financial assets at fair value through profit or loss (FVTPL)	1,645,614	26,436	-	26,436	Note 1
Drill-tek Corporation	<u>Shares</u> Chipboard Technology Corporation	-	Financial assets at fair value through other comprehensive income (FVTOCI)	663,000	12,079	7.73	12,079	Note 2

Note 1: The fair value of the financial assets at FVTPL was calculated at the net assets value of the mutual fund on December 31, 2021.

Note 2: The fair value of listed shares of the financial assets at FVTOCI was calculated on the closing price of the shares as of December 31, 2021. If there is no market for unlisted shares, the estimated market value is assessed based on the fair value evaluation method.

Note 3: For the information of the investment in subsidiaries, refer to Tables 5 and 6.

**TABLE 4**

**TOPOINT TECHNOLOGY CO., LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total (Note)	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total (Note)	
Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary	Sales	\$ 212,080	18	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	\$ 62,406	18	
Shanghai Topoint Precision Technology Co., Ltd.	Topoint Technology Co., Ltd.	Parent company	Purchase	212,080	26	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	( 62,406)	29	
Topoint Technology Co., Ltd.	Raypoint Precision Tools Co., Ltd.	Subsidiary	Sales	201,704	17	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	17,043	5	
Raypoint Precision Tools Co., Ltd.	Topoint Technology Co., Ltd.	Parent company	Purchase	201,704	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	( 17,043)	100	
	Shanghai Topoint Precision Technology Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd.	Sales	241,943	100	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	32,535	100	
Shanghai Topoint Precision Technology Co., Ltd.	Raypoint Precision Tools Co., Ltd.	Subsidiary of Topoint Technology Co., Ltd.	Purchase	241,943	30	Based on mutual agreement	Based on mutual agreement	Based on mutual agreement	( 32,535)	15	

Note: The rate is calculated in accordance with individual financial statements of the companies.

**TABLE 5**

**TOPOINT TECHNOLOGY CO., LTD.**

**NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		December 31, 2021			Net Income (Loss) of the Investee	Share of Profit or Loss (Note 5)
				December 31, 2021	December 31, 2020	Number of Shares	%	Carrying Amount (Note 5)		
Topoint Technology Co., Ltd.	Topoint Technology Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	\$ 1,772,629	\$ 1,772,629	7,194	100.00	\$ 3,727,170	\$ 285,480	\$ 287,484 (Note 1)
	Unipoint Technology Co., Ltd.	Republic of China	Processing print circuit board	305,299	305,299	30,696,297	61.76	413,719	18,439	11,387
	Warspeed Corporation (B.V.I.)	British Virgin Islands	International trade	1,569	1,569	50,000	100.00	484	1,374	1,374
	Topoint Japan Co., Ltd.	Japan	Selling electronic components	7,667	7,667	600	100.00	( 1,216)	5,485	5,485
	Unipoint Technology Holdings Co., Ltd. (B.V.I.)	British Virgin Islands	International investment	178,814	178,814	11,200	100.00	39,131	14,250	( 2,383)
				(US\$ 5,600 thousand)	(US\$ 5,600 thousand)					(Note 2)
	Raypoint Precision Tools Co., Ltd.	Republic of Seychelles	International trade	1,511	1,511	50,000	100.00	1,540	17	17
	Drill-tek Corporation	Republic of China	Processing print circuit board	123,482	105,945	7,692,816	58.72	150,427	57,733	32,245
	Cosmos Vacuum Technology Corporation	Republic of China	Vacuum coating and router bits	275,279	-	21,621,548	56.39	270,739	21,439	12,199 (Note 3)
										(Note 3)
Unipoint Technology Co., Ltd.	Topmicron Investment Ltd.	Independent state of Samoa	International investment	-	-	-	100.00	5	5	5
Cosmos Vacuum Technology Corporation	H&N Technology Co., Ltd.	St. Kitts Nevis	International trade	6,939	-	200,000	100.00	13,725	286	( 241) (Note 4)
				(US\$ 200 thousand)						
	Cosmos Integration Corp.	St. Kitts Nevis	International investment	241,571	-	7,422,000	100.00	233,206	( 3,376)	( 3,376)
				(US\$ 7,422 thousand)						
Cosmos Integration Corp.	Universal Technology Corp.	St. Kitts Nevis	International investment	215,793	-	6,630,000	100.00	233,199	( 2,603)	( 2,603)
				(US\$ 6,630 thousand)						

Note 1: Investment gain is the investee’s net gain of \$285,480 thousand plus realized profits of \$2,004 thousand from upstream and side stream intercompany transactions.

Note 2: Investment gain is the investee’s net gain of \$14,250 thousand minus unrealized profit of \$16,633 thousand from side stream intercompany transactions.

Note 3: The parent company acquired 56.29% equity of Cosmos Vacuum Technology Co., Ltd. in March 2021 and the ownership interest in Cosmos Vacuum Technology increased from 56.29% to 56.39%.

Note 4: Investment gain is the investee’s net gain of \$286 thousand minus unrealized profit of \$527 thousand from upstream and side stream intercompany transactions.

Note 5: The investees’ financial statements used as basis for calculating investment gains (losses) recognized have all been audited.

Note 6: For information on investee companies in mainland China, refer to Table 6.



TABLE 6

## TOPOINT TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee (Note 7)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 7)	Carrying Amount as of December 31, 2021 (Note 7)	Accumulated Repatriation of Investment Income as of December 31, 2021	Note
						Outflow	Inflow							
Topoint Technology Co., Ltd. (the "Company")	Shanghai Topoint Precision Technology Co., Ltd.	Manufacturing and selling precision equipment and measurement facilities	\$ 1,443,066 (US\$ 44,200 thousand) (Note 1)	Indirect: Through an investment company registered in a third region (Note 2)	\$ 914,337 (US\$ 27,300 thousand)	\$ -	\$ -	\$ 914,337 (US\$ 27,300 thousand)	\$ 240,263	100.00	\$ 240,263	\$ 3,153,487	\$ -	
	Sharpoint Technology (Qinhuangdao) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	250,222 (US\$ 7,800 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	250,222 (US\$ 7,800 thousand)	-	-	250,222 (US\$ 7,800 thousand)	25,547	100.00	25,547	334,973	-	
	Sharpoint Technology (Shenzhen) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	147,583 (US\$ 5,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	147,583 (US\$ 5,000 thousand)	-	-	147,583 (US\$ 5,000 thousand)	( 2,601)	100.00	( 2,601)	71,166	-	
	Sharpoint Technology (Suzhou) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	177,872 (US\$ 6,000 thousand)	Indirect: Through an investment company registered in a third region (Note 2)	177,872 (US\$ 6,000 thousand)	-	-	177,872 (US\$ 6,000 thousand)	18,304	100.00	18,304	228,986	-	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 9)	Indirect: Through an investment company registered in a third region (Note 2)	259,808 (US\$ 8,400 thousand)	-	-	259,808 (US\$ 8,400 thousand)	47,142	100.00 (Note 9)	47,142	331,247 (Note 9)	-	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting equipment	453,943 (RMB 97,000 thousand) (Note 10)	Indirect: Through an investment company registered in a third region (Note 2)	16,934 (US\$ 555 thousand)	-	-	16,934 (US\$ 555 thousand)	( 16,501)	100.00 (Note 10)	( 16,501)	244,269 (Note 10)	-	
	Unipoint Technology Shenzhen Co., Ltd.	Testing of drill bits and mounting plate bolt holes	178,814 (US\$ 5,600 thousand)	Indirect: Through an investment company registered in a third region (Note 3)	178,814 (US\$ 5,600 thousand) (Note 11)	-	-	178,814 (US\$ 5,600 thousand) (Note 11)	14,250	100.00	14,250	55,195	-	
Shanghai Topoint Precision Technology Co., Ltd.	Kunshan Restek Technology Co., Ltd.	Manufacturing, processing and selling print circuit board	30,480 (US\$ 1,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	-	75.00	-	6	-	
	Kunshan Topoint Technology Co., Ltd.	Drilling bits	97,228 (RMB 20,800 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	( 16,691)	100.00	( 16,691)	97,693	-	
	Sharpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	308,875 (US\$ 10,000 thousand) (Note 9)	Other (Note 4)	- (Note 9)	-	-	- (Note 9)	- (Note 9)	- (Note 9)	- (Note 9)	- (Note 9)	-	
	Chengdu Raypoint Precision Tools Co., Ltd.	Cutting equipment	453,943 (RMB 97,000 thousand) (Note 10)	Other (Note 4)	- (Note 10)	-	-	- (Note 10)	- (Note 10)	- (Note 10)	- (Note 10)	- (Note 10)	-	
	Shanghai Ringpoint Nano Material Co., Ltd.	Processing metal products	58,660 (RMB 12,000 thousand)	Other (Note 4)	- (Note 4)	-	-	- (Note 4)	23,107	75.00	17,686	59,672	-	
Sharpoint Electronics (Huaian) Co., Ltd.	Winpoint Electronics (Huaian) Co., Ltd.	Testing of drill bits and mounting plate bolt holes	25,341 (RMB 5,000 thousand)	Other (Note 5)	- (Note 5)	-	-	- (Note 5)	12,352	100.00	12,352	27,649	-	
Unipoint Technology Co., Ltd.	Sharpoint Electronics (Suzhou) Co., Ltd.	Manufacturing, processing and selling print circuit board	-	Indirect: Through an investment company registered in a third region (Note 6)	59,944 (US\$ 2,000 thousand) (Note 6)	-	(US\$ 54,922 1,833 thousand)	5,022 (US\$ 167 thousand)	-	-	-	-	-	
Cosmos Vacuum Technology Corporation	Cosmos Vacuum Technology (Kunshan) Co., Ltd.	Vacuum coating	231,752 (US\$ 7,130 thousand)	Indirect: Through an investment company registered in a third region	217,775 (US\$ 6,700 thousand)	-	-	217,775 (US\$ 6,700 thousand)	( 2,603)	100.00	( 2,603)	219,626	-	

(Continued)

Investor Company Name	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 12)
Topoint Technology Co., Ltd. (the “Company”)	\$ 1,772,629 (US\$ 55,244 thousand)	\$ 2,329,834 (US\$ 72,915 thousand) (Note 8)	\$ 2788,159
Unipoint Technology Co., Ltd.	5,022 (US\$ 167 thousand)	5,022 (US\$ 167 thousand)	405,965
Cosmos Vacuum Technology Corporation	217,775 (US\$ 6,700 thousand)	241,571 (US\$ 7,422 thousand)	269,317

- Note 1: The amount includes the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd. and US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.).
- Note 2: The investment company required in the third region is Toping Technology Co., Ltd. (B.V.I.).
- Note 3: The investment company required in the third region is Unipoint Technology Holdings Co., Ltd. (B.V.I.).
- Note 4: Invested and established by the owned fund of Shanghai Topoint Precision Technology Co., Ltd.
- Note 5: Invested and established by the owned fund of Sharpoint Electronics (Huaian) Co., Ltd.
- Note 6: The investment company required in the third region is Topmicron Investment., Ltd. Sharpoint Electronics (Suzhou) Co., Ltd. closed its business in December 2020 and the company registration was cancelled.
- Note 7: Investment gains (losses) and carrying values were recognized on the basis of the investee’s financial statements audited by the independent CPA of the Company.
- Note 8: Investment amounts authorized by Investment Commission under the Ministry of Economic Affairs (MOEA) included the capitalization of retained earnings of US\$16,700 thousand of Shanghai Topoint Precision Technology Co., Ltd., US\$200 thousand invested by Topoint Technology Co., Ltd. (B.V.I.) and US\$771 thousand for purchasing Unipoint Technology Holdings Co., Ltd. (B.V.I.) from Unipoint Technology Co., Ltd.
- Note 9: The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co., Ltd. was US\$8,400 thousand (84%) and US\$1,600 thousand (16%), respectively. The recognition of gain on investment was \$39,599 thousand and \$7,543 thousand, respectively, which led to the ending balance of investment account which was \$278,247 thousand and \$53,000 thousand, respectively.
- Note 10: The investment from Topoint Technology Co., Ltd. (B.V.I.) and Shanghai Topoint Precision Technology Co., Ltd. was RMB6,000 thousand (10%) and RMB54,000 thousand (90%), respectively. Topoint Technology Co., Ltd. (BVI) disposed of 10% of the equity to Shanghai Topoint Precision Technology Co., Ltd. in March 2021; therefore, Shanghai Topoint Precision Technology Co., Ltd. held 100% ownership of Chengdu Raypoint Precision Tools Co., Ltd. In March 2021, the borrowing was converted into capital of RMB37,000 thousand, and the registration of changes was completed in March 2021.
- Note 11: Unipoint Technology Shenzhen Co., Ltd. was established through Unipoint Technology Holding Co., Ltd. (B.V.I.) by Unipoint Technology Co., Ltd. for a total investment of US\$5,600 thousand. As a result of the reorganization of the Group, the Company holds a 100% interest in Unipoint Technology Holdings Co., Ltd. (B.V.I.).
- Note 12: According to the Investment Commission under the MOEA, as the Company’s paid-in capital is between \$80,000 thousand and \$5,000,000 thousand, the upper limit on the Company’s investment is at the higher of 60% of the net value or \$80,000 thousand.

(Concluded)

**TABLE 7****TOPOINT TECHNOLOGY CO., LTD.**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS AND UNREALIZED GAINS OR LOSSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars)**

No.	Investor Company	Investee Company	Transaction Details	Amount	% to Total Sales or Purchase	Transaction Details		Notes/Accounts Receivable (Payable)		Deferred Gain (Loss)	Note
						Payment Terms	Comparison with Normal Transactions	Ending Balance	% to Total		
0	Topoint Technology Co., Ltd.	Shanghai Topoint Precision Technology Co., Ltd.	Sales	\$ 413,784	35	Based on mutual agreement	Based on mutual agreement	\$ 38,759	11	\$ 10,818	Note 1
			Purchase	31,529	7	Based on mutual agreement	Based on mutual agreement	( 4,831)	6	( 1,372)	Note 1
		Sharpoint Technology (Qinhuangdao) Co., Ltd.	Sales	13,652	1	Based on mutual agreement	Based on mutual agreement	3,284	1	-	Note 1
		Sharpoint Technology (Suzhou) Co., Ltd.	Sales	1,505	-	Based on mutual agreement	Based on mutual agreement	744	-	75	Note 1
5	Unipoint Technology Co., Ltd.	Sharpoint Electronics (Huaian) Co., Ltd.	Purchase	521	-	Based on mutual agreement	Based on mutual agreement	-	-	-	Note 2

Note 1: Except for the Company's direct transaction with Shanghai Topoint Precision Technology Co., Ltd., Sharpoint Technology (Qinhuangdao) Co., Ltd. and Sharpoint Technology (Suzhou) Co., Ltd., other transactions were made indirectly through Raypoint Precision Tools Co., Ltd. and Shanghai Topoint Precision Technology Co., Ltd. The prices and payment terms were based on mutual agreement.

Note 2: The prices and payment terms were based on mutual agreement by Unipoint Technology Co., Ltd. and Sharpoint Electronics (Huaian) Co., Ltd.



Topoint Technology Co., Ltd.

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