

**OPTO TECH CORPORATION AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**Declaration of Consolidated Financial Statements of Affiliated Enterprises**

For the year ended December 31, 2020, pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company that is required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Opto Tech Corporation

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Opto Tech Corporation and subsidiaries (the “Group”) as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s 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 Accountants 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

**Key audit matter- Allowance for inventory valuation losses**

Description

Please refer to Note 4(12) for accounting policies on inventory valuation, Note 5(2) for accounting estimates and assumption uncertainty on inventory valuation, and Note 6(5) for details of allowance for inventory valuation losses. As of December 31, 2020, the balances of inventories and allowance for inventory valuation losses were NT\$ 1,285,891 thousand and NT\$ 130,302 thousand, respectively.

As the value of the Group's inventories are effected by market prices and product life cycles, there is a higher risk of obsolescence. For inventories aged over a certain period of time and individually identified as obsolete, the net realisable value is estimated based on historical data of inventory closeout. The net realisable value utilised in evaluating obsolete inventories involves uncertainty of estimation as it is subject to management's judgment. Since inventories and allowance for inventory valuation losses were material to the consolidated financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed the reasonableness of policies and procedures in the provision of allowance for inventory valuation losses and the reasonableness in the identification of obsolete inventories; validated the appropriateness of system logic of inventory aging report in order to confirm the compliance with respective policies; and assessed the reasonableness of the Group's determination of the provision of allowance for inventory valuation losses through obtaining assessment documents and supporting evidences in relation to individually identified obsolete or damaged inventories from management.

**Key audit matter- Estimation of fair values of unlisted securities without active market**

Description

Please refer to Note 4(7)(8) for accounting policies on financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income or loss, Note 5(2) for accounting estimates and assumption uncertainty on estimation of financial assets-fair value measurement of unlisted stocks without active market, and Note 6(2)(3),12(3) for details of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income or loss. As of December 31, 2020, the carrying amount of unlisted securities without active market was NT\$805,199

thousand.

For unlisted securities without active market held by the Group, management assesses their fair values through market approach or asset-based approach and takes into account the discount for liquidity. Since the valuation method is subject to management's judgment and involves uncertainty, which would affect fair value, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed the reasonableness of valuation method and parameters referred to in the appraisal report by the independent appraiser who was engaged by the management, including the net assets value measured at fair value, comparability and market liquidity of comparable companies; and assessed the reasonableness of price multipliers and discounts for liquidity in the market.

**Key audit matters –Cut-off of sales of goods from hub warehouse**

Description

Please refer to parent company financial statement Note 4(30) for accounting policies on revenue recognition.

For the types of revenue of the Group, revenue from sales of goods from hub warehouse is recognised when the custodians (hub warehouses) deliver the goods to the customer (the control of goods have been transferred). The Group recognises revenue based on movements of inventories contained in the statements or other information provided by the custodians. Because the frequency and timing of statements provided by custodians vary and the process of revenue recognition contains numerous manual procedures and judgement, which would potentially result in inaccurate timing of revenue recognition. Due to that the revenue from sales of goods from hub warehouse is material to the Group, and the transaction amounts prior to and after the balance sheet date has significant effects on the financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

Assessed and validated the appropriateness of management's internal controls over the cut-off of sales of goods from hub warehouse prior to and after every month end in 2020, including verifying acceptance reports provided by the hub warehouse custodians and ensuring movements of inventories and cost of goods sold have been recorded in appropriate periods. Furthermore, we performed confirmation

procedures or conducted inventory physical observation on inventory quantities held by hub warehouses and validated the quantities against accounting records.

### ***Other matter—Parent company only financial reports***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Opto Tech Corporation as at and for the years ended December 31, 2020 and 2019.

### ***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 Preparations of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of 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.

### ***Auditor’s 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 auditor’s 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 generally accepted auditing standards 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 generally accepted auditing standards 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Lin, Yu-Kuan

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Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current assets</b>					
Cash and cash equivalents	6(1)	\$ 3,100,161	29	\$ 2,997,465	29
Financial assets at fair value through profit or loss - current	6(2)	320,419	3	169,315	2
Notes receivable, net	6(4)	8,873	-	13,051	-
Accounts receivable - net	6(4)	1,634,913	16	1,415,163	14
Accounts receivable - related parties - net	6(4) and 7	16,880	-	32,788	-
Other receivables		20,218	-	19,011	-
Inventories - net	6(5)	1,155,589	11	1,239,698	12
Prepayments		24,202	-	45,102	1
Other current assets	8	25,245	-	26,259	-
<b>Current Assets</b>		<b>6,306,500</b>	<b>59</b>	<b>5,957,852</b>	<b>58</b>
<b>Non-current assets</b>					
Financial assets at fair value through profit or loss - non-current	6(2)	106,990	1	106,853	1
Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	783,998	7	925,373	9
Investments accounted for using equity method	6(6)	5,394	-	8,768	-
Property, plant and equipment - net	6(7) and 8	2,705,133	26	2,909,127	28
Right-of-use assets	6(8)	236,135	2	251,529	3
Investment property	6(9)	399,307	4	-	-
Intangible assets	6(10)	14,318	-	14,229	-
Deferred tax assets	6(27)	48,337	1	88,920	1
Other non-current assets		35,315	-	43,493	-
<b>Non-current assets</b>		<b>4,334,927</b>	<b>41</b>	<b>4,348,292</b>	<b>42</b>
<b>Total assets</b>		<b>\$ 10,641,427</b>	<b>100</b>	<b>\$ 10,306,144</b>	<b>100</b>

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**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2020 AND 2019**  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2020		December 31, 2019	
		AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>					
Short-term loans	6(11)	\$ 230,758	2	\$ 249,640	3
Financial liabilities at fair value through profit or loss - current	6(2)	799	-	31	-
Notes payable		1,757	-	6	-
Accounts payable		665,926	6	651,067	6
Accounts payable - related parties	7	51,920	1	78,691	1
Other payables	6(12)	619,042	6	548,988	5
Current income tax liabilities		25,969	-	102,901	1
Provisions for liabilities - current	6(15)	4,033	-	8,272	-
Current lease liabilities	7	19,560	-	19,598	-
Other current liabilities	6(13)(20) and 7	113,800	1	35,506	-
<b>Current Liabilities</b>		<u>1,733,564</u>	<u>16</u>	<u>1,694,700</u>	<u>16</u>
<b>Non-current liabilities</b>					
Long-term loans	6(13)	748,555	7	814,504	8
Provisions for liabilities - non-current	6(15)	18,808	-	15,745	-
Deferred tax liabilities	6(27)	42,986	1	81,572	1
Non-current lease liabilities	7	216,706	2	229,898	2
Other non-current liabilities	6(14)	187,482	2	201,409	2
<b>Non-current liabilities</b>		<u>1,214,537</u>	<u>12</u>	<u>1,343,128</u>	<u>13</u>
<b>Total Liabilities</b>		<u>2,948,101</u>	<u>28</u>	<u>3,037,828</u>	<u>29</u>
<b>Equity attributable to owners of parent</b>					
Capital	6(16)				
Common stock		3,786,228	35	3,786,228	37
Capital Reserve	6(17)				
Capital surplus		703,108	7	702,965	7
Retained Earnings	6(18)				
Legal reserve		729,360	7	669,312	6
Special reserve		3,743	-	8,392	-
Unappropriated earnings		2,361,920	22	1,841,481	18
Other Equity Adjustments	6(19)				
Other equity interest		187,351	2	279,469	3
Treasury stocks	6(16)				
Treasury stocks		( 82,021)	( 1)	( 23,172)	-
<b>Equity attributable to owners of parent</b>		<u>7,689,689</u>	<u>72</u>	<u>7,264,675</u>	<u>71</u>
Non-controlling interest		3,637	-	3,641	-
<b>Total equity</b>		<u>7,693,326</u>	<u>72</u>	<u>7,268,316</u>	<u>71</u>
Significant contingent liabilities and unrecognised contract commitments	9				
Significant events after the balance sheet date	11				
<b>Total liabilities and equity</b>		<u>\$ 10,641,427</u>	<u>100</u>	<u>\$ 10,306,144</u>	<u>100</u>

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

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(20) and 7	\$ 5,590,046	100	\$ 5,418,004	100
Operating costs	6(5)(25)(26) and 7	( 3,946,488)	( 71)	( 3,779,675)	( 70)
Gross profit, net		<u>1,643,558</u>	<u>29</u>	<u>1,638,329</u>	<u>30</u>
Operating expenses	6(25)(26)				
Selling expenses		( 127,614)	( 2)	( 125,590)	( 2)
General and administrative expenses		( 489,207)	( 9)	( 422,121)	( 8)
Research and development expenses		( 335,103)	( 6)	( 351,895)	( 7)
Expected credit (loss) gain on financial assets	12(2)	( 2,487)	-	1,434	-
Total operating expenses		<u>( 954,411)</u>	<u>( 17)</u>	<u>( 898,172)</u>	<u>( 17)</u>
Operating profit		<u>689,147</u>	<u>12</u>	<u>740,157</u>	<u>13</u>
Non-operating income and expenses					
Interest income	6(21)	11,234	-	16,373	-
Other income	6(22)	55,611	1	58,907	1
Other gains and losses	6(23)	( 108,250)	( 2)	( 2,979)	-
Finance costs	6(24)	( 27,611)	-	( 34,342)	-
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	( 375)	-	8,469	-
Total non-operating income and expenses		<u>( 69,391)</u>	<u>( 1)</u>	<u>46,428</u>	<u>1</u>
<b>Profit before income tax</b>		<u>619,756</u>	<u>11</u>	<u>786,585</u>	<u>14</u>
Income tax expense	6(27)	( 44,627)	( 1)	( 181,950)	( 3)
<b>Net income</b>		<u>\$ 575,129</u>	<u>10</u>	<u>\$ 604,635</u>	<u>11</u>

(Continued)

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Gains (losses) on remeasurements of defined benefit plans	6(14)	\$ 656	-	(\$ 5,195)	-
Unrealised (losses) gains on valuation of financial assets at fair value through other comprehensive (loss) income	6(3)(19)	( 137,595)	( 2)	50,226	1
Income tax related to components of other comprehensive income (loss) that will not be reclassified to profit or loss	6(27)	40,217	1	( 11,701)	-
Total other comprehensive (loss) income that will not be reclassified to profit or loss, net of tax		( 96,722)	( 1)	33,330	1
<b>Items that will be reclassified to profit or loss</b>					
Currency translation differences of foreign operations	6(19)	5,091	-	( 11,053)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(6)(19)	218	-	( 342)	-
Total other comprehensive income (loss) that will be reclassified to profit or loss, net of tax		5,309	-	( 11,395)	-
<b>Total other comprehensive (loss) income that will be reclassified to profit or loss, net of tax</b>					
		(\$ 91,413)	( 1)	\$ 21,935	1
<b>Total comprehensive income for the year</b>					
Profit (loss), attributable to:		\$ 483,716	9	\$ 626,570	12
Owners of the parent		\$ 575,133	10	\$ 604,633	11
Non-controlling interest		( 4)	-	2	-
		\$ 575,129	10	\$ 604,635	11
Total comprehensive income attributable to:					
Owners of the parent		\$ 483,720	9	\$ 626,570	12
Non-controlling interest		( 4)	-	-	-
		\$ 483,716	9	\$ 626,570	12
Earnings per share					
Profit for the year	6(28)	\$ 1.52		\$ 1.45	
Diluted earnings per share					
Profit for the year	6(28)	\$ 1.49		\$ 1.44	

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

OPTO TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Note	Retained Earnings					Other equity interest			Non-controlling interest	Total equity	
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains or loss on financial assets measured at fair value through other comprehensive income	Treasury stocks			Total
<u>2019</u>												
Balance at January 1, 2019		\$ 4,454,386	\$ 702,521	\$ 604,001	\$ -	\$ 1,537,426	\$ 2,021	\$ 251,355	(\$ 24,503)	\$ 7,527,207	\$ 3,641	\$ 7,530,848
Net income for the year		-	-	-	-	604,633	-	-	-	604,633	2	604,635
Other comprehensive income (loss) for the year	6(3)(14)(19)	-	-	-	-	( 4,156 )	( 11,393 )	37,486	-	21,937	( 2 )	21,935
Total comprehensive income (loss)		-	-	-	-	600,477	( 11,393 )	37,486	-	626,570	-	626,570
Distribution of 2018 earnings:	6(18)											
Legal reserve		-	-	65,311	-	( 65,311 )	-	-	-	-	-	-
Special reserve		-	-	-	8,392	( 8,392 )	-	-	-	-	-	-
Cash dividends		-	-	-	-	( 222,719 )	-	-	-	( 222,719 )	-	( 222,719 )
Other adjustments of capital reserve:												
Adjustments to net difference of subsidiary book value	6(6)	-	444	-	-	-	-	-	-	444	-	444
Capital reduction	6(16)	( 668,158 )	-	-	-	-	-	-	1,331	( 666,827 )	-	( 666,827 )
Balance at December 31, 2019		\$ 3,786,228	\$ 702,965	\$ 669,312	\$ 8,392	\$ 1,841,481	(\$ 9,372)	\$ 288,841	(\$ 23,172)	\$ 7,264,675	\$ 3,641	\$ 7,268,316
<u>2020</u>												
Balance at January 1, 2020		\$ 3,786,228	\$ 702,965	\$ 669,312	\$ 8,392	\$ 1,841,481	(\$ 9,372)	\$ 288,841	(\$ 23,172)	\$ 7,264,675	\$ 3,641	\$ 7,268,316
Net income (loss) for the year		-	-	-	-	575,133	-	-	-	575,133	( 4 )	575,129
Other comprehensive income (loss) for the year	6(3)(14)(19)	-	-	-	-	525	5,309	( 97,247 )	-	( 91,413 )	-	( 91,413 )
Total comprehensive income (loss)		-	-	-	-	575,658	5,309	( 97,247 )	-	483,720	( 4 )	483,716
Distribution of 2019 earnings:	6(18)											
Legal reserve		-	-	60,048	-	( 60,048 )	-	-	-	-	-	-
Special reserve		-	-	-	( 4,649 )	4,649	-	-	-	-	-	-
Liquidation of the subsidiary	6(6)	-	143	-	-	-	-	-	-	143	-	143
Disposal of financial assets at fair value through other comprehensive income	6(3)	-	-	-	-	180	-	( 180 )	-	-	-	-
Stock repurchased	6(16)	-	-	-	-	-	-	-	( 58,849 )	( 58,849 )	-	( 58,849 )
Balance at December 31, 2020		\$ 3,786,228	\$ 703,108	\$ 729,360	\$ 3,743	\$ 2,361,920	(\$ 4,063)	\$ 191,414	(\$ 82,021)	\$ 7,689,689	\$ 3,637	\$ 7,693,326

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

OPTO TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 619,756	\$ 786,585
Adjustments			
Income and expenses having no effect on cash flows			
Expected credit losses (reversal of gains) on financial assets	12(2)	2,487	( 1,434 )
Depreciation	6(7)(8)(25)	457,472	474,289
Amortization	6(10)(24)	15,090	12,298
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)(23)	( 473 )	1,144
Interest expense	6(24)	26,492	33,219
Interest income	6(21)	( 11,234 )	( 16,373 )
Dividend income	6(22)	( 14,454 )	( 20,051 )
Loss (gain) on sale of investments	6(23)	5,443	( 8,486 )
Loss on disposal of property, plant and equipment	6(7)(23)	30,897	-
Gain on lease termination	6(8)(23)	( 5 )	-
Impairment loss on non-financial assets	6(7)(23)	35,585	-
Share of loss (profit) of associates accounted for using the equity method	6(6)	375	( 8,469 )
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		( 150,000 )	52,003
Notes receivable - net		4,178	68
Accounts receivable - net		( 222,237 )	160,710
Accounts receivable - related parties - net		15,908	46,684
Other receivables		( 5,120 )	( 6,026 )
Inventories - net		84,109	91,703
Prepayments		20,900	( 18,692 )
Other current assets		1,014	179
Other non-current assets		3,394	739
Net changes in liabilities relating to operating activities			
Notes payable		1,751	( 27 )
Accounts payable		14,859	77,060
Accounts payable - related parties		( 26,771 )	( 9,272 )
Other payables		71,456	( 50,739 )
Other current liabilities		15,334	( 10,349 )
Provisions for liabilities		( 1,171 )	( 10,382 )
Net defined benefit liability		( 12,595 )	1,287
Cash inflow generated from operations		982,440	1,577,668
Interest received		11,930	16,181
Dividends received		17,671	20,051
Interest paid		( 27,894 )	( 33,020 )
Income tax paid		( 79,345 )	( 128,942 )
Net cash flows from operating activities		<u>904,802</u>	<u>1,451,938</u>

(Continued)

OPTO TECH CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	7	\$ -	(\$ 3,600)
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	3,780	-
Acquisition of investment property	6(8)	( 399,307 )	-
Acquisition of property, plant and equipment	6(7)(8)	( 297,209 )	( 294,331 )
Proceeds from disposal of property, plant and equipment		1	-
Acquisition of intangible assets	6(10)	( 15,179 )	( 17,687 )
Decrease in deposits-out		4,784	9,899
Increase in other financial assets	8	-	( 1,950 )
Net cash flows used in investing activities		( 703,130 )	( 307,669 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(29)	666,529	1,071,311
Decrease in short-term loans	6(29)	( 685,411 )	( 1,546,477 )
Increase in long-term loans	6(29)	-	814,504
Decrease in long-term loans	6(29)	( 2,989 )	( 250,000 )
Repayments of principal portion of lease liabilities	6(29)	( 20,221 )	( 21,206 )
Decrease in guarantee deposits	6(29)	( 676 )	( 849 )
Stock repurchased	6(16)	( 58,849 )	-
Payment of cash dividends	6(18)	-	( 222,275 )
Payment of capital reduction	6(15)(16)	-	( 666,827 )
Net cash flows used in financing activities		( 101,617 )	( 821,819 )
Effect of change in exchange rate		2,641	( 15,211 )
Net increase in cash and cash equivalents		102,696	307,239
Cash and cash equivalents at beginning of year		2,997,465	2,690,226
Cash and cash equivalents at end of year		\$ 3,100,161	\$ 2,997,465

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

OPTO TECH CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Opto Tech Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The shares of the Company have been traded on the Taiwan Stock Exchange since May 2, 1995. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of semiconductor components as well as research and development, design, manufacture and sales of systems products.

2. The Date of Authorization for Issuance of the Financial Statements and Procedures for Authorization

These consolidated financial statements were authorised for issuance by the Board of Directors on March 18, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note : Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.



(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
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 International Accounting Standards Board
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts—cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the

Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognised based on present value of defined benefit obligation less the net amount of pension fund assets.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
  - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
  - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
  - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Opto Tech Corp.	Ho Chung Investment Co., Ltd. (Ho Chung Investment)	Investment business	100.00	100.00	Note 1
Opto Tech Corp.	Opto Technology International Group Co., Ltd. (Opto)	Holding company	-	100.00	Note 2
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trade	-	100.00	Note 3
Opto Tech Corp.	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	Note 4
Opto Tech Corp.	Everyung Investment Ltd. (Everyung)	Holding company	50.00	-	Note 2
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Investment business	100.00	-	Note 5
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Holding company	-	100.00	Note 2
Opto	Everyung Investment Ltd. (Everyung)	Holding company	-	50.00	Note 2
CSB	Bright Investment International Ltd. (Bright)	Holding company	100.00	100.00	Note 4
Bright	Everyung Investment Ltd. (Everyung)	Holding company	50.00	50.00	
Everyung	Opto Plus Technology Co., Ltd. (Opto Plus)	Manufacture and sales of LED and electronic products	100.00	100.00	

Note 1: Ho Chung Investment has been continuously acquiring the Company's common stock amounting to 755 thousand shares and disposed 352 thousand shares from 1998 to 2000.

It holds about 0.2% of the Company's outstanding common stock.

Note 2: The Board of Directors of the Company resolved the liquidation of foreign subsidiaries, Opto Technology International Group Co., Ltd. (OTIG) and OptoTech (Cayman)Co., Ltd. (Opto (Cayman)), on August 14, 2017. Opto (Cayman) has completed the liquidation process on September 16, 2020 and remitted share capital back to OTIG. OTIG has completed the liquidation process on October 26, 2020. The Company formerly held 50% equity shares of foreign controlling company, Everyung Investment Ltd. (Everyung), through OTIG. After OTIG completed the liquidation process, the Company generally accepted its assets and directly held 50% equity shares of Everyung.

Note 3: The Board of Directors of the Company resolved the liquidation of foreign subsidiaries, Opto Macao on April 28, 2020. Opto Macao has completed the liquidation process on September 29, 2020 and remitted share capital back to Opto Tech Corporation.

Note 4: The Board of Directors of the Company resolved the liquidation of subsidiary, CS Bright Corporation (CSB), on September 10, 2020. The effective date was set on December 31, 2020, the liquidation is still in process.

Note 5: The Company was established on November 25, 2020 and acquired 100% equity interests in subsidiary, Dongzhen Asset Co., Ltd., which was included in the consolidated statements starting from the acquisition date.

C. Subsidiaries not included in the consolidated financial statements : None.

D. Adjustments for subsidiaries with different balance sheet dates : None.

E. Nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities of the Group : None.

F. Subsidiaries that have non-controlling interests that are material to the Group : None.

#### (4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional and the Group's presentation currency.

##### A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive

income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

#### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

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

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be settled within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;

- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:  
The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For accounts receivable or contract assets that do not contain a significant financing component, at each reporting date, the Group recognises the impairment provision for lifetime expected credit losses (ECLs).

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item-by-item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus'

in proportion to its ownership.

- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- H. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are



depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	10 ~ 50 years
Machinery and equipment	8 ~ 10 years
Utility equipment	6 ~ 25 years
Pollution prevention facilities	8 ~ 20 years
Transportation equipment	3 ~ 5 years
Office equipment	3 ~ 7 years
Other equipment	3 ~ 25 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- The amount of the initial measurement of lease liability;
  - Any lease payments made at or before the commencement date;
  - Any initial direct costs incurred by the lessee; and
  - An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(16) Investment property

Investment property is stated initially at its cost which including purchase price and any direct expenses. Directly attributable expenses include legal service expense, tax on the transfer of properties and other transaction costs and subsequently measured using the cost model.

(17) Intangible assets

Intangible assets, mainly computer software, is stated at cost and amortised on a straight-line basis over its estimated useful life of 2 to 10 years.

(18) Impairment of non-financial assets

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

(19) Borrowings

A. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

- (b) They eliminate or significantly reduce a measurement or recognition inconsistency; or
- (c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(25) Provisions

Provisions, mainly warranties, are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(26) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

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

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and nonmarket vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date.

Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(28) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology and research and development expenditures to the extent that it is possible future taxable profit will be available against which the unused tax credit can be utilised.

(29) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the

consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(31) Revenue recognition

A. Sales of goods

- (a) The Group is primarily engaged in the manufacture and sales of semiconductor components. Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (b) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Sales and installation of systems products

- (a) Contracts include sales and installation services of systems products. The system products and the installation services provided by the Group are mostly not distinct and are identified to be one performance obligation since the installation services involve significant customisation and modification. Some contracts are accounted for as a separate performance obligation, and the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. The Group recognises revenue when the performance obligation is satisfied.
- (b) The Group provides standard warranties on system products sold. Warranties are estimated based on historical warranty data of system products, and recognised when the amount can be reliably estimated.

(32) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified

as the Board of Directors that makes strategic decisions.

(33) Reorganisation

Reorganisation under common control is recognised using book value approach.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Allowance for inventory valuation losses

As the value of the Group's inventories are effected by market prices and product life cycles, there is a higher risk of obsolescence. For inventories aged over a certain period of time and individually identified as obsolete, the net realisable value is estimated based on historical data of inventory closeout. The net realisable value utilised in evaluating obsolete inventories involves uncertainty of estimation as it is subject to management's judgement. Inventories and allowance for inventory valuation losses were material to the consolidated financial statements.

As of December 31, 2020, the carrying amount of inventories was \$1,155,589.

B. Financial assets - fair value measurement of unlisted stocks without active market

For unlisted securities without active market held by the Group, management assesses their fair values through market approach and takes into account the discount for liquidity. The valuation method is subject to management's judgement and involves uncertainty, which would effect fair value. Please refer to Note 12(3).

As of December 31, 2020, the carrying amount of unlisted stocks without active market was \$805,199.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand	\$ 341	\$ 478
Checking demand deposits	677,614	456,624
Time deposits	2,064,206	2,030,363
Cash equivalents - Resale bonds	358,000	510,000
Total	<u>\$ 3,100,161</u>	<u>\$ 2,997,465</u>

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

B. Cash and cash equivalents amounting to \$22,810 and \$22,810 were pledged to others as collateral for the leases of land and dormitory as of December 31, 2020 and 2019, respectively, and were classified as other financial assets. Please refer to Note 8 for the details.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Funds	\$ 315,000	\$ 165,000
Valuation adjustment		
Funds	5,248	4,315
Forward exchange contracts	<u>171</u>	<u>-</u>
Total	<u>\$ 320,419</u>	<u>\$ 169,315</u>
Financial liabilities mandatorily measured at fair value through profit and loss		
Forward exchange contracts	( <u>\$ 799</u> )	( <u>\$ 31</u> )
Non-current items:		
Financial assets mandatorily measured at fair value through profit and loss		
Unlisted stocks	\$ 127,048	\$ 127,048
Valuation adjustment	( <u>20,058</u> )	( <u>20,195</u> )
Total	<u>\$ 106,990</u>	<u>\$ 106,853</u>

A. The Group recognised net gain (loss) of \$473 and (\$1,144) on financial assets measured at fair value through profit or loss for the years ended December 31, 2020 and 2019, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

Financial instruments	December 31, 2020		Contract period
	Contract Amount (Nominal Principal)		
Assets-Current items:			
Forward exchange contracts	USD	\$ <u>2,000</u> (thousands)	December 1,2020~ January 21,2021
Liabilities - Current items:			
Forward exchange contracts	USD	\$ <u>3,000</u> (thousands)	December 21,2020~ January 26,2021
Financial instruments	December 31, 2019		Contract period
	Contract Amount (Nominal Principal)		
Liabilities - Current items:			
Forward exchange contracts	USD	\$ <u>1,000</u> (thousands)	December 30, 2019~ January 21, 2020



The Group entered into forward exchange contracts to sell USD and buy TWD to hedge exchange rate risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2020	December 31, 2019
Non-current items:		
Equity instruments		
Listed stocks	\$ 73,574	\$ 73,574
Unlisted stocks	477,809	481,409
Subtotal	551,383	554,983
Valuation adjustment	232,615	370,390
Total	\$ 783,998	\$ 925,373

- A. The Group sold all its stocks of Guang Xin Vision Co., Ltd. for \$3,780 and resulted in transfers of \$180 from other equity to retained earnings on disposal during the second quarter of 2020.
- B. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$783,998 and \$925,373 as at December 31, 2020 and 2019, respectively.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Years ended December 31,	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 97,247)	\$ 37,486
Cumulative gains reclassified to retained earnings due to recognition	\$ 180	\$ -
Dividend income recognised in profit or loss		
Held at end of period	\$ 14,454	\$ 20,051

(4) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	\$ 8,873	\$ 13,051
Accounts receivable	1,642,933	1,436,984
Accounts receivable - related parties	16,880	32,788
Less: Allowance for uncollectible accounts	( 8,020)	( 21,821)
	\$ 1,660,666	\$ 1,461,002

As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,717,828.

A. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Without past due	\$ 1,618,397	\$ 1,425,938
Up to 180 days	34,823	21,705
181 to 360 days	4,771	2,838
Over 361 days	1,822	19,291
	<u>\$ 1,659,813</u>	<u>\$ 1,469,772</u>

The ageing analysis was based on the past due collection date.

B. The ageing analysis of notes receivable is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Without past due	\$ 8,873	\$ 13,051

The ageing analysis was based on the maturity date of the promissory note.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

#### (5) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 196,857	\$ 230,552
Supplies	252,103	233,340
Work in process	261,112	360,946
Semi-finished goods	88,817	78,894
Finished goods	356,700	335,966
Total	<u>\$ 1,155,589</u>	<u>\$ 1,239,698</u>

The cost of inventories recognised as expense for the period:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 3,840,197	\$ 3,860,475
Loss (gain on reversal) on decline in market value	106,291	( 80,800)
	<u>\$ 3,946,488</u>	<u>\$ 3,779,675</u>

A. During the year ended December 31, 2020, the Group wrote down inventory from cost to net realisable value accounted for as 'cost of goods sold'.

B. For the year ended December 31, 2019, because of the rise of the Group's product price and clearance of low-value product, the net realised value was reversed and recognised as reduction of cost of goods sold.

(6) Investments accounted for using the equity method

	<u>2020</u>	<u>2019</u>
At January 1	\$ 8,768	\$ 641
Share of (loss) profit of investments accounted for using the equity method	( 375)	8,469
Earnings distribution of investments accounted for using the equity method	( 3,217)	-
Change in other equity items (Note 6(18))	218	( 342)
At December 31	<u>\$ 5,394</u>	<u>\$ 8,768</u>
<u>Associated enterprises</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
VML TECHNOLOGIES B.V.	<u>\$ 5,394</u>	<u>\$ 8,768</u>

(7) Property, plant and equipment

2020

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,028,554	\$ 5,625,019	\$ 1,118,047	\$ 717,932	\$ 8,703	\$ 78,865	\$ 1,949,344	\$ 116,824	\$ 11,643,288
Accumulated depreciation	( 1,135,179)	( 4,381,982)	( 974,309)	( 594,031)	( 7,337)	( 66,858)	( 1,567,562)	-	( 8,727,258)
Accumulated impairment	( 59)	( 6,742)	-	-	-	( 19)	( 83)	-	( 6,903)
	<u>\$ 893,316</u>	<u>\$ 1,236,295</u>	<u>\$ 143,738</u>	<u>\$ 123,901</u>	<u>\$ 1,366</u>	<u>\$ 11,988</u>	<u>\$ 381,699</u>	<u>\$ 116,824</u>	<u>\$ 2,909,127</u>
Year ended December 31									
Opening net book amount	\$ 893,316	\$ 1,236,295	\$ 143,738	\$ 123,901	\$ 1,366	\$ 11,988	\$ 381,699	\$ 116,824	\$ 2,909,127
Additions	3,112	36,949	4,054	2,204	2,155	4,735	13,511	230,489	297,209
Disposals	-	( 4,959)	( 13,275)	( 1,149)	-	( 66)	( 11,448)	-	( 30,897)
Reclassifications	8,846	173,523	5,131	1,230	2,425	( 16)	41,651	( 232,790)	-
Depreciation expense	( 58,320)	( 275,039)	( 21,109)	( 16,845)	( 762)	( 4,188)	( 58,726)	-	( 434,989)
Impairment loss	-	( 35,585)	-	-	-	-	-	-	( 35,585)
Net exchange differences	245	17	-	-	-	6	-	-	268
Closing net book amount	<u>\$ 847,199</u>	<u>\$ 1,131,201</u>	<u>\$ 118,539</u>	<u>\$ 109,341</u>	<u>\$ 5,184</u>	<u>\$ 12,459</u>	<u>\$ 366,687</u>	<u>\$ 114,523</u>	<u>\$ 2,705,133</u>
At December 31									
Cost	\$ 2,041,199	\$ 5,444,530	\$ 1,050,132	\$ 707,319	\$ 13,288	\$ 81,650	\$ 1,937,717	\$ 114,523	\$ 11,390,358
Accumulated depreciation	( 1,193,941)	( 4,277,941)	( 931,593)	( 597,978)	( 8,104)	( 69,172)	( 1,570,993)	-	( 8,649,722)
Accumulated impairment	( 59)	( 35,388)	-	-	-	( 19)	( 37)	-	( 35,503)
	<u>\$ 847,199</u>	<u>\$ 1,131,201</u>	<u>\$ 118,539</u>	<u>\$ 109,341</u>	<u>\$ 5,184</u>	<u>\$ 12,459</u>	<u>\$ 366,687</u>	<u>\$ 114,523</u>	<u>\$ 2,705,133</u>

2019

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,027,334	\$ 5,520,427	\$ 1,097,977	\$ 706,514	\$ 8,969	\$ 76,724	\$ 1,899,447	\$ 174,848	\$ 11,512,240
Accumulated depreciation	( 1,081,716)	( 4,251,295)	( 947,667)	( 577,068)	( 6,863)	( 64,280)	( 1,503,780)	-	( 8,432,669)
Accumulated impairment	( 59)	( 7,807)	-	-	-	( 19)	( 83)	-	( 7,968)
	<u>\$ 945,559</u>	<u>\$ 1,261,325</u>	<u>\$ 150,310</u>	<u>\$ 129,446</u>	<u>\$ 2,106</u>	<u>\$ 12,425</u>	<u>\$ 395,584</u>	<u>\$ 174,848</u>	<u>\$ 3,071,603</u>
Year ended December 31									
Opening net book amount	\$ 945,559	\$ 1,261,325	\$ 150,310	\$ 129,446	\$ 2,106	\$ 12,425	\$ 395,584	\$ 174,848	\$ 3,071,603
Additions	7,217	26,810	11,133	3,902	-	3,745	18,144	223,380	294,331
Reclassifications	3,553	229,935	8,937	7,516	-	-	31,463	( 281,404)	-
Depreciation expense	( 58,616)	( 280,504)	( 26,642)	( 16,963)	( 720)	( 4,178)	( 63,492)	-	( 451,115)
Net exchange differences	( 4,397)	( 1,271)	-	-	( 20)	( 4)	-	-	( 5,692)
Closing net book amount	<u>\$ 893,316</u>	<u>\$ 1,236,295</u>	<u>\$ 143,738</u>	<u>\$ 123,901</u>	<u>\$ 1,366</u>	<u>\$ 11,988</u>	<u>\$ 381,699</u>	<u>\$ 116,824</u>	<u>\$ 2,909,127</u>
At December 31									
Cost	\$ 2,028,554	\$ 5,625,019	\$ 1,118,047	\$ 717,932	\$ 8,703	\$ 78,865	\$ 1,949,344	\$ 116,824	\$ 11,643,288
Accumulated depreciation	( 1,135,179)	( 4,381,982)	( 974,309)	( 594,031)	( 7,337)	( 66,858)	( 1,567,562)	-	( 8,727,258)
Accumulated impairment	( 59)	( 6,742)	-	-	-	( 19)	( 83)	-	( 6,903)
	<u>\$ 893,316</u>	<u>\$ 1,236,295</u>	<u>\$ 143,738</u>	<u>\$ 123,901</u>	<u>\$ 1,366</u>	<u>\$ 11,988</u>	<u>\$ 381,699</u>	<u>\$ 116,824</u>	<u>\$ 2,909,127</u>

- A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	Years ended December 31,	
	2020	2019
Amount capitalized	\$ 960	\$ 1,042
Interest rate	0.24%~1.38%	0.45%~1.41%

- B. In June 2020, in consideration of its future operation plan, the Group assessed that certain machineries did not meet production requirements and showed an indication of idling. As a result, the Group recognised an impairment loss amounting to \$35,585 as the recoverable amounts of these machineries were less than their carrying amounts. The Group used the value-in-use standard recoverable amount and the discount rate used was 9.82%.

(8) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 20 years.

- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 223,498	\$ 238,804
Buildings	4,635	7,947
Transportation equipment (Business vehicles)	5,400	2,778
Office equipment (Internet equipment)	2,602	2,000
	\$ 236,135	\$ 251,529

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 15,314	\$ 15,325
Buildings	2,926	3,124
Transportation equipment (Business vehicles)	3,294	3,956
Office equipment (Internet equipment)	949	769
	\$ 22,483	\$ 23,174

- C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets amount to \$7,521 and \$4,874, respectively.

- D. The information on income and expense accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 4,351	\$ 4,287
Expense on short-term lease contracts	\$ 10,582	\$ 9,317

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases amounts to \$35,155 and \$34,810, respectively.

F. The Group terminated the lease of the subsidiary's office prior to the expiration date in September 2020, recognised gain on lease termination amounting to \$5, and decreased right-of-use asset and lease liability by \$434 and \$502, respectively. No penalty was paid due to the early termination.

(9) Investment property

	2020
	<u>Land</u>
At January 1	\$ -
Additions- from acquisitions	399,307
Year ended December 31	<u>\$ 399,307</u>

For the year ended December 31, 2019: None.

A. On December 31, 2020, the fair value of investment properties was \$410,640, which based on the valuation results from independent appraisers calculated by comparison method and was level 3 fair value.

B. The Group has no investment property pledged to others as collateral.

(10) Intangible assets

	2020	2019
	<u>Software</u>	<u>Software</u>
At January 1		
Cost	\$ 38,298	\$ 31,627
Accumulated amortisation	( 24,069)	( 22,787)
	<u>\$ 14,229</u>	<u>\$ 8,840</u>
Year ended December 31		
Opening net book amount	\$ 14,229	\$ 8,840
Additions	15,179	17,687
Amortisation expense	( 15,090)	( 12,298)
Closing net book amount	<u>\$ 14,318</u>	<u>\$ 14,229</u>
At December 31		
Cost	\$ 40,624	\$ 38,298
Accumulated amortisation	( 26,306)	( 24,069)
	<u>\$ 14,318</u>	<u>\$ 14,229</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Operating costs	\$ 4,366	\$ 3,972
Selling expenses	747	677
General and administration expenses	6,536	5,018
Research and development expenses	3,441	2,631
Total	<u>\$ 15,090</u>	<u>\$ 12,298</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2020	December 31, 2019
Unsecured bank borrowings	\$ 230,758	\$ 249,640
Interest rate range	0.51%~5.25%	0.53%~5.25%

(12) Other payables

	December 31, 2020	December 31, 2019
Salaries and bonus payable	\$ 186,138	\$ 152,867
Compensation payable to employees	115,354	110,224
Remuneration payable to directors and supervisors	38,410	36,618
Others	279,140	249,279
Total	\$ 619,042	\$ 548,988

(13) Long-term borrowings

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2020
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	\$ 1,200,000	2019.02.20~2022.02.20	1.169%~1.797%	\$ 811,515
Less: Current portion (shown as “Other non-current liabilities”)				( 62,960)
				\$ 748,555

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2019
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	\$ 1,200,000	2019.02.20~2022.02.20	1.797%~3.2865%	\$ 814,504
Less: Current portion (shown as “Other non-current liabilities”)				-
				\$ 814,504

A. On January 15, 2019, the Company signed a joint credit facility of \$1.2 billion with four financial institutions including China Trust Commercial Bank. The loan agreement includes the following covenants:

(a) The current ratio should be no less than 100% per half year.

(b) The debt ratio should not be higher than 100%.

(c) The interest coverage ratio shall not be less than 300%.

(d) The tangible net value shall be maintained at more than 5 billion yuan (inclusive).

If the Company fails to meet the required financial ratios, the bank will stop the allocation. In case of violation of the contract, the bank has the right to ask the Company to repay in full the



unpaid balance of the loan in advance.

B. Although the long-term borrowing contracts are due on June 7, 2021 and August 28, 2021, the Company had settled the loan in advance on February 20, 2019 due to financial planning considerations.

(14) Pensions

A. (a) The Company and CS Bright Corporation have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and CS Bright Corporation contributes monthly an amount equal to 3.18% and 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and CS Bright Corporation would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and CS Bright Corporation will make contributions to cover the deficit.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 551,918	\$ 648,021
Fair value of plan assets	( 365,305)	( 448,157)
Net defined benefit liability	<u>\$ 186,613</u>	<u>\$ 199,864</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2020</u>			
Balance at January 1	\$ 648,021	(\$ 448,157)	\$ 199,864
Current service cost	8,000	-	8,000
Interest expense (income)	5,300	( 3,661)	1,639
	<u>661,321</u>	<u>( 451,818)</u>	<u>209,503</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 15,020)	( 15,020)
Change in demographic assumptions	( 162)	-	( 162)
Change in financial assumptions	35,811	-	35,811
Experience adjustments	( 21,285)	-	( 21,285)
	<u>14,364</u>	<u>( 15,020)</u>	<u>( 656)</u>
Pension fund contribution	-	( 22,234)	( 22,234)
Paid pension	( 123,767)	123,767	-
Balance at December 31	<u>\$ 551,918</u>	<u>( \$ 365,305)</u>	<u>\$ 186,613</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>2019</u>			
Balance at January 1	\$ 627,717	(\$ 434,334)	\$ 193,383
Current service cost	8,099	-	8,099
Interest expense (income)	7,532	( 5,212)	2,320
	<u>643,348</u>	<u>( 439,546)</u>	<u>203,802</u>
Remeasurements:			
Return on plan asset (excluding amounts included in interest income or expense)	-	( 14,287)	( 14,287)
Change in demographic assumptions	300	-	300
Change in financial assumptions	36,745	-	36,745
Experience adjustments	( 17,563)	-	( 17,563)
	<u>19,482</u>	<u>( 14,287)</u>	<u>5,195</u>
Pension fund contribution	-	( 9,133)	( 9,133)
Paid pension	( 14,809)	14,809	-
Balance at December 31	<u>\$ 648,021</u>	<u>( \$ 448,157)</u>	<u>\$ 199,864</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and CS Bright Corporation's defined benefit pension plan in accordance with the Fund's annual investment

and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and CS Bright Corporation have no right to participate in managing and operating that fund and hence the Company and CS Bright Corporation are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2020	2019
Discount rate	0.39%	0.8%~0.82%
Future salary increases	3.00%	1.5%~3%

Future mortality rate was estimated based on the 5<sup>th</sup> Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%~0.5%	Decrease 0.25%~0.5%	Increase 0.25%~0.5%	Decrease 0.25%~0.5%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	<u>(\$ 41,350)</u>	<u>\$ 45,456</u>	<u>\$ 44,026</u>	<u>(\$ 40,537)</u>
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	<u>(\$ 47,878)</u>	<u>\$ 52,628</u>	<u>\$ 51,201</u>	<u>(\$ 47,127)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$8,059.

(g) As of December 31, 2020, the Company's and CS Bright Corporation's weighted average duration of the retirement plan is 16 years, respectively. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	388,610
1-2 year(s)		6,857
2-5 years		1,076
Over 5 years		320
	<u>\$</u>	<u>396,863</u>

B. (a) Effective July 1, 2005, the Company and its CS Bright Corporation established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and CS Bright Corporation contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's Mainland China subsidiaries, Opto Plus Technology Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on certain percentage of employees' monthly salaries and wages. The above Mainland China subsidiaries' contribution percentage for both the years ended December 31, 2020 and 2019 were both 14%. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were \$34,799 and \$38,587, respectively.

(15) Provisions

<u>Warranty</u>	<u>2020</u>	<u>2019</u>
At January 1	\$ 24,017	\$ 34,229
Accrued (reversed) during the period	8,177 (	153)
Used during the period	( 9,348) (	10,229)
Exchange differences	( 5)	170
At December 31	<u>\$ 22,841</u>	<u>\$ 24,017</u>

Analysis of total provisions:

	December 31, 2020	December 31, 2019
Current	\$ 4,033	\$ 8,272
Non-current	\$ 18,808	\$ 15,745

The Group provides warranties on products sold. Provision for warranties is estimated based on historical warranty data of products.

(16) Share capital

A. As of September 30, 2020, the Company's authorized capital was \$10,000,000, consisting of 1,000,000 thousand shares of common stock, and the paid-in capital was \$3,786,228, consisting of 378,623 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding for the years ended December 31, 2020 and 2019 are as follows (Treasury stock was deducted):

	2020	(In thousands of shares) 2019
At January 1	377,868	444,551
Capital reduction	-	( 66,683)
Purchased of treasury shares	( 2,327)	-
At December 31	375,541	377,868

B. On March 19, 2020, the Board of Directors of the Company adopted a resolution to raise additional cash through private placement by issuing the maximum 60,000 thousand common stocks or / and preferred stocks to fulfil the capital needs for strengthening the financial capacity, introducing strategic investors as proposed, maintaining the sustainable development and strengthening the competitiveness of the Company. The issuance was approved at the stockholders' meeting on June 16, 2020.

C. On April 25, 2019, the Board of Directors proposed a capital reduction of 668,158 thousand, representing 66,816 thousand shares of outstanding shares whose ratio is around 15%. The capital reduction was resolved in the shareholders' meeting on June 13, 2019, and the Company submitted an application to FSC for registration. Subsequently, the Company obtained the registration of the capital reduction on July 18, 2019, with the effective date set on July 26, 2019. The return of the share payment has been completed on September 23, 2019.

D. Treasury stock

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		(In thousands of shares)	
		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company	For transfer of shares to employees	2,327	\$ 58,849
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	23,172
			<u>\$ 82,021</u>

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	\$ 23,172

- (b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.
- (c) As abovementioned in item C, the number of shares of the Company held by the subsidiary-Ho Chung Investment Co., Ltd. was decreased by 133 thousand shares and the carrying amount of the treasury stocks was decreased by \$1,331 as result of the capital reduction in 2019.
- (d) On November 6, 2020, the Board of Directors of the Company approved to repurchase the Company's common shares and transfer to employees. The Company expected to repurchase 7,500,000 shares with an upper limit of cash amount of NT\$3,103,739 thousand. As of January 8, 2021, the final date of repurchase period, the Company repurchased 4,294,000 shares for a total consideration of NT\$109,251 thousand.
- (e) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (f) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(g) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

(17) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

- A. Under the Group's Articles of Incorporation, the current year's earnings, if any, shall first be distributed as follows:
- (a) Offset prior years' operating losses.
  - (b) 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated legal reserve equals the total capital of the Company.
  - (c) Special reserve set aside in accordance with relevant laws or regulations or as required for operations.
  - (d) Aside from some of accumulated unappropriated retained earnings will be reserved, remaining retained earnings will be allocated to shareholders as dividends. The Board of Directors proposes a dividend distribution plan for approval by resolution at the shareholders' meeting.
  - (e) The Group appropriated all or some dividends, bonus, capital surplus or legal reserve in the form of cash, which were resolved by the Board of Directors and reported to the shareholders.
- B. The Group operates in the high-tech industry and its business life cycle is in the growth stage. In view of its capital expenditure demand and comprehensive financial plan for continuous development, the Company issues both stock and cash dividends. The proportion of dividends to be distributed in stocks and cash is determined based on the Company's rate of growth and capital expenditures. However, the amount of cash dividends shall not be lower than 50% of the dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve excess 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Group shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit

balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- E. The amendment to the appropriation of 2019 earnings as resolved by the Board of Directors on December 18, 2020 and the appropriation of 2018 earnings as resolved by the shareholders on June 13, 2019 are as follow:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 60,048		\$ 65,311	
Special reserve	( 4,649)		8,392	
Cash dividends	-	\$ -	222,719	\$ 0.50
Total	\$ 55,399		\$ 296,422	

On March 19, 2020, the Board of Directors of the Company resolved the appropriation of earnings and expected to distribute cash dividends of \$378,623 with \$1 per share. On June 16, 2020, shareholders proposed an amendment, “shareholders’ bonus - cash” is \$0, for the proposed resolution of 2019 earnings appropriation, which means that cash dividends will be distributed at \$0 per share. The Board of Directors shall subsequently distribute dividends following the resolution of shareholders. Consequently, the Company’s Board of Directors resolved the amendments to the appropriation of earnings on December 18, 2020 and no cash dividend will be distributed. Please refer to the website of “Market Observation Post System” for information about appropriation of earnings which was approved by the Board of Directors and resolved by shareholders.

- F. The appropriation of 2020 earnings had been approved by the Board of Directors on March 18, 2021. Details are summarized below:

	2020	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 57,584	
Special reserve	1,320	
Cash dividends	514,927	\$ 1.39
Total	\$ 573,831	

Note: It was approved by the Board of Directors and currently is pending for reporting to the shareholders.



(19) Other equity items

	2020		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	(\$ 9,372)	\$ 288,841	\$ 279,469
Financial assets at fair value through other comprehensive income (loss)			
Revaluation - Group	-	( 137,595)	( 137,595)
Tax on revaluation	-	40,348	40,348
Revaluation transferred to retained earnings	-	( 180)	( 180)
Currency translation differences:			
-Group	5,091	-	5,091
-Associates	218	-	218
At December 31	<u>(\$ 4,063)</u>	<u>\$ 191,414</u>	<u>\$ 187,351</u>

	2019		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	\$ 2,021	\$ 251,355	\$ 253,376
Financial assets at fair value through other comprehensive income (loss)			
Revaluation - Group	-	50,226	50,226
Tax on revaluation	-	( 12,740)	( 12,740)
Currency translation differences:			
-Group	( 11,051)	-	( 11,051)
-Associates	( 342)	-	( 342)
At December 31	<u>(\$ 9,372)</u>	<u>\$ 288,841</u>	<u>\$ 279,469</u>

(20) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	<u>\$ 5,590,046</u>	<u>\$ 5,418,004</u>

A. The Group derives revenue in the following major product lines:

Year ended December 31, 2020	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	<u>\$ 4,446,496</u>	<u>\$ 854,651</u>	<u>\$ 262,415</u>	<u>\$ 26,484</u>	<u>\$ 5,590,046</u>
Year ended December 31, 2019	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	<u>\$ 3,944,471</u>	<u>\$ 1,180,708</u>	<u>\$ 282,198</u>	<u>\$ 10,627</u>	<u>\$ 5,418,004</u>

B. The Group has recognised the following revenue-related contract liabilities:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract liabilities:	<u>\$ 44,086</u>	<u>\$ 30,360</u>	<u>\$ 40,808</u>
	<u>Years ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	
Revenue recognised that was included in the contract liability balance at the beginning of the year		<u>\$ 12,978</u>	<u>\$ 32,894</u>

(21) Interest income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 9,615	\$ 14,138
Interest income from resale bonds	1,511	1,924
Other interest income	108	311
	<u>\$ 11,234</u>	<u>\$ 16,373</u>

(22) Other income

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Rent income	\$ 81	\$ 80
Dividend income	14,454	20,051
Other income	41,076	38,776
	<u>\$ 55,611</u>	<u>\$ 58,907</u>

(23) Other gains and losses

	Years ended December 31,	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 30,897)	\$ -
(Loss) gain on disposal of investments	( 5,443)	8,486
Net currency exchange loss	( 36,408)	( 9,239)
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	473	( 1,144)
Gain on lease termination	5	-
Losses on disposals of property, plant and equipment	( 35,585)	-
Others	( 395)	( 1,082)
Total	(\$ 108,250)	(\$ 2,979)

(24) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense:		
Bank borrowings	\$ 23,101	\$ 29,974
Lease liabilities	4,351	4,287
Less: Capitalisation of qualifying assets	( 960)	( 1,042)
	26,492	33,219
Other financial costs	1,119	1,123
Total	\$ 27,611	\$ 34,342

(25) Expenses by nature

	Years ended December 31,	
	2020	2019
Employee benefit expense	\$ 1,347,187	\$ 1,243,302
Depreciation on property, plant and equipment	457,472	474,289
Amortisation on intangible assets	15,090	12,298
Total	\$ 1,819,749	\$ 1,729,889

(26) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 1,131,655	\$ 1,077,452
Termination benefits	51,231	-
Labor and health insurance fees	87,398	88,778
Pension costs	44,438	49,006
Other personnel expenses	32,465	28,066
Total	\$ 1,347,187	\$ 1,243,302

- A. According to the Articles of Incorporation of the Company, if the Company has distributable profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors and supervisors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.
- B. For the years ended December 31, 2020 and 2019, the employees' compensation was accrued at \$115,175 and \$108,746, respectively; directors' remuneration was accrued at \$38,392 and \$36,249, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 15%, 5%, 11.8% and 3.9%, respectively, of distributable profit of current period distributable as of the end of reporting period.
- C. For the years ended December 31, 2020 and 2019, employees' compensation of the Company's subsidiary, CS Bright Corporation, was accrued at \$179 and \$1,478, respectively; while directors' and supervisors' remuneration was accrued at \$18 and \$369, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 10%, 1%, 12% and 3%, respectively of distributable profit of current period as of the end of reporting period.
- D. Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors are the same as the amount recognised in the consolidated financial statements.
- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the Board of Directors' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profit for the period	\$ 495	\$ 133,720
Tax on undistributed surplus earnings	27,254	30,236
Prior year income tax overestimation	( 25,336)	( 1,603)
Total current tax	<u>2,413</u>	<u>162,353</u>
Deferred tax:		
Origination and reversal of temporary differences	42,214	12,149
Impact of tax losses	-	7,448
Total deferred tax	<u>42,214</u>	<u>19,597</u>
Income tax expense	<u>\$ 44,627</u>	<u>\$ 181,950</u>

(b) The income tax charge relating to components of other comprehensive income are as follows:

	Years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	\$ 131	(\$ 1,039)
Changes in fair value of financial assets at fair value through other comprehensive income	( 40,348)	12,740
	<u>(\$ 40,217)</u>	<u>\$ 11,701</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 123,360	\$ 160,418
Expenses disallowed by tax regulation	2,827	3,252
Tax exempt income by tax regulation	( 2,126)	( 11,473)
Temporary differences not recognised as deferred tax assets	( 26,494)	-
Effect from investment tax credits	( 18,304)	( 2,612)
Change in assessment of realisation of deferred tax assets	( 36,554)	3,731
Prior year income tax overestimation	( 25,336)	( 1,603)
Tax on undistributed earnings	<u>27,254</u>	<u>30,237</u>
Income tax expense	<u>\$ 44,627</u>	<u>\$ 181,950</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences, tax losses and investment tax credits are as follows:

	Year ended December 31, 2020			
	January 1	Recognised in other		December 31
		Recognised in profit or loss	comprehensive income	
Temporary differences:				
- Deferred tax assets (liabilities):				
Loss on inventory value decline	\$ 14,358	(\$ 7,354)	\$ -	\$ 7,004
Expected credit loss	8,530	( 8,530)	-	-
Service warranty expense	4,696	( 128)	-	4,568
Impairment loss	4,921	2,710	-	7,631
Net pension costs	13,886	( 12,790)	-	1,096
Remeasurement of defined benefit obligations	26,546	( 106)	( 131)	26,309
Unrealized gain on valuation of financial assets	( 81,548)	-	40,348	( 41,200)
Others	10,906	( 10,963)	-	( 57)
Tax losses	5,053	( 5,053)	-	-
Total	<u>\$ 7,348</u>	<u>(\$ 42,214)</u>	<u>\$ 40,217</u>	<u>\$ 5,351</u>
	Year ended December 31, 2019			
	January 1	Recognised in other		December 31
		Recognised in profit or loss	comprehensive income	
Temporary differences:				
- Deferred tax assets (liabilities):				
Loss on inventory value decline	\$ 26,435	(\$ 12,077)	\$ -	\$ 14,358
Expected credit loss	9,185	( 655)	-	8,530
Service warranty expense	4,912	( 216)	-	4,696
Impairment loss	6,143	( 1,222)	-	4,921
Net pension costs	13,629	257	-	13,886
Remeasurement of defined benefit obligations	25,507	-	1,039	26,546
Unrealized gain on valuation of financial assets	( 68,808)	-	( 12,740)	( 81,548)
Others	9,142	1,764	-	10,906
Tax losses	12,501	( 7,448)	-	5,053
Total	<u>\$ 38,646</u>	<u>(\$ 19,597)</u>	<u>(\$ 11,701)</u>	<u>\$ 7,348</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020			
Year incurred	Amount filed/ assessed	Unused amount	Amount of unrecognised deferred tax assets
2011	\$ 7,266	\$ 7,266	\$ 7,266
2012	10,332	10,332	10,332
	<u>\$ 17,598</u>	<u>\$ 17,598</u>	<u>\$ 17,598</u>

December 31, 2019			
Year incurred	Amount filed/ assessed	Unused amount	Amount of unrecognised deferred tax assets
2010	\$ 123,142	\$ 123,142	\$ 114,142
2011	7,266	7,266	-
2012	10,332	10,332	1,332
	<u>\$ 140,740</u>	<u>\$ 140,740</u>	<u>\$ 115,474</u>

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	<u>\$ 169,393</u>	<u>\$ 301,864</u>

F. As of December 31, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	Year ended December 31, 2020		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 575,133	377,806	<u>\$ 1.52</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	7,185	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 575,133</u>	<u>384,991</u>	<u>\$ 1.49</u>

	Year ended December 31, 2019		
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 604,633	415,686	\$ <u>1.45</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	5,229	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	\$ <u>604,633</u>	<u>420,915</u>	\$ <u>1.44</u>

(29) Changes in liabilities from financing activities

	2020				
	<u>Short-term borrowings</u>	<u>Long-term borrowings (including current portion)</u>	<u>Lease liabilities</u>	<u>Guarantee deposits</u>	<u>Liabilities from financing activities-gross</u>
At January 1	\$ 249,640	\$ 814,504	\$ 249,496	\$ 1,545	\$ 1,315,185
Changes in cash flow from financing activity	( 18,882)	( 2,989)	( 20,221)	( 676)	( 42,768)
Interest payment	-	-	( 4,351)	-	( 4,351)
Increase in lease principal	-	-	7,521	-	7,521
Amortization of interest expenses	-	-	4,351	-	4,351
Decrease for the period	-	-	( 502)	-	( 502)
Impact of changes in foreign exchange rate	-	-	( 28)	-	( 28)
At December 31	\$ <u>230,758</u>	\$ <u>811,515</u>	\$ <u>236,266</u>	\$ <u>869</u>	\$ <u>1,279,408</u>



2019

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Liabilities from financing activities-gross
At January 1	\$ 737,660	\$ 250,000	\$ 265,950	\$ 2,394	\$ 1,256,004
Changes in cash flow from financing activity	( 475,166)	564,504	( 21,206)	( 849)	67,283
Interest payment	-	-	( 4,287)	-	( 4,287)
Increase in lease principal	-	-	4,762	-	4,762
Amortization of interest expenses	-	-	4,287	-	4,287
Impact of changes in foreign exchange rate	( 12,854)	-	( 10)	-	( 12,864)
At December 31	<u>\$ 249,640</u>	<u>\$ 814,504</u>	<u>\$ 249,496</u>	<u>\$ 1,545</u>	<u>\$ 1,315,185</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company; this company is the director of the Company.(Note 1)
Giga Epitaxy Technology Corp.	The Company is the director of this company.
Nichia Taiwan Corp.	This company is the director of the Company.
Nichia Corp.	This company's subsidiary is the director of the Company.
VML Technologies B.V.	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using the equity method.
Shen Zhen Guang Xin Vision Technology Co., Ltd.(Shen Zhen Guang Xin)	The chairman of this company is an independent director of the Company.(Note 2)
Guang Xin Vision Technology Co., Ltd	The chairman of this company is an independent director of the Company.(Note 2)
Guang Xin Vision Tech. (HK) CO., Ltd.(Hong kong Guang Xin)	The chairman of this company is an independent director of the Company.(Note 2)

Note 1: The shareholders of the Company during their meeting resolved to reelect all its directors on June 16, 2020. The shareholders of Shin-Etsu Opto Electronic Co., Ltd. (Shin-Etsu) also resolved to reelect all its directors on June 18, 2020. After the reelection, the Company is no longer a legal person of Shin-Etsu, and Shin-Etsu is no longer a legal person of the Company, thus, Shin-Etsu has not been a related party of the Company since June 18, 2020.

Note 2: The chairman of this company was no longer an independent director of the Company after the re-election at the stockholders' meeting on June 16, 2020. Thereafter, it became a non-related party.

(2) Significant transactions and balances with related parties

A. Operating revenue:

	Years ended December 31,	
	2020	2019
Sales of goods:		
Associates	\$ 240	\$ 120,137
Other related parties	234,463	317,830
Total	<u>\$ 234,703</u>	<u>\$ 437,967</u>

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the years ended December 31, 2020 and 2019, the credit term for the related parties was 45 ~136 days. Some related parties adopt the method of shipping after receiving the payment. The credit term was 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Other related parties	<u>\$ 181,343</u>	<u>\$ 243,781</u>

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the years ended December 31, 2020 and 2019, the credit term was 60 ~ 120 days for the related parties, and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	December 31, 2020	December 31, 2019
Receivables from related parties:		
Other related parties	<u>\$ 16,880</u>	<u>\$ 32,788</u>

D. Accounts payable:

	December 31, 2020	December 31, 2019
Payables to related parties:		
Other related parties	<u>\$ 51,920</u>	<u>\$ 78,691</u>

E. Advance receipts

	December 31, 2020	December 31, 2019
Other related parties	<u>\$ 942</u>	<u>\$ -</u>

F. Property transactions

	<u>2019</u>
Acquisition of property, plant and equipment:	
Other related parties	\$ <u>459</u>
	<u>2019</u>
Acquisition of financial assets at fair value through other comprehensive income-other related parties	\$ <u>3,600</u>

G. Lease

(a) Rent expense

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>2,400</u>	\$ <u>2,400</u>

The Company leases plant and machinery from related parties. The monthly rental payments are mutually agreed upon. The payment terms are not materially different from those charged by non-related parties.

(b) Lease liabilities

(i) Outstanding balance:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other related parties	\$ <u>4,518</u>	\$ <u>6,815</u>

(ii) Interest expense

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>104</u>	\$ <u>144</u>

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 93,772	\$ 76,822
Post-employment benefits	464	459
Total	\$ <u>94,236</u>	\$ <u>77,281</u>

## 8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged assets	Book value		Purpose of pledge	
	December 31, 2020	December 31, 2019	Creditor Bank	Type
Restricted assets- Time deposits, (shown as "other current assets")	\$ 22,810	\$ 22,810	Chang Hwa Commercial Bank Far Eastern International Bank	Land lease and dormitory lease deposits

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) As of December 31, 2020, the guarantees provided by the Group through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Far Eastern International Bank	Warranty	\$ 19,450
Chang Hwa Commercial Bank	Customs duty	13,000
Chang Hwa Commercial Bank	Warranty	3,360
Mega International Commercial Bank	"	20,771
Taipei Fubon Commercial Bank	"	2,055
Taishin International Bank	Borrowing	98,508
		<u>\$ 157,144</u>

(2) As of December 31, 2020, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	14,640
JPY	20,911
USD	678

(3) Operating lease commitments:

Please refer to Note 6(8).

(4) As of December 31, 2020, the promissory notes issued by the Company and CS Bright Corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to \$4,288,964.

(5) As of December 31, 2020, the capital expenditure contracted but not yet incurred is \$26,382.

## 10. Significant Disaster Loss

None.

## 11. Significant Events after the Balance Sheet Date

A. On January 8, 2021, the Board of Directors of the Company approved to repurchase the Company's common shares and transfer to employees. The Company repurchases 7,500,000 shares with an upper limit of cash amount of NT\$3,482,361 thousand. The repurchase will be completed from January 11, 2021 to March 10, 2021. As of March 18, 2021, the Company repurchased 4,599,000 shares, the total cash amount was NT\$112,006 thousand.

- B. To fulfil the working capital of the Company's wholly owned subsidiary, Dongzhen Asset Co., Ltd., the Board of Directors of the Company resolved to increase its capital in Dongzhen Asset Co., Ltd., by issuing new shares of 37,020 thousand common shares with a par value of NT\$10 per share, equivalent to NT\$370,200 thousands, on March 18, 2021.
- C. In accordance with paragraph 7, Article 43-6 of Securities and Exchange Act, private placements of securities can be conducted subsequently within one year after the date that shareholders made their resolution as approved by the Board of Directors on March 18, 2021. Taken into consideration capital market condition, the Company discontinued the private replacement of securities as approved by the shareholders in 2020.
- D. Information on the appropriation of 2020 earnings is provided in Note 6(18).
- E. On March 18, 2021, the Board of Directors of the Company resolved to transfer treasury shares to employees at a price lower than the actual average repurchased price. This case is pending for the discussion of shareholders' meeting in 2021.

## 12. Others

### (1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

As of December 31, 2020 and 2019, the gearing ratios were (36.52%) and (36.24%), respectively.

### (2) Financial instruments

#### A. Financial instruments by category

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 427,409	\$ 276,168
Financial assets at fair value through other comprehensive income	783,998	925,373
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	3,100,161	2,997,465
Notes receivable	8,873	13,051
Accounts receivable-net (including related parties)	1,651,793	1,447,951
Other accounts receivable	20,218	19,011
Guarantee deposits paid	11,763	16,547
Other financial assets	22,810	22,810
	<u>\$ 6,027,025</u>	<u>\$ 5,718,376</u>

	December 31, 2020	December 31, 2019
<u>Financial liabilities</u>		
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 799	\$ 31
Financial liabilities at amortised cost		
Short-term borrowings	230,758	249,640
Notes payable	1,757	6
Accounts payable (including related parties)	717,846	729,758
Other accounts payable	619,042	548,988
Long-term borrowings (including current portion)	811,515	814,504
Guarantee deposits received	869	1,545
	<u>\$ 2,382,586</u>	<u>\$ 2,344,472</u>
Lease liabilities	<u>\$ 236,266</u>	<u>\$ 249,496</u>

## B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) The plans for material treasury activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

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

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. As the foreign operations are strategic investments, the Company does not hedge for them.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		Year ended December 31, 2020				
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other comprehensive income	Unrealized exchange gain (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 47,188	28.43	\$ 1,341,555	1%	\$ 13,416	\$ -	(\$ 33,270)
JPY : TWD	295,326	0.2743	81,008	1%	810	-	( 483)
CNY : TWD	25,061	4.3520	109,065	1%	1,091	-	( 97)
USD : CNY (Note)	877	6.5091	24,644	1%	246	-	136
<u>Non-monetary items</u> : None.							
(Foreign currency: functional currency)							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 32,237	28.53	\$ 919,722	1%	(\$ 9,197)	\$ -	\$ 24,369
JPY : TWD	508,001	0.2783	141,377	1%	( 1,414)	-	( 265)
USD : CNY (Note)	45	6.5091	1,265	1%	( 13)	-	( 51)
<u>Non-monetary items</u> : None.							

Note : If the consolidated entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the consolidated entities should be disclosed. For example, when the functional currency of a subsidiary is CNY, its USD foreign currency positions should also be disclosed.

	December 31, 2019			Year ended December 31, 2019			
				Sensitivity Analysis			
Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect compre- hensive income	Unrealized exchange gain (loss)	
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 42,681	29.93	\$ 1,277,442	1%	\$ 12,774	\$ -	(\$ 28,863)
JPY : TWD	142,609	0.274	39,075	1%	391	-	( 394)
CNY : TWD	26,476	4.28	113,317	1%	1,133	-	( 1,102)
USD : CNY (Note)	1,015	6.9640	30,430	1%	304	-	( 719)
<u>Non-monetary items:</u> None.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 29,766	30.03	\$ 893,873	1%	(\$ 8,939)	\$ -	\$ 19,395
JPY : TWD	416,164	0.2780	115,694	1%	( 1,157)	-	1,644
USD : CNY (Note)	1,339	6.9640	40,143	1%	( 401)	-	25
<u>Non-monetary items:</u> None.							

Note : If the consolidated entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the consolidated entities should be disclosed. For example, when the functional currency of a subsidiary is CNY, its USD foreign currency positions should also be disclosed.

#### Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these domestic funds, equity securities of listed company or unlisted company had increased/decreased by 5%, 20% or 10%, respectively, with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$26,711 and \$19,151, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$86,979 and \$100,613 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.



### Interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. During the years ended December 31, 2020 and 2019, the Group's borrowings at floating rate were denominated in TWD, USD and JPY.
- ii. At December 31, 2020 and 2019, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2020 and 2019 would have been \$8,293 and \$8,513 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as operating activities, including outstanding receivables.
- ii. The Group adopts following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition : If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The default occurs when the contract payments are past due over 180 days for distributors and 360 days for other customers, respectively.
- iv. The Group classifies customers' accounts receivable, in accordance with credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;

- (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of December 31, 2020 and 2019, the loss rate methodology is as follows:

	Individual	Group	Total
<u>At December 31, 2020</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 4,997	\$ 1,663,689	\$ 1,668,686
Loss allowance	<u>\$ 4,997</u>	<u>\$ 3,023</u>	<u>\$ 8,020</u>
<u>At December 31, 2019</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ -	\$ 1,482,823	\$ 1,482,823
Loss allowance	<u>\$ -</u>	<u>\$ 21,821</u>	<u>\$ 21,821</u>

- vi. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$1,660,666 and \$1,461,002, respectively.
- vii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	\$ 21,821	\$ 50,443
Provision (reversal) of impairment loss	2,487	( 1,434)
Write-offs	( 16,288)	( 27,543)
Effect of foreign exchange	-	355
At December 31	<u>\$ 8,020</u>	<u>\$ 21,821</u>

- viii. The Group conducts business with banks and financial institutions with sound reputation, and therefore do not expect the financial assets at amortized cost to have credit risk.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

<u>December 31, 2020</u>	Less than	Between	Between	Between	Over 5
<u>Non-derivative financial liabilities:</u>	<u>1 year</u>	<u>1 and 2 years</u>	<u>2 and 3 years</u>	<u>3 and 5 years</u>	<u>years</u>
Short-term borrowings	\$ 231,089	\$ -	\$ -	\$ -	\$ -
Notes payable	1,757	-	-	-	-
Accounts payable (including related parties)	717,846	-	-	-	-
Lease liabilities	23,642	22,305	18,933	35,782	168,130
Other payables	619,042	-	-	-	-
Long-term borrowings (including current portion)	74,285	751,637	-	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	799	-	-	-	-

  

<u>December 31, 2019</u>	Less than	Between	Between	Between	Over 5
<u>Non-derivative financial liabilities:</u>	<u>1 year</u>	<u>1 and 2 years</u>	<u>2 and 3 years</u>	<u>3 and 5 years</u>	<u>years</u>
Short-term borrowings	\$ 250,319	\$ -	\$ -	\$ -	\$ -
Notes payable	6	-	-	-	-
Accounts payable (including related parties)	729,758	-	-	-	-
Lease liabilities	20,903	21,444	7,361	35,135	185,671
Other payables	548,988	-	-	-	-
Long-term borrowings (including current portion)	22,389	83,394	713,706	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	31	-	-	-	-

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, lease liabilities and long-term borrowings are approximate to their fair value.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 320,248	\$ -	\$ -	\$ 320,248
Equity securities	-	-	106,990	106,990
Forward exchange contract	-	171	-	171
Financial assets at fair value through other comprehensive income	85,789	-	698,209	783,998
Total	<u>\$ 406,037</u>	<u>\$ 171</u>	<u>\$ 805,199</u>	<u>\$ 1,211,407</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	\$ -	\$ 799	\$ -	\$ 799
December 31, 2019	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 169,315	\$ -	\$ -	\$ 169,315
Equity securities	-	-	106,853	106,853
Financial assets at fair value through other comprehensive income	80,760	-	844,613	925,373
Total	<u>\$ 250,075</u>	<u>\$ -</u>	<u>\$ 951,466</u>	<u>\$ 1,201,541</u>
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	\$ -	\$ 31	\$ -	\$ 31

E. The methods and assumptions the Group used to measure fair value are as follows:

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are composed of listed shares using closing price and open-end fund using net asset value at balance sheet date.
- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

- (c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- F. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- G. The following chart is the movement of Level 3 financial instruments of equity securities for the years ended December 31, 2020 and 2019.

	2020	2019
At January 1	\$ 951,466	\$ 889,926
(Sold) Acquired in the period	( 3,600)	3,600
Losses recognised in income	137	( 46)
Losses recognised in other comprehensive income	( 142,804)	57,986
At December 31	\$ 805,199	\$ 951,466

- H. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- I. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and reviewing periodically.
- J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 698,209	Market comparable companies	Price to earnings ratio multiple	0.94~2.3	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	30%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,990	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 841,013	Market comparable companies	Price to earnings ratio multiple	0.75~1.21	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	25%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,853	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.

K. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurements. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020			
		Recognised in profit or loss		Recognised in other comprehensive income	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets					
Equity instrument	Discount of lack of volatility	±5%	\$ 1,275	(\$ 1,275)	\$ 15,582 (\$ 15,582)

		December 31, 2019			
		Recognised in profit or loss		Recognised in other comprehensive income	
		Favourable change	Unfavourable change	Favourable change	Unfavourable change
	Input	Change			
Financial assets					
Equity instrument	Discount of lack of volatility	±5%	\$ 1,274	(\$ 1,274)	\$ 14,571 (\$ 14,571)

(4) Explanation of the impact of the COVID-19 pandemic to the Group's operation in 2020

During the first three quarters of 2020, sales of certain customers were affected by the COVID-19 pandemic and the costs of transportation also increased. The aforementioned situation had no significant impact to the Group's operation. However, the Group will continually monitor the development of the pandemic and adjust strategy accordingly.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Information on major shareholders

Please refer to table 9.

#### 14. SEGMENT INFORMATION

##### (1) General information

The Group identifies the entity's operating segments based on the decision of the Chief Operating Decision-Maker and in accordance with IFRS 8 "Operating Segments".

For the years ended December 31, 2020 and 2019, operating segments required to be disclosed are categorized as LED and Silicon Sensor Chips Group, Displays and Lightening Group, Packaging Business Group, and Other Segments.

##### (2) Measurement of segment information

The Group's segment is measured by Board of Directors with operating profit (loss) before tax, which is used as a basis for the Group in assessing the performance of the operating segments.

The accounting policies of the operating segments are in agreement with the significant accounting policies summarized in Note 4.

##### (3) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Year ended December 31, 2020				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	\$ 4,446,496	\$ 854,651	\$ 262,415	\$ 26,484	\$ 5,590,046
Segment income (loss)	\$ 771,825	(\$ 77,376)	\$ 5,107	(\$ 79,800)	\$ 619,756
	Year ended December 31, 2019				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	\$ 3,944,471	\$ 1,180,708	\$ 282,198	\$ 10,627	\$ 5,418,004
Segment income (loss)	\$ 615,462	\$ 168,727	\$ 18,330	(\$ 15,934)	\$ 786,585

##### (4) Reconciliation for segment income (loss)

A. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

B. A reconciliation of reportable segment income or loss to the income (loss) before tax from continuing operations is measured in a manner consistent with that in the statement of comprehensive income.



(5) Information on products and services

External revenue mainly comes from sales of semiconductor, system and packaging products.

Summary of balance of revenue is as follows:

	Years ended December 31,	
	2020	2019
LED	\$ 1,486,955	\$ 1,294,846
Silicon sensor	2,979,337	2,655,037
System product revenues	845,023	1,134,969
Packaging product revenues	71,033	282,198
Others	207,698	50,954
	<u>\$ 5,590,046</u>	<u>\$ 5,418,004</u>

(6) Geographical information

Geographic information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 1,591,111	\$ 2,846,182	\$ 1,175,782	\$ 3,062,582
Mainland China	2,039,152	139,976	1,861,002	154,197
Other countries	1,959,783	-	2,381,220	-
	<u>\$ 5,590,046</u>	<u>\$ 2,986,158</u>	<u>\$ 5,418,004</u>	<u>\$ 3,216,779</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,	
	2020	2019
Customer A	\$ 961,963	\$ 837,123
Customer B(Note)	320,191	581,548
	<u>\$ 1,282,154</u>	<u>\$ 1,418,671</u>

Note: The transaction amount in 2020 did not reach 10% of consolidated operating income.

Opto Tech Corporation and subsidiaries

Loans to others

For the year ended December 31, 2020

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during	Balance at	Actual	Interest	Nature of	Amount of	Reason	Allowance	Collateral		Limit on	Ceiling on	Remark
					the year ended December 31, 2020	December 31, 2020	amount drawn down	rate	loan (Note 2)	transactions with the borrower	for short-term financing	for doubtful accounts	Item	Value	granted to a single party (Note 3)	total loans granted (Note 4)	
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables	Yes	\$ 64,448	\$ -	\$ -	-	1	\$ 165,954	None	-	None	-	\$ 165,954	\$ 31,116	Note5

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is "0".

(2)The subsidiaries are numbered in order starting from "1".

Note 2: Relationship with the borrower is classified into the following categories:

(1)The borrower having business relationship is numbered as "1".

(2) The borrower having the needs of short-term financing is numbered as "2".

Note 3: Limit on loans granted to a single party, which has the needs of short-term financing with the Company should not exceed 10% of the Company's latest net asset value. Besides, limit on loans granted to a single party, which has business relationship with the subsidiaries should not exceed total amount that the two sides trade in the recent nine-month period.

Note 4: Total amount of loans of the Company should not exceed 40% of the net value of the Company's latest net asset value, and total amount of loans of the subsidiaries should not exceed 20% of the net values of the subsidiaries' latest net asset values.

Note 5: On December 31, 2020, CS Bright Corporation (CSB) began the liquidation process and ended the capital loans to Opto Plus Technology Co., Ltd. (Opto Plus) in December 2020.

Opto Tech Corporation and subsidiaries  
Provision of endorsements and guarantees to others  
For the year ended December 31, 2020

Table 2

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020	Outstanding endorsement/ guarantee amount at December 31, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Remark
			Relationship with the endorser/ guarantor (Note 2)											
0	Opto Tech Corp.	CS Bright Corp.	3	\$ 1,537,938	\$ 30,000	\$ -	\$ -	\$ -	-	\$ 3,844,845	Y	N	N	Note4
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	3	1,537,938	130,656	98,613	91,466	-	1.28%	3,844,845	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is "0".

(2) The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The Endorser/guarantor parent company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.

(4) The endorsed/guaranteed parent company directly or indirectly owns more than 50% voting shares of the endorser/guarantor subsidiary.

(5) Mutual guarantee of the trade made by the endorsed/guaranteed company as required under the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

Note 3: The calculation and amount of ceiling on providing endorsement/guarantee to others shall be disclosed. If there was contingent loss recognised in the financial statements, the recognised amount shall be disclosed.

Under the Company's "Procedures for Provision of Endorsements and Guarantees", the Company's total guarantees and endorsements to others should not exceed 50% of the Company's net asset value, and total guarantees and endorsements provided for a single party should not exceed 20% of the Company's net asset value. The calculation is shown below:

(1) \$7,689,689 thousand dollars × 20% = \$1,537,938 thousand dollars.

(2) \$7,689,689 thousand dollars × 50% = \$3,844,845 thousand dollars.

Note 4: The Company terminated to provide endorsement/guarantee to CS Bright Corporation (CSB) in September 2020.

Opto Tech Corporation and subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
December 31, 2020

Table 3

Expressed in thousands of TWD

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020				Remark
					Number of shares	Book value	Ownership (%)	Fair value	
Opto Tech Corp.	Stock	AXT, Inc.	None.	Financial assets at fair value through profit or loss	124,100	\$ -	-	\$ -	Note
"	"	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	Financial assets at fair value through other comprehensive income	10,000	585,253	0.45	585,253	None
"	"	Viking Tech Corporation.	None.	"	2,873,994	85,789	2.45	85,789	None
"	"	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	13,808,725	106,990	6.38	106,990	None
"	"	Giga Epitaxy Technology Corp.	The Company is the director of this company.	Financial assets at fair value through other comprehensive income	4,950,491	16,391	15.00	16,391	None
"	"	Shin-Etsu Opto Electronic Co., Ltd.	None.	"	2,000,000	96,565	10.00	96,565	None
"	"	Top Increasing Technology Co., Ltd.	None.	Financial assets at fair value through profit or loss	10,000,000	-	16.67	-	None
Ho Chung Investment Co., Ltd.	"	Opto Tech Corp.	Parent company	Financial assets at fair value through profit or loss	754,543	20,750	0.20	20,750	None
Opto Tech Corp.	Fund	Franklin Templeton Sinoam Money Market fund	None.	"	9,247,290	96,435	None	96,435	None
"	"	Taishin 1699 Money Market fund	None.	"	2,280,623	31,121	None	31,121	None
"	"	FSITC Taiwan Money Market fund	None.	"	4,022,602	62,083	None	62,083	None
"	"	Jih Sun Money Market fund	None.	"	5,391,133	80,597	None	80,597	None
"	"	TCB Taiwan Money Market fund	None.	"	4,885,150	50,012	None	50,012	None

Note : The 124,000 shares of AXT, Inc. which are owned by the Company, are preferred stocks.

Company Name

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Opto Tech Corp.	Nichia Corp.	This company's subsidiary is the director of the Company.	sales	(\$ 204,971)	(3.79%)	45days	The unit prices are the same with third parties.	-	\$ 13,791	0.83%	none
Opto Plus Technology Co.,Ltd. (Opto Plus)	CS Bright Corporation (CSB)	Both were the Company's indirectly held investees.	sales	( 165,954)	(69.80%)	90days	"	-	-	-	none

Opto Tech Corporation and subsidiaries  
 Significant inter-company transactions during the reporting period  
 For the year ended December 31, 2020

Table 5

Expressed in thousands of TWD

Number (Note1)	Company name	Counterparty (Note2)	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note3)
				General ledger account	Amount (Note5)	Transaction terms	
0	Opto Tech Corp.	Opto Plus Technology Co.,Ltd. (Opto Plus)	1	Sales	\$ 10,293	Note 4	0.18%
2	Opto Plus Technology Co.,Ltd. (Opto Plus)	CS Bright Corporation (CSB)	3	Sales	165,954	Note 4	2.98%

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

(1)Parent company is "0".

(2)The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following six categories:

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

Note 4: The unit sales prices are equivalent to third parties. The credit term was 30~85 days for the related parties.

Note 5: The disclosure standard requires above \$10,000 thousand for the transaction amount. Only assets and revenue are disclosed, related transactions are not disclosed.

Opto Tech Corporation and subsidiaries  
Information on investees  
For the year ended December 31, 2020

Table 6

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
				Balance as of December 31, 2020	Balance as of December 31, 2019	Number of shares	Ownership (%)	Book value			
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding	\$ -	\$ 443,110	-	-	\$ -	\$ 1,619	\$ 1,619	Subsidiary of the Company, Note 1
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	258,348	258,348	1,298,800	100.00	22,988	915 (	406)	Subsidiary of the Company
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	-	4,096	-	-	- (	3,426) (	3,426)	Subsidiary of the Company 、 Note 2
Opto Tech Corp.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays,SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	151,899 (	3,744) (	3,739)	Subsidiary of the Company 、 Note 4
Opto Tech Corp.	Everyung Investment Ltd.	Samoa	Investment business	42,343	-	5,000,000	50.00	42,248	6,246 (	47)	Subsidiary of the Company
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Taiwan	Investment business	29,800	-	2,980,000	100.00	29,764 (	36) (	36)	Subsidiary of the Company
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25.00	5,394 (	1,498) (	375)	Investment accounted for using equity method
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	171,332	5,100,000	100.00	42,785	3,095	18,081	Indirect subsidiary
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50.00	42,345	6,246	3,123	Indirect subsidiary
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding	-	294,360	-	-	- (	598) (	598)	Indirect subsidiary 、 Note 3
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Investment business	-	148,910	-	-	-	6,246	3,170	Indirect subsidiary 、 Note 1

Note 1: Opto Technology International Group Co., Ltd. has completed the liquidation process on October 26, 2020.

Note 2: Opto Tech (Macao) Co., Ltd. has completed the liquidation process on September 29, 2020.

Note 3: Opto Tech (Cayman) Co.,Ltd. has completed the liquidation process on September 16, 2020.

Note 4 : The Board of Directors of the Company resolved to process liquidation through the company on September 10, 2020, the liquidation was still in process.

Opto Tech Corporation and subsidiaries  
Information on investments in Mainland China  
For the year ended December 31, 2020

Table 7

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount	Amount	Accumulated	Net income of investee For the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 2)	Book value of investments in Mainland China as of December 31, 2020	Accumulated	Remark
				amount of remittance to Mainland China as of January 1, 2020	remitted to Mainland China during the period	remitted back to Taiwan during the period	amount of remittance to Mainland China as of December 31, 2020					amount of investment income remitted back to Taiwan as of December 31, 2020	
Opto Tech (Suzhou) Co., Ltd.(Note 3)	Research, Design and Manufacture of LED Display, Wireless Communication Equipment and related parts	-	(2)	-	-	-	-	-	-	-	-	-	-
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	6,246	99.94%	6,242	84,691	-	-

Note 1: The investment methods are classified into three categories as follows:

(1) Directly investing in the investee company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee company in Mainland China. (Opto Tech (Cayman) Co., Ltd. invests Opto Tech (Suzhou) Co., Ltd. and Everyung Investment Ltd. invests Opto plus Technology Co., Ltd.)

(3) Others.

Note 2: The investment income or loss was recognised by indirect weighted ownership based on the financial statements of these investees which were audited by the independent auditors of the parent company for the corresponding periods.

Note 3: The Group's subsidiary, Opto Technology International Group Co., Ltd. (OTIG) indirectly held Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou) through Opto Tech (Cayman) Co., Ltd. (Opto (Cayman)).

Opto Tech Suzhou has completed the liquidation on December 31, 2019. Opto (Cayman) has completed the liquidation on September 16, 2020, and OTIG has completed the liquidation on October 26, 2020.

The residual properties had been remitted back to Taiwan, which had been submitted an application for retiring facility and had been approved by the Ministry of Economic Affairs (MOEA) and MOEA on December 1, 2020.

Investments in Mainland China For the year ended December 31, 2020:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	\$ 317,341	\$ 317,849	\$ 4,613,813



Opto Tech Corporation and its subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2020

Table 8

Expressed in thousands of TWD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2020	%	Balance at December 31, 2020	Purpose	Maximum balance during the year ended December 31, 2020	Balance at December 31, 2020	Interest rate	Interest during year ended December 31, 2020	Others
Opto Plus Technology Co., Ltd.	\$ 18,153	0.32	\$ -	-	\$ 4,129	0.25	\$ 98,613	Guarantee of bank line of credit	\$ -	\$ -	-	\$ -	None
Opto Plus Technology Co., Ltd.	( 165,954)	(7.45)	-	-	-	-	-	-	64,448	-	-	-	None

Opto Tech Corporation and its subsidiaries

Major shareholders information

December 31, 2020

Table 9

Name of major shareholders	Shares	
	Name of shares held	Ownership (%)
Nichia Taiwan Corp.	26,448,822	6.98%

Description: If company applies to Taiwan Depository & Clearing Corporation for the information of the table, the followings can be explained in the notes of the table.

(a) The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis or the differences.

(b) If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee.

As for the shareholder who reports share equity as an insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.