

Keystone Microtech Corporation

**Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Keystone Microtech Corporation

Introduction

We have reviewed the accompanying balance sheets of Keystone Microtech Corporation (the Company) as of June 30, 2022 and 2021, the related statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the statements of changes in equity and cash flows for the six months then ended, and the related notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, its financial performance for the three months ended June 30, 2022 and 2021, and its financial performance and its cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chung Chen Chen and Chiang Hsun Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 8, 2022

Notice to Readers

The accompanying financial statements are intended only to present the 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 review such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying 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' review report and financial statements shall prevail.

KEYSTONE MICROTECH CORPORATION

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,087,085	43	\$ 967,597	42	\$ 848,655	37
Financial assets at amortized cost - current (Note 7)	-	-	21,720	1	132,985	6
Notes receivable (Notes 8 and 18)	-	-	322	-	-	-
Trade receivables (Notes 8 and 18)	284,159	11	183,571	8	143,723	6
Current tax assets (Note 4)	-	-	244	-	248	-
Inventories (Note 9)	640,735	25	581,362	26	644,011	28
Prepayments (Note 13)	10,327	1	7,746	-	14,468	1
Total current assets	<u>2,022,306</u>	<u>80</u>	<u>1,762,562</u>	<u>77</u>	<u>1,784,090</u>	<u>78</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Notes 10 and 26)	470,054	18	460,747	20	440,707	19
Right-of-use assets (Note 11)	5,772	-	6,888	-	9,121	-
Other intangible assets (Note 12)	15,504	1	15,798	1	20,875	1
Deferred tax assets (Note 4)	13,634	1	21,219	1	19,060	1
Other non-current assets (Note 13)	12,005	-	16,049	1	21,768	1
Total non-current assets	<u>516,969</u>	<u>20</u>	<u>520,701</u>	<u>23</u>	<u>511,531</u>	<u>22</u>
TOTAL	<u>\$ 2,539,275</u>	<u>100</u>	<u>\$ 2,283,263</u>	<u>100</u>	<u>\$ 2,295,621</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities - current (Note 18)	\$ 69,181	3	\$ 100,046	5	\$ 140,334	6
Trade payables (Note 14)	180,687	7	110,012	5	167,497	7
Other payables (Notes 15 and 22)	358,357	14	142,201	6	130,369	6
Current tax liabilities (Note 4)	56,291	2	63,386	3	55,497	3
Lease liabilities - current (Note 11)	4,188	-	4,501	-	4,445	-
Other current liabilities (Note 15)	939	-	800	-	1,158	-
Total current liabilities	<u>669,643</u>	<u>26</u>	<u>420,946</u>	<u>19</u>	<u>499,300</u>	<u>22</u>
NON-CURRENT LIABILITIES						
Lease liabilities - non-current (Note 11)	1,678	-	2,481	-	4,745	-
Total liabilities	<u>671,321</u>	<u>26</u>	<u>423,427</u>	<u>19</u>	<u>504,045</u>	<u>22</u>
EQUITY (Note 17)						
Share capital						
Ordinary shares	270,757	11	270,757	12	270,757	12
Capital surplus	298,616	12	298,616	13	286,140	12
Retained earnings						
Legal reserve	195,976	8	154,006	6	120,606	5
Unappropriated earnings	1,102,605	43	1,136,457	50	1,114,073	49
Total retained earnings	<u>1,298,581</u>	<u>51</u>	<u>1,290,463</u>	<u>56</u>	<u>1,234,679</u>	<u>54</u>
Total equity	<u>1,867,954</u>	<u>74</u>	<u>1,859,836</u>	<u>81</u>	<u>1,791,576</u>	<u>78</u>
TOTAL	<u>\$ 2,539,275</u>	<u>100</u>	<u>\$ 2,283,263</u>	<u>100</u>	<u>\$ 2,295,621</u>	<u>100</u>

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

KEYSTONE MICROTECH CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Note 18)	\$ 389,687	100	\$ 378,283	100	\$ 757,387	100	\$ 728,666	100
OPERATING COSTS								
Cost of goods sold (Notes 9, 12 and 19)	<u>(186,870)</u>	<u>(48)</u>	<u>(173,259)</u>	<u>(46)</u>	<u>(373,303)</u>	<u>(50)</u>	<u>(317,582)</u>	<u>(43)</u>
GROSS PROFIT	<u>202,817</u>	<u>52</u>	<u>205,024</u>	<u>54</u>	<u>384,084</u>	<u>50</u>	<u>411,084</u>	<u>57</u>
OPERATING EXPENSES (Notes 12, 19 and 25)								
Selling and marketing expenses	10,634	3	11,013	3	19,151	3	19,952	3
General and administrative expenses	12,916	3	11,853	3	24,811	3	25,076	4
Research and development expenses	51,509	13	41,817	11	94,524	12	88,977	12
Expected credit loss (gain) (Note 8)	<u>284</u>	<u>-</u>	<u>(4,266)</u>	<u>(1)</u>	<u>(148)</u>	<u>-</u>	<u>(5,474)</u>	<u>(1)</u>
Total operating expenses	<u>75,343</u>	<u>19</u>	<u>60,417</u>	<u>16</u>	<u>138,338</u>	<u>18</u>	<u>128,531</u>	<u>18</u>
PROFIT FROM OPERATIONS	<u>127,474</u>	<u>33</u>	<u>144,607</u>	<u>38</u>	<u>245,746</u>	<u>32</u>	<u>282,553</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES (Note 19)								
Interest income	359	-	415	-	457	-	1,092	-
Other income	17	-	5	-	17	-	5	-
Other gains and losses	17,768	4	(13,013)	(3)	41,754	6	(13,359)	(2)
Finance costs	<u>(44)</u>	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>(85)</u>	<u>-</u>	<u>(99)</u>	<u>-</u>
Total non-operating income and expenses	<u>18,100</u>	<u>4</u>	<u>(12,647)</u>	<u>(3)</u>	<u>42,143</u>	<u>6</u>	<u>(12,361)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	145,574	37	131,960	35	287,889	38	270,192	37
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(39,304)</u>	<u>(10)</u>	<u>(26,968)</u>	<u>(7)</u>	<u>(68,581)</u>	<u>(9)</u>	<u>(55,192)</u>	<u>(7)</u>
NET PROFIT FOR THE PERIOD	<u>106,270</u>	<u>27</u>	<u>104,992</u>	<u>28</u>	<u>219,308</u>	<u>29</u>	<u>215,000</u>	<u>30</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 106,270</u>	<u>27</u>	<u>\$ 104,992</u>	<u>28</u>	<u>\$ 219,308</u>	<u>29</u>	<u>\$ 215,000</u>	<u>30</u>
EARNINGS PER SHARE (Note 21)								
Basic	<u>\$ 3.92</u>		<u>\$ 3.88</u>		<u>\$ 8.10</u>		<u>\$ 7.94</u>	
Diluted	<u>\$ 3.90</u>		<u>\$ 3.86</u>		<u>\$ 8.03</u>		<u>\$ 7.90</u>	

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

KEYSTONE MICROTECH CORPORATION

STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Review, Not Audited)

	Ordinary Shares Capital	Capital Surplus	Retained Earnings		Total Equity
			Legal Reserve	Unappropriated Earnings	
BALANCE AT JANUARY 1, 2021	\$ 270,757	\$ 286,140	\$ 120,606	\$ 899,073	\$ 1,576,576
Net profit for the six months ended June 30, 2021	-	-	-	215,000	215,000
Total comprehensive income for the six months ended June 30, 2021	-	-	-	215,000	215,000
BALANCE AT JUNE 30, 2021	<u>\$ 270,757</u>	<u>\$ 286,140</u>	<u>\$ 120,606</u>	<u>\$ 1,114,073</u>	<u>\$ 1,791,576</u>
BALANCE AT JANUARY 1, 2022	\$ 270,757	\$ 298,616	\$ 154,006	\$ 1,136,457	\$ 1,859,836
Appropriation of 2021 earnings (Note 17)					
Legal reserve	-	-	41,970	(41,970)	-
Cash dividends distributed by the Company	-	-	-	(211,190)	(211,190)
Net profit for the six months ended June 30, 2022	-	-	-	219,308	219,308
Total comprehensive income for the six months ended June 30, 2022	-	-	-	219,308	219,308
BALANCE AT JUNE 30, 2022	<u>\$ 270,757</u>	<u>\$ 298,616</u>	<u>\$ 195,976</u>	<u>\$ 1,102,605</u>	<u>\$ 1,867,954</u>

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

KEYSTONE MICROTECH CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 287,889	\$ 270,192
Adjustments for:		
Depreciation expense	24,487	20,161
Amortization expense	9,405	7,793
Expected credit loss reversed on trade receivables	(148)	(5,474)
Finance costs	85	99
Interest income	(457)	(1,092)
Write-downs of inventories	3,507	8,278
Net (gain) loss on foreign currency exchange	(41,431)	13,683
Changes in operating assets and liabilities		
Notes receivable	322	-
Trade receivables	(97,021)	107,513
Other receivables	-	28
Inventories	(62,880)	(65,337)
Prepayments	(2,581)	5,116
Contract liabilities	(30,865)	(75,604)
Notes payable	-	(500)
Trade payables	69,371	(1,426)
Other payables	4,560	4,421
Other current liabilities	<u>139</u>	<u>313</u>
Cash generated from operations	164,382	288,164
Interest received	457	1,092
Interest paid	(85)	(99)
Income tax paid	<u>(67,847)</u>	<u>(65,498)</u>
Net cash generated from operating activities	<u>96,907</u>	<u>223,659</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	21,940	119,910
Payments for property, plant and equipment	(21,982)	(24,904)
Decrease in refundable deposits	-	357
Payments for intangible assets	(6,158)	(1,561)
Increase in prepayments for equipment	<u>(7,885)</u>	<u>(10,918)</u>
Net cash (used in) generated from investing activities	<u>(14,085)</u>	<u>82,884</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	<u>(2,430)</u>	<u>(2,098)</u>

(Continued)

KEYSTONE MICROTECH CORPORATION

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2022	2021
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ 39,096	\$ (10,062)
NET INCREASE IN CASH AND CASH EQUIVALENTS	119,488	294,383
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>967,597</u>	<u>554,272</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,087,085</u>	<u>\$ 848,655</u>

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

(Concluded)

KEYSTONE MICROTECH CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. GENERAL INFORMATION

Keystone Microtech Corporation (the “Company”), which was established under the Company Law on September 4, 2006, is engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards.

The Company’s shares have been listed on the Taipei Exchange since April 2019.

On March 9, 2020, the Company’s board of directors approved a short-form merger with Relight Technology Corporation, a 100%-owned subsidiary of the Company, in accordance with the provisions of Business Mergers and Acquisitions Act with the Company as the surviving company and Relight Technology Corporation as the dissolved company. Relight Technology Corporation’s main business is the wholesale of electronic materials while its legal rights and obligations are assumed by the Company after the merger.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on August 8, 2022.

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

- a. Initial application of the amendments to 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)

IFRSs

“Annual Improvements to IFRS Standards 2018-2020”

Amendments to IFRS 3 “Reference to the Conceptual Framework”

Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”

Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the accounting policies of the Company.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: 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 3: Except for deferred taxes that are recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments are applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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

New IFRSs	Effective Date Announced by IASB (Note)
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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

a. Statement of compliance

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical costs are generally determined by the fair value of the payment for asset acquisition.

c. Other significant accounting policies

Except for the explanations below, other explanations of significant accounting policies are described in the significant accounting policies section of the financial statements for the year ended December 31, 2021.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period’s pre-tax income the tax rate that would be applicable to expected total annual earnings.

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, estimations, 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 Company considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

The Company’s accounting policies, estimates and underlying assumptions have already been evaluated by the management of the Company, and no critical accounting judgements and key sources of estimation uncertainty were discovered.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Checking accounts and demand deposits	<u>\$ 1,087,085</u>	<u>\$ 967,597</u>	<u>\$ 848,655</u>

The market interest rates intervals of cash in bank at the end of the reporting period were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Demand deposits	0.001%-0.350%	0.001%-0.200%	0.001%-0.200%

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months	<u>\$ -</u>	<u>\$ 21,720</u>	<u>\$ 132,985</u>

The market interest rates intervals of time deposits with original maturities of more than 3 months at the end of the reporting period were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with original maturities of more than 3 months	-	2.550%	0.580%-2.550%

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Notes receivable</u>			
At amortized cost			
Gross carrying amount - operating	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ -</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 284,605	\$ 184,165	\$ 146,152
Less: Allowance for impairment loss	<u>(446)</u>	<u>(594)</u>	<u>(2,429)</u>
	<u>\$ 284,159</u>	<u>\$ 183,571</u>	<u>\$ 143,723</u>

Notes Receivable

At amortized cost

The Company measures the loss allowance for notes receivable at an amount equal to lifetime expected credit losses (ECLs). The ECLs on notes receivable are estimated by reference to the past default experience of the customer and economic conditions of the industry in which the customer operates. As of June 30, 2022, December 31, 2021 and June 30, 2021, the Company evaluated that no allowance for impairment loss was needed for notes receivable.

The following table details the aging analysis of notes receivable:

	June 30, 2022	December 31, 2021	June 30, 2021
1 to 60 days	\$ _____ -	\$ <u>322</u>	\$ _____ -

The above aging analysis of notes receivable is based on the journal date.

Trade Receivables

The average credit period of sales of goods is 30 to 120 days after the end of the month.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated using a provision matrix approach considering past experiences, current market conditions, and forward-looking information. 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 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 trade receivables based on the Company's provision matrix.

June 30, 2022

	Not Past Due	Past Due						Total	
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days		Over 180 Days
Expected credit loss rate	0.01%	0.07%	0.31%	0.85%	1.53%	3.60%	16.67%	100%	
Gross carrying amount	\$ 185,259	\$ 79,425	\$ -	\$ 3,190	\$ 12,259	\$ 4,472	\$ -	\$ -	\$ 284,605
Loss allowance (Lifetime ECLs)	(15)	(55)	-	(27)	(188)	(161)	-	-	(446)
Amortized cost	<u>\$ 185,244</u>	<u>\$ 79,370</u>	<u>\$ -</u>	<u>\$ 3,163</u>	<u>\$ 12,071</u>	<u>\$ 4,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,159</u>

December 31, 2021

	Not Past Due	Past Due							Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	
Expected credit loss rate	0.05%	0.53%	1.64%	3.13%	5.06%	9.07%	28.67%	100%	
Gross carrying amount	\$ 160,633	\$ 16,942	\$ 2,962	\$ 744	\$ 2,035	\$ -	\$ 849	\$ -	\$ 184,165
Loss allowance (Lifetime ECLs)	<u>(87)</u>	<u>(89)</u>	<u>(49)</u>	<u>(23)</u>	<u>(103)</u>	<u>-</u>	<u>(243)</u>	<u>-</u>	<u>(594)</u>
Amortized cost	<u>\$ 160,546</u>	<u>\$ 16,853</u>	<u>\$ 2,913</u>	<u>\$ 721</u>	<u>\$ 1,932</u>	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ -</u>	<u>\$ 183,571</u>

June 30, 2021

	Not Past Due	Past Due							Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 150 Days	151 to 180 Days	Over 180 Days	
Expected credit loss rate	0.20%	1.39%	4.13%	6.32%	11.77%	19.90%	37.00%	100%	
Gross carrying amount	\$ 131,048	\$ 10,012	\$ 1,300	\$ 868	\$ 617	\$ 578	\$ -	\$ 1,729	\$ 146,152
Loss allowance (Lifetime ECLs)	<u>(265)</u>	<u>(139)</u>	<u>(54)</u>	<u>(55)</u>	<u>(72)</u>	<u>(115)</u>	<u>-</u>	<u>(1,729)</u>	<u>(2,429)</u>
Amortized cost	<u>\$ 130,783</u>	<u>\$ 9,873</u>	<u>\$ 1,246</u>	<u>\$ 813</u>	<u>\$ 545</u>	<u>\$ 463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,723</u>

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

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 594	\$ 7,903
Less: Net remeasurement of loss allowance	<u>(148)</u>	<u>(5,474)</u>
Balance at June 30	<u>\$ 446</u>	<u>\$ 2,429</u>

9. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Finished goods (including storage inventories awaiting acceptance)	\$ 436,520	\$ 385,762	\$ 419,645
Work in progress	14,485	14,457	16,415
Semi-finished goods	61,659	43,093	54,852
Raw materials	<u>128,071</u>	<u>138,050</u>	<u>153,099</u>
	<u>\$ 640,735</u>	<u>\$ 581,362</u>	<u>\$ 644,011</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Cost of inventories sold	\$ 184,985	\$ 166,708	\$ 369,796	\$ 309,304
Inventory write-downs	<u>1,885</u>	<u>6,551</u>	<u>3,507</u>	<u>8,278</u>
	<u>\$ 186,870</u>	<u>\$ 173,259</u>	<u>\$ 373,303</u>	<u>\$ 317,582</u>

10. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022	December 31, 2021	June 30, 2021
Assets used by the Company	<u>\$ 470,054</u>	<u>\$ 460,747</u>	<u>\$ 440,707</u>

Assets Used by the Company

	Freehold Land	Buildings	Machinery and Equipment	Office Equipment	Transportation	Other Equipment	Property under Construction	Total
<u>Cost</u>								
Balance at January 1, 2022	\$ 217,232	\$ 166,164	\$ 178,504	\$ 25,795	\$ 500	\$ 1,898	\$ -	\$ 590,093
Additions	-	2,056	12,846	4,533	-	-	-	19,435
Disposals	-	-	-	(54)	-	-	-	(54)
Reclassified (Note)	-	-	11,929	-	-	-	-	11,929
Balance at June 30, 2022	<u>\$ 217,232</u>	<u>\$ 168,220</u>	<u>\$ 203,279</u>	<u>\$ 30,274</u>	<u>\$ 500</u>	<u>\$ 1,898</u>	<u>\$ -</u>	<u>\$ 621,403</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2022	\$ -	\$ 23,466	\$ 84,764	\$ 19,370	\$ 500	\$ 1,246	\$ -	\$ 129,346
Disposals	-	-	-	(54)	-	-	-	(54)
Depreciation expense	-	3,679	15,525	2,696	-	157	-	22,057
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 27,145</u>	<u>\$ 100,289</u>	<u>\$ 22,012</u>	<u>\$ 500</u>	<u>\$ 1,403</u>	<u>\$ -</u>	<u>\$ 151,349</u>
Carrying amount at June 30, 2022	<u>\$ 217,232</u>	<u>\$ 141,075</u>	<u>\$ 102,990</u>	<u>\$ 8,262</u>	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ -</u>	<u>\$ 470,054</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 217,232</u>	<u>\$ 142,698</u>	<u>\$ 93,740</u>	<u>\$ 6,425</u>	<u>\$ -</u>	<u>\$ 652</u>	<u>\$ -</u>	<u>\$ 460,747</u>
<u>Cost</u>								
Balance at January 1, 2021	\$ 130,661	\$ 152,736	\$ 117,719	\$ 20,543	\$ 500	\$ 1,333	\$ 8,790	\$ 432,282
Additions	-	3,560	12,838	3,333	-	512	-	20,243
Disposals	-	-	-	(31)	-	-	-	(31)
Reclassified (Note)	-	8,790	12,497	-	-	-	(8,790)	12,497
Transfers from investment properties	86,571	-	-	-	-	-	-	86,571
Balance at June 30, 2021	<u>\$ 217,232</u>	<u>\$ 165,086</u>	<u>\$ 143,054</u>	<u>\$ 23,845</u>	<u>\$ 500</u>	<u>\$ 1,845</u>	<u>\$ -</u>	<u>\$ 551,562</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2021	\$ -	\$ 17,085	\$ 58,945	\$ 15,204	\$ 500	\$ 1,116	\$ -	\$ 92,850
Disposals	-	-	-	(31)	-	-	-	(31)
Depreciation expense	-	3,463	12,182	2,227	-	164	-	18,036
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 20,548</u>	<u>\$ 71,127</u>	<u>\$ 17,400</u>	<u>\$ 500</u>	<u>\$ 1,280</u>	<u>\$ -</u>	<u>\$ 110,855</u>
Carrying amount at June 30, 2021	<u>\$ 217,232</u>	<u>\$ 144,538</u>	<u>\$ 71,927</u>	<u>\$ 6,445</u>	<u>\$ -</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ 440,707</u>

Note: Reclassified from prepayments for equipment to property, plant and equipment.

For the six months ended June 30, 2022 and 2021, no impairment assessment was performed as there was no indication of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	50 years
Construction appurtenance	10-20 years
Machinery and equipment	1-6 years
Office equipment	1-5 years
Transportation	4 years
Other equipment	3 years

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2022		December 31, 2021		June 30, 2021
<u>Carrying amount</u>					
Buildings	\$	989	\$	1,381	\$ 2,072
Transportation equipment		<u>4,783</u>		<u>5,507</u>	<u>7,049</u>
	\$	<u>5,772</u>	\$	<u>6,888</u>	<u>9,121</u>
	For the Three Months Ended		For the Six Months Ended		
	June 30		June 30		
	2022	2021	2022	2021	
Additions to right-of-use assets			<u>\$ 1,314</u>		<u>\$ 6,483</u>
Depreciation charge for right-of-use assets					
Buildings	\$	469	\$	346	\$ 691
Transportation equipment		<u>845</u>		<u>668</u>	<u>1,434</u>
	\$	<u>1,314</u>	\$	<u>1,014</u>	<u>2,125</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2022 and 2021.

b. Lease liabilities

	June 30, 2022		December 31, 2021		June 30, 2021
<u>Carrying amount</u>					
Current	\$	<u>4,188</u>	\$	<u>4,501</u>	<u>4,445</u>
Non-current	\$	<u>1,678</u>	\$	<u>2,481</u>	<u>4,745</u>

Range of discount rates for lease liabilities was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Buildings	2.366%	2.366%	2.366%
Transportation equipment	2.366%-2.616%	2.366%-2.616%	2.366%-2.616%

c. Material lease-in activities and terms

The Company leases buildings for the use of offices with lease term of 2 years. The Company does not have bargain purchase options to acquire buildings at the end of the lease term. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

The Company also leases transportation equipment for use in operations with lease term of 3 years. The Company does not have bargain purchase options to acquire vehicles at the end of the lease term. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	<u>\$ 34</u>	<u>\$ 64</u>	<u>\$ 105</u>	<u>\$ 119</u>
Expenses relating to low-value asset leases	<u>\$ 60</u>	<u>\$ 62</u>	<u>\$ 120</u>	<u>\$ 118</u>
Total cash outflow for leases			<u>\$ (2,740)</u>	<u>\$ (2,434)</u>

The Company leases certain plants and transportation equipment which qualify as short-term leases and certain office equipment which 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.

As of June 30, 2022, December 31, 2021 and June 30, 2021, the amount of short-term lease commitments for which the recognition exemption was applied was \$122 thousand, \$150 thousand and \$172 thousand, respectively.

12. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2022	\$ 86,939
Additions	<u>9,111</u>
Balance at June 30, 2022	<u>\$ 96,050</u>

(Continued)

	Computer Software
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2022	\$ 71,141
Amortization expense	<u>9,405</u>
Balance at June 30, 2022	<u>\$ 80,546</u>
Carrying amount at June 30, 2022	<u>\$ 15,504</u>
Carrying amount at December 31, 2021 and January 1, 2022	<u>\$ 15,798</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 89,447
Additions	5,231
Disposals	<u>(11,026)</u>
Balance at June 30, 2021	<u>\$ 83,652</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2021	\$ 66,010
Amortization expense	7,793
Disposals	<u>(11,026)</u>
Balance at June 30, 2021	<u>\$ 62,777</u>
Carrying amount at June 30, 2021	<u>\$ 20,875</u> (Concluded)

The computer software is amortized on a straight-line basis over their estimated useful lives of 2 to 6 years.

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
An analysis of amortization by function				
Operating costs	\$ 178	\$ 150	\$ 356	\$ 299
General and administrative expenses	656	492	1,189	1,025
Research and development expenses	<u>4,175</u>	<u>3,439</u>	<u>7,860</u>	<u>6,469</u>
	<u>\$ 5,009</u>	<u>\$ 4,081</u>	<u>\$ 9,405</u>	<u>\$ 7,793</u>

13. OTHER ASSETS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Prepayments	<u>\$ 10,327</u>	<u>\$ 7,746</u>	<u>\$ 14,468</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 7,885	\$ 11,929	\$ 17,938
Refundable deposits	<u>4,120</u>	<u>4,120</u>	<u>3,830</u>
	<u>\$ 12,005</u>	<u>\$ 16,049</u>	<u>\$ 21,768</u>

14. TRADE PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Trade payables</u>			
Operating	<u>\$ 180,687</u>	<u>\$ 110,012</u>	<u>\$ 167,497</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

15. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Other payables			
Payables for salaries and bonuses	\$ 127,414	\$ 124,596	\$ 114,240
Payables for dividends	211,190	-	-
Payables for purchases of equipment	1,901	4,448	1,486
Payables for purchases of computer software	2,953	-	3,670
Payables for pensions	2,708	2,650	2,594
Payables for insurance	3,850	3,729	3,708
Others	<u>8,341</u>	<u>6,778</u>	<u>4,671</u>
	<u>\$ 358,357</u>	<u>\$ 142,201</u>	<u>\$ 130,369</u>
Other liabilities			
Receipts under custody	<u>\$ 939</u>	<u>\$ 800</u>	<u>\$ 1,158</u>

16. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

The Company has a pension plan under the Labor Pension Act (LPA), a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

17. EQUITY

a. Share capital

	June 30, 2022	December 31, 2021	June 30, 2021
Number of shares authorized (in thousands)	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>
Shares authorized	<u>\$ 360,000</u>	<u>\$ 360,000</u>	<u>\$ 360,000</u>
Number of shares issued and fully paid (in thousands)	<u>27,076</u>	<u>27,076</u>	<u>27,076</u>
Shares issued	<u>\$ 270,757</u>	<u>\$ 270,757</u>	<u>\$ 270,757</u>

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Premium from issuance ordinary shares	\$ 277,535	\$ 277,535	\$ 277,535
Treasury share transactions	6,923	6,923	6,923
Conversion of employee share options	1,682	1,682	1,682
May be used to offset a deficit (Note 2)			
Disgorgement exercise	<u>12,476</u>	<u>12,476</u>	<u>-</u>
	<u>\$ 298,616</u>	<u>\$ 298,616</u>	<u>\$ 286,140</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends, or transferred to share capital limited to a certain percentage of the Company's capital surplus and to once a year.

Note 2: Such capital surplus arises from when the right of disgorgement is exercised that may be used to offset a deficit.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profits shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit unless accumulated legal capital reserves have already reached the total capital of the company, 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 the distribution of dividends and bonuses to shareholders. Refer to employees' compensation and remuneration of directors in Note 19 (f) for details.

As set forth in the Articles, the Company's policy on the distribution of dividends to shareholders is subject to the Company's current and future investment environment, future investment plans, financial structure and operating performance, with the interests of shareholders taken into account. The distribution of dividends shall not be less than 20% of the current total earnings (not including accumulated undistributed earnings), unless the current total earnings (not including unappropriated earnings) is less than 10% of the Company's paid-in capital. Dividends may be distributed in cash or shares, and cash dividends shall not be less than 10% of the total dividends distributed to shareholders in the current year.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve can be used to offset deficit. 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.

The appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meeting on June 27, 2022 and August 2, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Legal reserve	<u>\$ 41,970</u>	<u>\$ 33,400</u>
Cash dividends	<u>\$ 211,190</u>	<u>\$ 148,916</u>
Cash dividends per share (NT\$)	\$ 7.8	\$ 5.5

18. REVENUE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 389,687</u>	<u>\$ 378,283</u>	<u>\$ 757,387</u>	<u>\$ 728,666</u>
a. Contract balances				
	June 30, 2022	December 31, 2021	June 30, 2021	January 1, 2021
Notes receivable (Note 8)	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ -</u>	<u>\$ -</u>
Trade receivables (Note 8)	<u>\$ 284,159</u>	<u>\$ 183,571</u>	<u>\$ 143,723</u>	<u>\$ 245,886</u>
Contract liabilities - current				
Sale of goods	<u>\$ 69,181</u>	<u>\$ 100,046</u>	<u>\$ 140,334</u>	<u>\$ 215,938</u>

The change in contract liabilities is mainly due to the difference between the point at which the performance obligation is satisfied and the point at which the customer pays.

Revenue recognized in the current reporting period from contract liabilities at the beginning of the year was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Contract liabilities at the beginning of the year				
Sale of goods	\$ 22,020	\$ 97,251	\$ 92,040	\$ 195,634

b. Sales details of customer contracts

Sales details are disclosed in Note 30.

19. NET PROFIT

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Bank deposits	\$ 353	\$ 108	\$ 353	\$ 108
Financial assets at amortized cost	-	299	92	972
Others	6	8	12	12
	<u>\$ 359</u>	<u>\$ 415</u>	<u>\$ 457</u>	<u>\$ 1,092</u>

b. Other gains and (losses)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net foreign exchange gains (losses)	\$ 17,802	\$ (12,867)	\$ 41,836	\$ (13,155)
Others	(34)	(146)	(82)	(204)
	<u>\$ 17,768</u>	<u>\$ (13,013)</u>	<u>\$ 41,754</u>	<u>\$ (13,359)</u>

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest on lease liabilities	\$ 44	\$ 54	\$ 85	\$ 99

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
An analysis of depreciation by function				
Operating costs	\$ 7,939	\$ 6,428	\$ 15,676	\$ 12,884
Operating expenses	<u>4,604</u>	<u>3,563</u>	<u>8,811</u>	<u>7,277</u>
	<u>\$ 12,543</u>	<u>\$ 9,991</u>	<u>\$ 24,487</u>	<u>\$ 20,161</u>
An analysis of amortization by function				
Operating costs	\$ 178	\$ 150	\$ 356	\$ 299
Operating expenses	<u>4,831</u>	<u>3,931</u>	<u>9,049</u>	<u>7,494</u>
	<u>\$ 5,009</u>	<u>\$ 4,081</u>	<u>\$ 9,405</u>	<u>\$ 7,793</u>

e. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term benefits	\$ 73,921	\$ 66,085	\$ 143,270	\$ 137,717
Post-employment benefits				
Defined contribution plans	2,450	2,352	4,880	4,588
Other employee benefits	<u>7,534</u>	<u>8,567</u>	<u>15,934</u>	<u>15,825</u>
Total employee benefits expense	<u>\$ 83,905</u>	<u>\$ 77,004</u>	<u>\$ 164,084</u>	<u>\$ 158,130</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 40,546	\$ 38,976	\$ 79,326	\$ 76,562
Operating expenses	<u>43,359</u>	<u>38,028</u>	<u>84,758</u>	<u>81,568</u>
	<u>\$ 83,905</u>	<u>\$ 77,004</u>	<u>\$ 164,084</u>	<u>\$ 158,130</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at rates no less than 10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the three months ended and the six months ended June 30, 2022 and 2021, the compensation of employees and remuneration of directors are as follows:

Accrual rate

	For the Six Months Ended June 30	
	2022	2021
Compensation of employees	10.10%	10.98%
Remuneration of directors	0.19%	0.20%

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Compensation of employees	<u>\$ 15,400</u>	<u>\$ 12,700</u>	<u>\$ 32,400</u>	<u>\$ 33,400</u>
Remuneration of directors	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 600</u>	<u>\$ 600</u>

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

The appropriations of compensation of employees and remuneration of directors for 2021 and 2020 that were resolved by the board of directors on March 7, 2022 and March 8, 2021, respectively, are as shown below:

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Compensation of employees	<u>\$ 61,230</u>	<u>\$ -</u>	<u>\$ 46,140</u>	<u>\$ -</u>
Remuneration of directors	<u>\$ 1,470</u>	<u>\$ -</u>	<u>\$ 1,560</u>	<u>\$ -</u>

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

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.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Foreign exchange gains	\$ 17,802	\$ -	\$ 56,806	\$ 3,206
Foreign exchange losses	<u>-</u>	<u>(12,867)</u>	<u>(14,970)</u>	<u>(16,361)</u>
Net gains (losses)	<u>\$ 17,802</u>	<u>\$ (12,867)</u>	<u>\$ 41,836</u>	<u>\$ (13,155)</u>

20. INCOME TAX EXPENSE

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 27,272	\$ 29,699	\$ 49,993	\$ 55,508
Income tax on unappropriated earnings	6,340	-	6,340	-
Adjustments for prior year	<u>2,517</u>	<u>2</u>	<u>4,663</u>	<u>2,428</u>
	<u>36,129</u>	<u>29,701</u>	<u>60,996</u>	<u>57,936</u>
Deferred tax				
In respect of the current period	<u>3,175</u>	<u>(2,733)</u>	<u>7,585</u>	<u>(2,744)</u>
Income tax expense recognized in profit or loss	<u>\$ 39,304</u>	<u>\$ 26,968</u>	<u>\$ 68,581</u>	<u>\$ 55,192</u>

b. Income tax assessments

The Company's income tax returns through 2020 have been assessed by the tax authorities. As of June 30, 2022, the Company has no unsettled tax litigation.

21. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic earnings per share	<u>\$ 3.92</u>	<u>\$ 3.88</u>	<u>\$ 8.10</u>	<u>\$ 7.94</u>
Diluted earnings per share	<u>\$ 3.90</u>	<u>\$ 3.86</u>	<u>\$ 8.03</u>	<u>\$ 7.90</u>

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Net profit for the period	<u>\$ 106,270</u>	<u>\$ 104,992</u>	<u>\$ 219,308</u>	<u>\$ 215,000</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share (in thousands)	27,076	27,076	27,076	27,076
Effect of potentially dilutive ordinary shares				
Employees' compensation or bonuses issued to employees	<u>158</u>	<u>92</u>	<u>248</u>	<u>142</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands)	<u>27,234</u>	<u>27,168</u>	<u>27,324</u>	<u>27,218</u>

The Company may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is 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.

22. CASH FLOWS INFORMATION

a. Non-cash transactions

In addition to those disclosed in other notes, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows for the six months ended June 30, 2022 and 2021:

- 1) As of June 30, 2022, December 31, 2021 and June 30, 2021, the unsettled payments for purchases of property, plant and equipment were \$1,901 thousand, \$4,448 thousand and \$1,486 thousand, respectively, and were recorded as other payables in the financial statements.
- 2) As of June 30, 2022, December 31, 2021 and June 30, 2021, the unsettled payments for purchases of intangible assets were \$2,953 thousand, \$0 thousand and \$3,670 thousand, respectively, and were recorded as other payables in the financial statements.
- 3) As of June 30, 2022, the unsettled payments for the distribution of cash dividends approved in the shareholders' meeting (refer the Notes 15 and 17).

b. Changes in liabilities arising from financing activities

For the six months ended June 30, 2022

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Interest Expense	Others	
Lease liabilities	\$ 6,982	\$ (2,430)	\$ 1,314	\$ 85	\$ (85)	\$ 5,866

For the six months ended June 30, 2021

	Opening Balance	Cash Flows	Non-cash Changes			Closing Balance
			New Leases	Interest Expense	Others	
Lease liabilities	\$ 4,805	\$ (2,098)	\$ 6,483	\$ 99	\$ (99)	\$ 9,190

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities of the Company will be able to continue as going concerns while considering operating risks and maximizing the returns to shareholders through the optimization of the debt and equity balance. There were no significant changes in the Company's overall strategy.

The capital structure of the Company consists of equity of the Company (comprising share capital, capital reserve and retained earnings).

The Company is not subject to any externally imposed capital requirements.

Under the recommendations of the key management, to balance the overall capital structure, the Company may distribute dividends and adjust the number of new shares issued.

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements which are not measured at fair value approximate their fair values.

b. Categories of financial instruments

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
Financial assets at amortized cost (1)	\$ 1,375,364	\$ 1,177,330	\$ 1,129,193
<u>Financial liabilities</u>			
Financial liabilities at amortized cost (2)	193,882	121,238	177,324

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, and refundable deposits (included in other non-current assets).

- 2) The balances include financial liabilities at amortized cost, which comprise trade payables and other payables (not including payables for salaries and bonuses, pensions, insurance and dividends) that are measured at amortized cost.

c. Financial risk management objectives and policies

The Company's major financial instruments included trade receivables, trade payables and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports regularly to the board of directors, who monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities are set out in Note 28.

Sensitivity analysis

The Company was mainly exposed to the fluctuations in the USD and the RMB.

The following table shows the Company's sensitivity to a 1% increase and decrease in the functional currencies of the entities of the Company against the relevant foreign currencies (the USD and RMB). A sensitivity rate of 1% is 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 their translation was adjusted at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicated an increase in pretax profit when the functional currencies of the entities of the Company weakened by 1% against the relevant foreign currency. For a 1% strengthening of the functional currencies of the entities of the Company against the relevant foreign currency, there would be an equal and opposite impact on pretax profit and the balances below would be negative.

	USD Impact	
	For the Six Months Ended	
	June 30	
	2022	2021
Profit or loss	\$ 4,505	\$ 4,936

	RMB Impact	
	For the Six Months Ended	
	June 30	
	2022	2021
Profit or loss	\$ 2,420	\$ 1,147

The above impact on profit and loss was mainly attributable to the exposure on USD bank deposits, USD receivables, USD payables, RMB bank deposits, RMB receivables and RMB payables at the end of the reporting period.

The Company's sensitivity to the USD decreased during the current period mainly because of a decrease in USD bank deposits. The Company's sensitivity to the RMB increased during the current period mainly because of an increased in RMB bank deposits.

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:

	June 30, 2022	December 31, 2021	June 30, 2021
Interest rate risk on fair value			
Financial assets	\$ -	\$ 21,720	\$ 132,985
Financial liabilities	5,866	6,982	9,190
Interest rate risk on cash flow			
Financial assets	1,084,983	966,730	848,106

Sensitivity analysis

The sensitivity analysis in the next paragraph was based on the exposure of the Company's non-derivative instruments to interest rate risks at the end of the reporting period. A 100 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 100 basis points higher/lower and all other variables been held constant, the Company's pretax profit for the six months ended June 30, 2022 and 2021 would have increased/decreased by \$5,425 thousand and \$4,241 thousand, respectively, which was mainly attributable to the Company's exposure to interest rate risks on its floating-rate bank deposits.

The Company's sensitivity to interest rates increased during the current period mainly because of the increase in floating-rate bank deposits.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a 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 pertain to financial assets recognized in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties.

The Company's concentration of credit risk of 46%, 71% and 62% of total amounts of trade receivables as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively, was attributable to the Company's three 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.

Liquidity and interest rate risk table for non-derivative financial liabilities

The following tables show the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed-upon repayment periods. The tables were based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

June 30, 2022

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 403,603 <u>1,287</u>	\$ 1,469 <u>2,992</u>	\$ - <u>1,701</u>	\$ - <u>-</u>
	<u>\$ 404,890</u>	<u>\$ 4,461</u>	<u>\$ 1,701</u>	<u>\$ -</u>

December 31, 2021

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 118,826 <u>1,155</u>	\$ 2,412 <u>3,466</u>	\$ - <u>2,514</u>	\$ - <u>-</u>
	<u>\$ 119,981</u>	<u>\$ 5,878</u>	<u>\$ 2,514</u>	<u>\$ -</u>

June 30, 2021

	Less than 3 Months	3 Months to 1 Year	Over 1 Year to 5 Years	More than 5 Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing Lease liabilities	\$ 177,324 <u>1,155</u>	\$ - <u>3,466</u>	\$ - <u>4,825</u>	\$ - <u>-</u>
	<u>\$ 178,479</u>	<u>\$ 3,466</u>	<u>\$ 4,825</u>	<u>\$ -</u>

25. TRANSACTIONS WITH RELATED PARTIES

In addition to those disclosed in other notes, details of transactions between the Company and other related parties are disclosed below.

Compensation of Key Management Personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employee benefits	<u>\$ 3,594</u>	<u>\$ 3,989</u>	<u>\$ 18,919</u>	<u>\$ 19,084</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

26. UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments of the Company as of the end of the reporting period were as follows:

Unrecognized commitments are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment	<u>\$ 10,475</u>	<u>\$ 4,068</u>	<u>\$ 4,534</u>

27. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On August 2, 2021, the shareholders approved a restricted share plan consisting of 150 thousand shares with a par value of NT\$10 for employees, issued free of charge, estimated recognition of compensation costs in the vesting period is \$28,050 thousand. The plan was approved by the FSC under Rule No. 1110349492 on July 20, 2022. The subscription base date of July 27, 2022 was determined by the board on July 21, 2022.
- b. The board of directors approved the resolution of the purchasing land and buildings on May 17, 2022. Considering the land and buildings located in specific agricultural area, causing possible concerns after completion about acquiring relevant factory usage license issued by the competent authority, the board of directors approved the resolution of canceling the transaction on August 8, 2022.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is expressed in aggregate in foreign currencies other than the functional currency of the Company, and the exchange rates disclosed refer to the rates at which such foreign currencies are converted to the functional currency. Information on foreign currency assets and liabilities with significant effect is as follows:

June 30, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,412	29.720	\$ 517,477
RMB	54,508	4.439	241,960
<u>Financial liabilities</u>			
Monetary items			
USD	2,255	29.720	67,019

December 31, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 18,599	27.680	\$ 514,816
RMB	30,652	4.344	133,153
<u>Financial liabilities</u>			
Monetary items			
USD	1,436	27.680	39,748

June 30, 2021

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 19,704	27.860	\$ 548,965
RMB	26,613	4.309	114,674
<u>Financial liabilities</u>			
Monetary items			
USD	1,987	27.860	55,345

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Three Months Ended June 30			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	29.455 (USD:NTD)	\$ 16,118	27.977 (USD:NTD)	\$ (12,120)
RMB	4.446 (RMB:NTD)	<u>1,543</u>	4.331 (RMB:NTD)	<u>(768)</u>
		<u>\$ 17,661</u>		<u>\$ (12,888)</u>

Foreign Currency	For the Six Months Ended June 30			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
USD	28.725 (USD:NTD)	\$ 38,674	28.172 (USD:NTD)	\$ (12,349)
RMB	4.426 (RMB:NTD)	<u>2,709</u>	4.354 (RMB:NTD)	<u>(866)</u>
		<u>\$ 41,383</u>		<u>\$ (13,215)</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):
None
- 4) Marketable securities acquired or disposed of at costs or prices of 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: Table 1
- 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: None
- 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: None
- 10) Intercompany relationships and significant intercompany transactions: None

b. Information on investees: None

c. 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 year, repatriations of investment income, and limit on the amount of investment in the mainland China area: None
- 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: None
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services
- d. 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 (Table 2)

30. SEGMENT INFORMATION

Financial Information

The Company is mainly an important operating department engaged in the manufacture and sale of various circuit testing solutions for semiconductors, including IC front-end test solutions (probe cards and substrates), IC back-end test solutions (load boards and burn-in boards) and other related testing boards. The financial report is the measurement basis for the chief operating decision maker of the Company to allocate resource and evaluate performance, thus reporting single related segment operating information is not necessary.

KEYSTONE MICROTECH CORPORATION

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationships	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationships	Transaction Date	Amount			
Keystone Microtech Corporation	Land and buildings	May 17, 2022	\$ 146,960	Based on real estate sale and purchase agreement	Ho OO and other 12 natural persons	-	-	-	\$ -	Appraisal report of real estate	Increase manufacturing capacities due to long term operating plan	Note	

Note: Considering the land and buildings located in specific agricultural area, causing possible concerns after completion about acquiring relevant factory usage license issued by the competent authority, the board of directors approved the resolution of canceling the transaction on August 8, 2022.

KEYSTONE MICROTECH CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS
JUNE 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Kuan Yi Investment Corporation	3,097,490	11.44

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.