

**OPTO TECH CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2021 AND 2020**

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.

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Opto Tech Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Opto Tech Corporation and subsidiaries (the "Group") as at March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Basis for qualified conclusion

As explained in Notes 4(3)B and 6(7), the amounts and information of the financial statements of insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$782,112 thousand and NT\$405,464 thousand, constituting 7.24% and 3.89% of the consolidated total assets, and total liabilities of NT\$150,773 thousand and NT\$145,043 thousand, constituting 4.26% and 4.19% of the consolidated total liabilities as at March 31, 2021 and 2020, and total comprehensive income (loss) (including income and loss of the associates accounted for using the equity method) of NT\$10,301 thousand and NT(\$4,056) thousand, constituting 4.21% and (6.49%) of the consolidated total comprehensive income for the three

months then ended.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of the insignificant subsidiaries and equity method investees been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chiang, Tsai-Yen

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

May 6, 2021

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
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Assets	Notes	March 31, 2021		December 31, 2020		March 31, 2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 2,957,011	27	\$ 3,100,161	29	\$ 3,116,624	30
Financial assets at fair value through profit or loss - current	6(2)	600,349	6	320,419	3	169,577	2
Current financial assets at amortised cost, net	6(3) and 8	302,810	3	22,810	-	22,810	-
Notes receivable, net	6(5)	1,798	-	8,873	-	9,409	-
Accounts receivable - net	6(5)	1,479,880	14	1,634,913	16	1,363,147	13
Accounts receivable - related parties - net	6(5) and 7	35,996	-	16,880	-	39,694	-
Other receivables		26,012	-	20,218	-	25,070	-
Inventories - net	6(6)	1,088,911	10	1,155,589	11	1,373,426	13
Prepayments		52,328	1	24,202	-	43,387	1
Other current assets		1,500	-	2,435	-	1,111	-
Current Assets		<u>6,546,595</u>	<u>61</u>	<u>6,306,500</u>	<u>59</u>	<u>6,164,255</u>	<u>59</u>
Non-current assets							
Financial assets at fair value through profit or loss - noncurrent	6(2)	106,990	1	106,990	1	106,853	1
Non-current total financial assets at fair value through other comprehensive income	6(4)	783,280	7	783,998	7	858,835	8
Investments accounted for using equity method	6(7)	8,995	-	5,394	-	10,561	-
Property, plant and equipment - net	6(8) and 8	2,632,179	24	2,705,133	26	2,877,948	28
Right-of-use assets	6(9)	230,807	2	236,135	2	245,714	2
Investment property, net	6(10)	399,307	4	399,307	4	-	-
Intangible assets	6(11)	14,404	-	14,318	-	13,571	-
Deferred tax assets		44,112	1	48,337	1	88,035	1
Other non-current assets		34,322	-	35,315	-	44,833	1
Non-current assets		<u>4,254,396</u>	<u>39</u>	<u>4,334,927</u>	<u>41</u>	<u>4,246,350</u>	<u>41</u>
Total assets		<u>\$ 10,800,991</u>	<u>100</u>	<u>\$ 10,641,427</u>	<u>100</u>	<u>\$ 10,410,605</u>	<u>100</u>

(Continued)

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2021		December 31, 2020		March 31, 2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term loans	6(12)	\$ 232,996	2	\$ 230,758	2	\$ 263,848	3
Financial liabilities at fair value through profit or loss - current	6(2)	2,063	-	799	-	287	-
Notes payable		-	-	1,757	-	1,295	-
Accounts payable		675,092	6	665,926	6	623,824	6
Accounts payable - related parties	7	52,561	1	51,920	1	77,829	1
Other payables	6(13)	1,184,664	11	619,042	6	958,278	9
Current income tax liabilities		76,367	1	25,969	-	132,694	1
Provisions for liabilities - current	6(16)	6,260	-	4,033	-	7,848	-
Current lease liabilities	7	19,543	-	19,560	-	18,780	-
Long-term liabilities, current portion	6(14)	787,238	7	62,960	1	31,963	-
Other current liabilities, others	6(21) and 7	53,089	1	50,840	-	38,502	1
Current Liabilities		<u>3,089,873</u>	<u>29</u>	<u>1,733,564</u>	<u>16</u>	<u>2,155,148</u>	<u>21</u>
Non-current liabilities							
Long-term loans	6(14)	-	-	748,555	7	786,657	7
Provisions for liabilities - non-current	6(16)	18,760	-	18,808	-	15,493	-
Deferred tax liabilities		41,587	-	42,986	1	74,107	1
Non-current lease liabilities	7	211,868	2	216,706	2	225,442	2
Other non-current liabilities	6(15)	178,077	2	187,482	2	201,573	2
Non-current liabilities		<u>450,292</u>	<u>4</u>	<u>1,214,537</u>	<u>12</u>	<u>1,303,272</u>	<u>12</u>
Total Liabilities		<u>3,540,165</u>	<u>33</u>	<u>2,948,101</u>	<u>28</u>	<u>3,458,420</u>	<u>33</u>
Equity attributable to owners of parent							
Capital	6(17)						
Common stock		3,786,228	35	3,786,228	35	3,786,228	36
Capital Reserve	6(18)						
Capital surplus		703,108	6	703,108	7	702,965	7
Retained Earnings	6(19)						
Legal reserve		729,360	7	729,360	7	669,312	7
Special reserve		3,743	-	3,743	-	8,392	-
Unappropriated earnings		2,092,052	19	2,361,920	22	1,584,407	15
Other Equity Adjustments	6(20)						
Other equity interest		187,125	2	187,351	2	220,414	2
Treasury stocks	6(17)						
Treasury stocks		(244,429)	(2)	(82,021)	(1)	(23,172)	-
Equity attributable to owners of parent		<u>7,257,187</u>	<u>67</u>	<u>7,689,689</u>	<u>72</u>	<u>6,948,546</u>	<u>67</u>
Non-controlling interest		3,639	-	3,637	-	3,639	-
Total equity		<u>7,260,826</u>	<u>67</u>	<u>7,693,326</u>	<u>72</u>	<u>6,952,185</u>	<u>67</u>
Significant contingent liabilities and unrecognised contract commitments	9						
Significant events after the balance sheet date	11						
Total liabilities and equity		<u>\$ 10,800,991</u>	<u>100</u>	<u>\$ 10,641,427</u>	<u>100</u>	<u>\$ 10,410,605</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
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars , except earnings per share)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Operating revenue	6(21) and 7	\$ 1,583,411	100	\$ 1,164,079	100
Operating costs	6(6)(26)(27) and 7	(1,086,858)	(69)	(817,637)	(70)
Gross profit, net		496,553	31	346,442	30
Operating expenses	6(26)(27)				
Selling expenses		(27,850)	(2)	(31,732)	(3)
General & administrative expenses		(151,682)	(9)	(107,880)	(9)
Research and development expenses		(27,071)	(2)	(72,903)	(6)
Expected credit loss on financial	12(2)	(7,791)	-	(1,285)	-
Total operating expenses		(214,394)	(13)	(213,800)	(18)
Operating profit		282,159	18	132,642	12
Non-operating income and expenses					
Interest income	6(22)	2,006	-	3,739	-
Other income	6(23)	16,772	1	18,463	2
Other gains and losses	6(24)	480	-	6,233	-
Finance costs	6(25)	(5,648)	-	(8,504)	(1)
Share of profit of associates and joint ventures accounted for under equity method	6(7)	3,607	-	1,976	-
Total non-operating revenue and expenses		17,217	1	21,907	1
Profit before income tax		299,376	19	154,549	13
Income tax expense	6(28)	(54,315)	(4)	(33,002)	(3)
Profit for the period		\$ 245,061	15	\$ 121,547	10

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars , except earnings per share)
(UNAUDITED)

Items	Notes	Three months ended March 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)					
Items that will not be reclassified to profit or loss					
Unrealised (loss) gains on valuation of financial assets at fair value through other comprehensive income	6(4)(20)	(\$ 718)	-	(\$ 66,538)	(6)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(28)	-	-	8,364	1
Total other comprehensive income that will not be reclassified to profit or loss, net of tax		(718)	-	(58,174)	(5)
Items that will be reclassified to profit or loss					
Currency translation differences of foreign operations	6(20)	498	-	(698)	-
Share of other comprehensive loss of associates and joint ventures accounted for using equity method	6(7)(20)	(6)	-	(183)	-
Total other comprehensive income(loss) that will be reclassified to profit or loss, net of tax		492	-	(881)	-
Total other comprehensive (loss) income that will be reclassified to profit or loss, net of tax					
		(\$ 226)	-	(\$ 59,055)	(5)
Total comprehensive income for the period					
		\$ 244,835	15	\$ 62,492	5
Profit (loss), attributable to:					
Owners of the parent		\$ 245,059	15	\$ 121,549	10
Non-controlling interest		2	-	(2)	-
		\$ 245,061	15	\$ 121,547	10
Total comprehensive income attributable to:					
Owners of the parent		\$ 244,833	15	\$ 62,494	5
Non-controlling interest		2	-	(2)	-
		\$ 244,835	15	\$ 62,492	5
Earnings per share					
Profit for the period	6(29)	\$ 0.66		\$ 0.32	
Diluted earnings per share					
Profit for the period	6(29)	\$ 0.65		\$ 0.32	

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Note	Retained Earnings					Other equity interest			Total	Non-controlling interest	Total equity
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks			
<u>Three months ended March 31, 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 for the period		-	-	-	-	121,549	-	-	-	121,549	(2)	121,547
Other comprehensive loss for the period	6(4)(20)	-	-	-	-	-	(881)	(58,174)	-	(59,055)	-	(59,055)
Total comprehensive income(loss)		-	-	-	-	121,549	(881)	(58,174)	-	62,494	(2)	62,492
Distribution of 2019 earnings:	6(19)											
Cash dividends		-	-	-	-	(378,623)	-	-	-	(378,623)	-	(378,623)
Balance at March 31, 2020		\$ 3,786,228	\$ 702,965	\$ 669,312	\$ 8,392	\$ 1,584,407	(\$ 10,253)	\$ 230,667	(\$ 23,172)	\$ 6,948,546	\$ 3,639	\$ 6,952,185
<u>Three months ended March 31, 2021</u>												
Balance at January 1, 2021		\$ 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
Net income for the period		-	-	-	-	245,059	-	-	-	245,059	2	245,061
Other comprehensive income (loss) for the period	6(4)(20)	-	-	-	-	-	492	(718)	-	(226)	-	(226)
Total comprehensive income		-	-	-	-	245,059	492	(718)	-	244,833	2	244,835
Distribution of 2020 earnings:	6(19)											
Cash dividends		-	-	-	-	(514,927)	-	-	-	(514,927)	-	(514,927)
Stock repurchased	6(17)	-	-	-	-	-	-	-	(162,408)	(162,408)	-	(162,408)
Balance at March 31, 2021		\$ 3,786,228	\$ 703,108	\$ 729,360	\$ 3,743	\$ 2,092,052	(\$ 3,571)	\$ 190,696	(\$ 244,429)	\$ 7,257,187	\$ 3,639	\$ 7,260,826

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 299,376	\$ 154,549
Adjustments			
Income and expenses having no effect on cash flows			
Expected credit losses on financial assets	12(2)	7,791	1,285
Depreciation	6(8)(9)(26)	114,246	118,615
Amortization	6(11)(26)	4,498	3,507
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(2)(24)	(502)	(7)
Interest expense	6(25)	5,179	8,040
Interest income	6(22)	(2,006)	(3,739)
Dividend income	6(23)	(10,344)	(12,443)
Loss on disposal of property, plant and equipment	6(8)(24)	69	-
Share of profit of associates and joint ventures accounted for using equity method	6(7)	(3,607)	(1,976)
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		(278,164)	-
Notes receivable - net		7,075	3,642
Accounts receivable - net		147,242	50,731
Accounts receivable - related parties - net		(19,116)	(6,906)
Other receivables		(5,707)	(6,143)
Inventories - net		66,678	133,728
Prepayments		(28,126)	1,715
Other current assets		935	2,338
Other non-current assets		3,433	(1,653)
Net changes in liabilities relating to operating activities			
Notes payable		(1,757)	1,289
Accounts payable		9,166	(27,243)
Accounts payable - related parties		641	(862)
Other payables		51,263	29,159
Other current liabilities.other		2,249	2,996
Provisions for liabilities		2,179	(683)
Net defined benefit liability		(9,412)	283
Cash inflow generated from operations		363,279	182,766
Interest received		1,919	3,823
Dividends received		10,344	12,443
Interest paid		(5,747)	(6,532)
Income tax paid		(1,091)	(1,425)
Net cash flows from operating activities		368,704	191,075

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(3)	(\$ 280,000)	\$ -
Acquisition of property, plant and equipment	6(8)	(35,169)	(83,304)
Proceeds from disposal of property, plant and equipment		44	-
Acquisition of intangible assets	6(11)	(4,584)	(2,849)
(Increase)Decrease deposits-out		(2,440)	313
Net cash flows used in investing activities		(322,149)	(85,840)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(31)	155,849	202,939
Decrease in short-term loans	6(31)	(157,063)	(190,259)
Decrease in long-term loans	6(31)	(32,101)	-
Repayments of principal portion of lease liabilities	6(31)	(4,855)	(5,308)
Decrease in guarantee deposits	6(31)	7	(119)
Stock repurchased	6(17)	(162,408)	-
Net cash flows (used in) from financing activities		(200,571)	7,253
Effect of change in exchange rate		10,866	6,671
Net (decrease) increase in cash and cash equivalents		(143,150)	119,159
Cash and cash equivalents at beginning of period		3,100,161	2,997,465
Cash and cash equivalents at end of period		\$ 2,957,011	\$ 3,116,624

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

OPTO TECH CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

(Reviewed, not audited)

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 Consolidated Financial Statements And Procedures for Authorization

These consolidated financial statements were reported to the Board of Directors on May 6, 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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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.

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

None.

(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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021
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 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	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 adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim Financial Reporting' as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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. The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
Opto Tech Corp.	Ho Chung Investment Co., Ltd. (Ho Chung Investment)	Investment business	100.00	100.00	100.00	Notes 1 & 6
Opto Tech Corp.	Opto Technology International Group Co., Ltd. (OTIG)	Holding company	-	-	100.00	Notes 2 & 6
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trade	-	-	100.00	Notes 3 & 6
Opto Tech Corp.	CS Bright Corporation(CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	Notes 4 & 6
Opto Tech Corp.	Everyung Investment Ltd.(Everyung)	Holding company	50.00	50.00	-	Notes 2 & 6
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Investment business	100.00	100.00	-	Notes 5 & 6
OTIG	Opto Tech (Cayman) Co., Ltd. (Opto (Cayman))	Holding company	-	-	100.00	Notes 2 & 6
OTIG	Everyung Investment Ltd. (Everyung)	Holding company	-	-	50.00	Notes 2 & 6
CSB	Bright Investment International Ltd. (Bright)	Holding company	100.00	100.00	100.00	Notes 4 & 6

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
Bright	Everyung Investment Ltd. (Everyung)	Holding company	50.00	50.00	50.00	Note 6
Everyung	Opto Plus Technology Co., Ltd. (Opto Plus)	Manufacture and sales of LED and electronic products	100.00	100.00	100.00	Note 6

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 foreign subsidiaries, CB Bright Corporation (CSB), on September 10, 2020. The effective date was set on December 31, 2020, the liquidation is still in process. The share equity of Bright Investment International Ltd. which was held by CS Bright Corporation (CSB) had been transferred to the Company on April 22, 2021.

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.

Note 6: The financial statements of the entity as of and for the three months ended March 31, 2021 and 2020 were not reviewed by the independent auditors as the entities did not meet the definition of significant subsidiaries.

- 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) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(5) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

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

There have been no significant change as of March 31, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 171	\$ 341	\$ 477
Checking accounts and demand deposits	901,606	677,614	518,787
Time deposits	1,695,234	2,064,206	2,172,360
Cash equivalents - Resale bonds	<u>360,000</u>	<u>358,000</u>	<u>425,000</u>
Total	<u>\$ 2,957,011</u>	<u>\$ 3,100,161</u>	<u>\$ 3,116,624</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 all amounting to \$22,810 were pledged to others as collateral for the leases of land and dormitory as of March 31, 2021, December 31, 2020 and March 31, 2020, and were classified as other financial assets at amortised cost. Please refer to Note 8 for the details.

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

Items	March 31, 2021	December 31, 2020	March 31, 2020
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Funds	\$ 565,000	\$ 315,000	\$ 165,000
Listed stocks	28,164	-	-
Valuation adjustment			
Funds	5,506	5,248	4,548
Forward exchange contracts	8	171	29
Equity instruments	1,671	-	-
Total	<u>\$ 600,349</u>	<u>\$ 320,419</u>	<u>\$ 169,577</u>
Financial liabilities mandatorily measured at fair value through profit and loss			
Forward exchange contracts	(\$ 2,063)	(\$ 799)	(\$ 287)
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 127,048	\$ 127,048	\$ 127,048
Valuation adjustment	(20,058)	(20,058)	(20,195)
Total	<u>\$ 106,990</u>	<u>\$ 106,990</u>	<u>\$ 106,853</u>

A. The Group recognised net gain of \$502 and \$7 on financial assets and financial liabilities held for trading for three months ended March 31, 2021 and 2020, respectively.

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

Derivative Instruments	March 31, 2021		Contract period
	Contract Amount (Nominal Principal)		
Assets - Current items:			
Forward exchange contracts	USD	\$ <u>1,000</u> (thousands)	March 24, 2021~ May 13, 2021
Liabilities-Current items:			
Forward exchange contracts	USD	\$ <u>8,000</u> (thousands)	March 8, 2021~ May 18, 2021

			December 31, 2020	
Derivative Instruments	Contract Amount (Nominal Principal)		Contract period	
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	

			March 31, 2020	
Assets Financial instruments	Contract Amount (Nominal Principal)		Contract period	
Assets-Current items:				
Forward exchange contracts	USD	\$ <u>1,000</u> (thousands)	March 17, 2020~ May 7, 2020	
Liabilities - Current items:				
Forward exchange contracts	USD	\$ <u>3,000</u> (thousands)	February 20, 2020~ April 23, 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 amortised cost

Items	March 31, 2021	December 31, 2020	March 31, 2020
Current items:			
Time deposits with maturity over three months	\$ 280,000	\$ -	\$ -
Restricted time deposit	<u>22,810</u>	<u>22,810</u>	<u>22,810</u>
	<u>\$ 302,810</u>	<u>\$ 22,810</u>	<u>\$ 22,810</u>

- A. The Group recognised interest income of \$32 for financial assets at amortised cost for both three months ended March 31, 2021 and 2020.
- B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.
- C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(4) Financial assets at fair value through other comprehensive incomes

Items	March 31, 2021	December 31, 2020	March 31, 2020
Non-current items:			
Equity instruments			
Listed stocks	\$ 73,574	\$ 73,574	\$ 73,574
Unlisted stocks	477,809	477,809	481,409
Subtotal	551,383	551,383	554,983
Valuation adjustment	231,897	232,615	303,852
Total	\$ 783,280	\$ 783,998	\$ 858,835

- A. 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 \$783,280, \$783,998 and \$858,835 as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.
- B. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended March 31	
	2021	2020
<u>Equity instrument at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 718)	(\$ 58,174)
Dividend income recognised in profit or loss Held at end of period	\$ 10,344	\$ 12,443

(5) Notes and accounts receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 1,798	\$ 8,873	\$ 9,409
Accounts receivable	1,495,691	1,642,933	1,386,253
Accounts receivable - related parties	35,996	16,880	39,694
Less : Allowance for uncollectible accounts	(15,811)	(8,020)	(23,106)
	\$ 1,517,674	\$ 1,660,666	\$ 1,412,250

As of March 31, 2021, December 31, 2020 and March 31, 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$ 1,482,823.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Without past due	\$ 1,499,690	\$ 1,618,397	\$ 1,373,979
Up to 180 days	26,789	34,823	30,237
181 to 365 days	2,759	4,771	2,287
Over 365 days	2,449	1,822	19,444
	<u>\$ 1,531,687</u>	<u>\$ 1,659,813</u>	<u>\$ 1,425,947</u>

The ageing analysis was based on past due date.

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Without past due	\$ 1,798	\$ 8,873	\$ 9,409

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).

(6) Inventories

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Raw materials	\$ 215,613	\$ 196,857	\$ 264,993
Supplies	304,761	252,103	251,009
Work in process	263,464	261,112	386,639
Semi-finished goods	74,440	88,817	63,831
Finished goods	230,633	356,700	406,954
Total	<u>\$ 1,088,911</u>	<u>\$ 1,155,589</u>	<u>\$ 1,373,426</u>

A. The cost of inventories recognised as expense for the period:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Cost of goods sold	\$ 1,095,601	\$ 802,091
(Gain on reversal) loss on decline in market value	(8,743)	15,546
	<u>\$ 1,086,858</u>	<u>\$ 817,637</u>

B. During the three months ended March 31, 2021 , because of the rise of the Group's product prices, the net realised value was reversed and recognised as reduction of cost of goods sold.

C. During the three months ended March 31, 2020 , the Group wrote down inventory from cost to net realisable value accounted for as 'cost of goods sold'.

(7) Investments accounted for using equity method

	<u>2021</u>	<u>2020</u>
At January 1	\$ 5,394	\$ 8,768
Share of profit of investment accounted for using equity method	3,607	1,976
Change in other equity items (Note 6(20))	(6)	(183)
At March 31	<u>\$ 8,995</u>	<u>\$ 10,561</u>

<u>Associated enterprises</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
VML TECHNOLOGIES B.V.	<u>\$ 8,995</u>	<u>\$ 5,394</u>	<u>\$ 10,561</u>

(8) Property, plant and equipment

2021

	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	\$ 2,041,199	\$ 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>
<u>Three months ended March 31</u>									
Opening net book amount	\$ 847,199	\$ 1,131,201	\$ 118,539	\$ 109,341	\$ 5,184	\$ 12,459	\$ 366,687	\$ 114,523	\$ 2,705,133
Additions	242	837	3,026	820	-	531	4,080	25,633	35,169
Disposals	-	-	-	-	-	(113)	-	-	(113)
Reclassifications	-	29,080	-	16,472	-	762	14,621	(60,935)	-
Depreciation expense	(14,720)	(69,506)	(4,749)	(3,979)	(341)	(1,138)	(14,465)	-	(108,898)
Net exchange differences	680	203	-	-	3	2	-	-	888
Closing net book amount	<u>\$ 833,401</u>	<u>\$ 1,091,815</u>	<u>\$ 116,816</u>	<u>\$ 122,654</u>	<u>\$ 4,846</u>	<u>\$ 12,503</u>	<u>\$ 370,923</u>	<u>\$ 79,221</u>	<u>\$ 2,632,179</u>
At March 31									
Cost	\$ 2,042,992	\$ 5,474,945	\$ 1,053,158	\$ 724,611	\$ 13,297	\$ 79,139	\$ 1,956,418	\$ 79,221	\$ 11,423,781
Accumulated depreciation	(1,209,532)	(4,347,742)	(936,342)	(601,957)	(8,451)	(66,617)	(1,585,458)	-	(8,756,099)
Accumulated impairment	(59)	(35,388)	-	-	-	(19)	(37)	-	(35,503)
	<u>\$ 833,401</u>	<u>\$ 1,091,815</u>	<u>\$ 116,816</u>	<u>\$ 122,654</u>	<u>\$ 4,846</u>	<u>\$ 12,503</u>	<u>\$ 370,923</u>	<u>\$ 79,221</u>	<u>\$ 2,632,179</u>

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>
	2020								
<u>Three months ended March 31</u>									
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	470	10,643	791	765	-	-	6,409	64,226	83,304
Reclassifications	5,609	5,582	5,131	1,229	-	-	-	(17,551)	-
Depreciation expense	(14,509)	(70,258)	(5,392)	(4,423)	(175)	(972)	(17,075)	-	(112,804)
Net exchange differences	(1,291)	(379)	-	-	(6)	(3)	-	-	(1,679)
Closing net book amount	<u>\$ 883,595</u>	<u>\$ 1,181,883</u>	<u>\$ 144,268</u>	<u>\$ 121,472</u>	<u>\$ 1,185</u>	<u>\$ 11,013</u>	<u>\$ 371,033</u>	<u>\$ 163,499</u>	<u>\$ 2,877,948</u>
At March 31									
Cost	\$ 2,031,772	\$ 5,635,317	\$ 1,123,969	\$ 719,925	\$ 8,687	\$ 78,696	\$ 1,955,753	\$ 163,499	\$ 11,717,618
Accumulated depreciation	(1,148,118)	(4,446,692)	(979,701)	(598,453)	(7,502)	(67,664)	(1,584,637)	-	(8,832,767)
Accumulated impairment	(59)	(6,742)	-	-	-	(19)	(83)	-	(6,903)
	<u>\$ 883,595</u>	<u>\$ 1,181,883</u>	<u>\$ 144,268</u>	<u>\$ 121,472</u>	<u>\$ 1,185</u>	<u>\$ 11,013</u>	<u>\$ 371,033</u>	<u>\$ 163,499</u>	<u>\$ 2,877,948</u>

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

	Three months ended March 31	
	2021	2020
Amount capitalised	\$ 103	\$ 351
Rang of the interest rate for capitalisation	0.43%~0.53%	0.88%.15%

(9) 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:

	March 31, 2021	December 31, 2020	March 31, 2020
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 219,689	\$ 223,498	\$ 234,936
Buildings	4,056	4,635	7,202
Transportation equipment (Business Vehicles)	4,769	5,400	1,806
Office equipment (Internet equipment)	2,293	2,602	1,770
	<u>\$ 230,807</u>	<u>\$ 236,135</u>	<u>\$ 245,714</u>

	Three months ended March 31	
	2021	2020
	Depreciation charge	Depreciation charge
Land	\$ 3,829	\$ 3,829
Buildings	580	780
Transportation equipment (Business Vehicles)	631	971
Office equipment (Internet equipment)	308	231
	<u>\$ 5,348</u>	<u>\$ 5,811</u>

C. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets amounted to \$0 and \$23, respectively.

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

	Three months ended March 31	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,047	\$ 1,113
Expense on short-term lease contracts	\$ 2,390	\$ 2,536

E. For the three month ended March 31, 2021 and 2020, the Group's total cash outflow for leases amounted to \$8,292 and \$8,957, respectively.

(10) Investment property

	<u>2021</u>
	<u>Land</u>
At January 1 (March 31)	\$ 399,307

March 31, 2020: None.

A. On March 31, 2021, the fair value of investment properties was \$410,640, which based on the market evidence on transaction price of similar property and publicly announced present value. On December 31, 2020, the fair value of investment properties was \$410,640, which based on the valuation results from independent appraisers.

(11) Intangible assets

	<u>2021</u>	<u>2021</u>
	<u>Software</u>	<u>Software</u>
At January 1		
Cost	\$ 40,624	\$ 38,298
Accumulated amortisation	(26,306)	(24,069)
	<u>\$ 14,318</u>	<u>\$ 14,229</u>
<u>Three months ended March 31</u>		
Opening net book amount	\$ 14,318	\$ 14,229
Additions	4,584	2,849
Amortisation expense	(4,498)	(3,507)
Closing net book amount	<u>\$ 14,404</u>	<u>\$ 13,571</u>
At March 31		
Cost	\$ 34,114	\$ 28,831
Accumulated amortisation	(19,710)	(15,260)
	<u>\$ 14,404</u>	<u>\$ 13,571</u>

Details of amortisation on intangible assets are as follows:

	<u>Three months ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Operating costs	\$ 2,340	\$ 1,061
Operating expenses	2,158	2,446
Total	<u>\$ 4,498</u>	<u>\$ 3,507</u>

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Unsecured bank borrowings	\$ 232,996	\$ 230,758	\$ 263,848
Interest rate range	<u>0.53%~5%</u>	<u>0.51%~5.25%</u>	<u>0.55%~5.25%</u>

(13) Other payables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Salaries and bonus payable	\$ 180,502	\$ 186,138	\$ 130,401
Compensation payable to employee	171,340	115,354	138,977
Remuneration payable to directors	57,113	38,410	46,203
Dividends payable	514,927	-	378,623
Others	<u>260,782</u>	<u>279,140</u>	<u>264,074</u>
Total	<u>\$ 1,184,664</u>	<u>\$ 619,042</u>	<u>\$ 958,278</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Credit line</u>	<u>Period</u>	<u>Interest rate range</u>	<u>March 31, 2021</u>
Syndicated borrowings with four financial institutions including China Trust Commercial Bank(Unsecured)	\$ 1,200,000	2019.02.20~ 2022.02.20	1.143%~ 1.797%	\$ 787,238
Less: Current portion (shown as “Other current liabilities”)				(787,238)
				<u>\$ -</u>

<u>Type of borrowings</u>	<u>Credit line</u>	<u>Period</u>	<u>Interest rate range</u>	<u>December 31, 2020</u>
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 current liabilities”)				(62,960)
				<u>\$ 748,555</u>

<u>Type of borrowings</u>	<u>Credit line</u>	<u>Period</u>	<u>Interest rate range</u>	<u>March 31, 2020</u>
Syndicated borrowings with four financial institutions including China Trust Commercial Bank(Unsecured)	\$ 1,200,000	2019.02.20~ 2022.02.20	1.797%~ 3.0444%	\$ 818,620
Less: Current portion (shown as “Other current liabilities”)				(31,963)
				<u>\$ 786,657</u>

A. On January 15, 2019, the Company signed a joint credit facility of \$1.2 billion with four financial

institution including China Trust Commercial Bank. The loan agreement includes the following covenants.

- (a) The current ratio should be no less than 100% per share 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.

(15) 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 contribute monthly an amount equal to 2.68% and 3.18% 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 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 be qualified for retirement next year, the Company will make contributions to cover the deficit.
 - (b) For the aforementioned pension plan, the Group recognised pension costs of \$1,710 and \$2,410 for the three months ended March 31, 2021 and 2020, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$8,059.
- 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 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 three years months ended March 31, 2021 and 2020 was both 14%, respectively. 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 three months ended March 31, 2021 and 2020 were \$8,272 and \$9,529, respectively.

(16) Provisions

<u>Warranty</u>	<u>2021</u>	<u>2020</u>
At January 1	\$ 22,841	\$ 24,017
Accrued during the period	3,160	1,377
Used during the period	(981)	(2,060)
Exchange differences	-	7
At March 31	<u>\$ 25,020</u>	<u>\$ 23,341</u>

Analysis of total provisions:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Current	<u>\$ 6,260</u>	<u>\$ 4,033</u>	<u>\$ 7,848</u>
Non-current	<u>\$ 18,760</u>	<u>\$ 18,808</u>	<u>\$ 15,493</u>

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

(17) Share capital

A. As of March 31, 2021, 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 three months ended March 31, 2021 and 2020.

	(In thousands of shares)	
	<u>2021</u>	<u>2020</u>
At January 1	375,541	377,868
Purchased of treasury shares	(6,566)	-
At March 31	<u>368,975</u>	<u>377,868</u>

B. 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, which has not yet

been approved at the shareholders' meeting. Taken into consideration capital market condition, the Company discontinued the private replacement of securities as approved by the shareholders in 2020.

C. 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)

		March 31, 2021	
Name of company holding the shares	Reason for reacquisition	Number of Shares	Carrying amount
The Company	For transfer of shares to employees	8,893	\$ 221,257
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	23,172
		<u>9,648</u>	<u>\$ 244,429</u>
		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of Shares	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>3,082</u>	<u>\$ 82,021</u>
		March 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of Shares	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) 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 \$3,103,739. As of January 8, 2021, the final date of repurchase period, the Company repurchased 4,294 thousand shares for a total consideration of \$109,251.
- (d) 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 expected to repurchase 7,500,000 shares with an upper limit of cash amount of \$3,482,361. As of March 10, 2021,

the final date of repurchase period, the Company repurchased 4,599 thousand shares for a total consideration of \$112,006.

- (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.
- (f) Pursuant to R.O.C Securities and Exchange Act, the number of shares bought back as treasury shares 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 raised capital surplus.
- (g) Pursuant to the R.O.C Securities and Exchange Act, treasury shares not be pledged as collateral and is not entitled to dividends before it is reissued.
- (h) Pursuant to the R.O.C Securities and Exchange Act, treasury shares not 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.

(18) 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.

(19) Retained earnings

- A. Under the Company'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 Company 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 Company 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 Company 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 appropriation of 2020 earnings as resolved by the Board of Directors on March 18, 2021 and the appropriation of 2019 earnings as resolved by the shareholders on June 16, 2020 are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 57,584		\$ 60,048	
Provision for (reversal of) special reserve	1,320		(4,649)	
Cash dividends	<u>514,927</u>	\$ 1.39	<u>-</u>	\$ -
Total	<u>\$ 573,831</u>		<u>\$ 55,399</u>	

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 appropriate, which means that cash dividends will be distributed at \$0 per share. The Board of Directors shall subsequently distribute dividends following the resolution of shareholder. 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 the shareholders.

On March 18, 2021, the distribution of 2020 cash dividends was approved by the Board of Directors. The provision of legal reserve and special reserve are pending for approval from the shareholders' meeting in 2021.

(20) Other equity items

	2021		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	(\$ 4,063)	\$ 191,414	\$ 187,351
Financial assets at fair value through other comprehensive income(loss)			
Revaluation - Group	-	(718)	(718)
Currency translation differences:			
-Group	498	-	498
-Associates	(6)	-	(6)
At March 31	(\$ 3,571)	\$ 190,696	\$ 187,125
	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	-	(66,538)	(66,538)
Tax on revaluation	-	8,364	8,364
Currency translation differences:			
-Group	(698)	-	(698)
-Associates	(183)	-	(183)
At March 31	(\$ 10,253)	\$ 230,667	\$ 220,414

(21) Operating revenue

	Three months ended March 31	
	2021	2020
Revenue from contracts with customers	\$ 1,583,411	\$ 1,164,079

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

Three months ended	LED and Silicon Sendor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
March 31, 2021					
Revenue from external contracts customers	\$ 1,351,961	\$ 164,480	\$ 66,970	\$ -	\$ 1,583,411

Three months ended March 31, 2020	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external contracts customers	\$ 857,686	\$ 250,353	\$ 51,189	\$ 4,851	\$ 1,164,079

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

	March 31, 2021	December 31, 2020	March 31, 2020	January 1, 2020
Contract liabilities	\$ 46,099	\$ 44,086	\$ 33,419	\$ 30,360
			Three months ended March 31	
			2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the period			\$ 28,571	\$ 7,246

(22) Interest income

	Three months ended March 31	
	2021	2020
Interest income from bank deposits	\$ 1,745	\$ 3,290
Interest income from resale bonds	257	448
Other interest income	4	1
	<u>\$ 2,006</u>	<u>\$ 3,739</u>

(23) Other income

	Three months ended March 31	
	2021	2020
Rental income	\$ 20	\$ 20
Dividend income	10,344	12,443
Other income	6,408	6,000
	<u>\$ 16,772</u>	<u>\$ 18,463</u>

(24) Other gains and losses

	Three months ended March 31	
	2021	2020
Loss on disposal of property, plant and equipment	(\$ 69)	\$ -
Net currency exchange gain	419	6,262
Net gain on financial assets and liabilities at fair value through profit or loss	502	7
Others	(372)	(36)
Total	<u>\$ 480</u>	<u>\$ 6,233</u>

(25) Finance costs

	Three months ended March 31	
	2021	2020
Interest expense:		
Bank borrowings	\$ 4,235	\$ 7,278
Lease liabilities	1,047	1,113
Less: Capitalisation of qualifying assets	(103)	(351)
	5,179	8,040
Other financial costs	469	464
Total	<u>\$ 5,648</u>	<u>\$ 8,504</u>

(26) Expenses by nature

	Three months ended March 31	
	2021	2020
Employee benefit expense	\$ 351,894	\$ 312,043
Depreciation on property, plant and equipment	114,246	118,615
Amortisation on intangible assets	4,498	3,507
Total	<u>\$ 470,638</u>	<u>\$ 434,165</u>

(27) Employee benefit expense

	Three months ended March 31	
	2021	2020
Wages and salaries	\$ 314,376	\$ 270,753
Labor and health insurance fees	21,258	22,962
Pension costs	9,982	11,939
Other personnel expenses	6,278	6,389
Total	<u>\$ 351,894</u>	<u>\$ 312,043</u>

A. According to the Articles of Incorporation of the Company, if the Company has profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors 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 three months ended March 31, 2021 and 2020, employees' compensation was accrued at \$56,165 and \$28,753, respectively; directors' remuneration was accrued at \$18,722 and \$9,585, respectively, directors' remuneration was accrued at \$18,722 and \$9,585, respectively. The aforementioned amounts were recognized in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 15%. and 5%, respectively.
- C. For the three months ended March 31, 2021, the Company's subsidiary, CS Bright Corporation, was liquidated. For the three months ended March 31, 2020, the subsidiary has incurred accumulated deficit and thus did not accrue employees' compensation and directors' remuneration.
- D. Employees' compensation and directors' remuneration of 2020 as resolved by the stockholders' meeting are the same as the amount recognised in the consolidated financial statements.
- E. Information about employees' compensation and directors' 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.

(28) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 51,315	\$ 32,418
Total current tax	<u>51,315</u>	<u>32,418</u>
Deferred tax:		
Origination and reversal of temporary differences	3,000	584
Total deferred tax	<u>3,000</u>	<u>584</u>
Income tax expense	<u>\$ 54,315</u>	<u>\$ 33,002</u>

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

	Three months ended March 31	
	2021	2020
Changes in fair value of financial assets at fair value through other comprehensive income	\$ -	\$ 8,364

B. As of March 31, 2021, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(29) Earnings per share

	<u>Three months ended March 31, 2021</u>		
	<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	\$ 245,059	370,556	\$ <u>0.66</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	<u>5,830</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 245,059</u>	<u>376,386</u>	<u>\$ 0.65</u>

	<u>Three months ended March 31, 2020</u>		
	<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	\$ 121,549	377,868	\$ <u>0.32</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	<u>7,605</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 121,549</u>	<u>385,473</u>	<u>\$ 0.32</u>

(30) Supplemental cash flow information

Financing activities with no cash flow effects

	Three months ended March 31	
	2021	2020
Distribution of cash dividends (shown as "other payables")	<u>\$ 514,927</u>	<u>\$ 378,623</u>

(31) Changes in liabilities from financing activities

	2021					
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Dividends payments	Liabilities from financing activities-gross
At January 1	\$ 230,758	\$ 811,515	\$ 236,266	\$ 869	\$ -	\$ 1,279,408
Changes in cash flow from financing activities	(1,214)	(32,101)	(4,855)	7	-	(38,163)
Interest payment	-	-	(1,047)	-	-	(1,047)
Amorization of interest expenses	-	-	1,047	-	-	1,047
Distribution of cash dividends	-	-	-	-	514,927	514,927
Impact of changes in foreign exchange rate	<u>3,452</u>	<u>7,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,276</u>
At March 31	<u>\$ 232,996</u>	<u>\$ 787,238</u>	<u>\$ 231,411</u>	<u>\$ 876</u>	<u>\$ 514,927</u>	<u>\$ 1,767,448</u>

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Dividends payments	Liabilities from financing activities-gross
At January 1	\$ 249,640	\$ 814,504	\$ 249,496	\$ 1,545	\$ -	\$ 1,315,185
Changes in cash flow from financing activities	12,680	-	(5,308)	(119)	-	7,253
Interest payment	-	-	(1,113)	-	-	(1,113)
Interest in lease principal	-	-	23	-	-	23
Amorization of interest expenses	-	-	1,113	-	-	1,113
Distribution of cash dividends	-	-	-	-	378,623	378,623
Impact of changes in foreign exchange rate	1,528	4,116	11	-	-	5,655
At March 31	<u>\$ 263,848</u>	<u>\$ 818,620</u>	<u>\$ 244,222</u>	<u>\$ 1,426</u>	<u>\$ 378,623</u>	<u>\$ 1,706,739</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.(Note 3)
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 ChungInvestment Co., Ltd. accounted for using equity method
Shen Zhen Guabg 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 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 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 stockholder's meeting on June 16, 2020. Thereafter, it became a non-related party.

Note 3: It was no longer is a related party of the Company after the Company resigned as director on February 28, 2021.

(2) Significant transactions and balances with related parties

A. Operating revenue:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
Associates	\$ 2,172	\$ -
Other related parties	83,423	78,155
Total	<u>\$ 85,595</u>	<u>\$ 78,155</u>

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the three months ended March 31, 2021 and 2020, the credit term was 45 ~ 136 days for the related parties, respectively, and 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
Other related parties	<u>\$ 41,243</u>	<u>\$ 56,491</u>

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the three months ended March 31, 2021 and 2020, the credit term was 60 ~ 120 days for the related parties, respectively, and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Receivables from related parties:			
Other related parties	<u>\$ 35,996</u>	<u>\$ 16,880</u>	<u>\$ 39,694</u>

D. Accounts payable:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Payables to related parties:			
Other related parties	<u>\$ 52,561</u>	<u>\$ 51,920</u>	<u>\$ 77,829</u>

E. Advance receipt

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Associates	\$ 8,139	\$ 942	\$ -

F. Lease

(a) Rent expense

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties	\$ 600	\$ 600

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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Other related parties	\$ 3,938	\$ 4,518	\$ 6,245

(ii) Interest expense

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Other related parties	\$ 19	\$ 30

(3) Key management compensation

	<u>Three months ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Salaries and other short-term employee benefits	\$ 37,284	\$ 19,579
Post-employment benefits	103	109
Total	\$ 37,387	\$ 19,688

8. Pledged Assets

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

	<u>Book value</u>			<u>Purpose of pledge</u>	
	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March, 31 2020</u>	<u>Creditor Bank</u>	<u>Type</u>
Pledged assets					
Restricted assets-Time deposits, (shown as "other current assets)	\$ 22,810	\$ 22,810	\$ 22,810	Chang Hwa Commercial Bank Far Eastern International Bank	Land lease and dormitory lease deposits

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of March 31, 2021, the guarantees provided by the Company through banks were as follows:

<u>Guarantor</u>	<u>Nature of Guarantee</u>	<u>Amount</u>
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	Warranty	20,816
Taipei Fubon Commercial Bank	Warranty	2,055
Taishin International Bank	Borrowing	100,100
		<u>\$ 158,781</u>

(2) As of March 31, 2021, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

	<u>Amount (thousands)</u>
TWD	20,439
JPY	6,057
USD	829

(3) Operating lease commitments:

See Note 6(9).

(4) As of March 31, 2021, the promissory notes issued by the Company for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to \$4,288,964.

(5) As of March 31, 2021, the capital expenditure contracted but not yet incurred is \$14,426.

10. Significant Disaster Loss

None.

11. Significant Events After the Balance Sheet Date

In response to the Company's long-term development's strategic cooperation needs and to strengthen the Company's competitiveness, on April 7, 2021, the Board of Directors of the Company resolved to issue the ordinary shares through cash capital increase within a quota of no more than 60,000 thousand shares by way of private placement. This matter is pending for the discussion at the 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 March 31, 2021, December 31, 2020 and March 31, 2020, the gearing ratios were (36.38%), (36.52%) and (41.36%), respectively.

(2) Financial instruments

A. Financial instrument by category.

	<u>March 31, 2021</u>	<u>December 31,2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 707,339	\$ 427,409	\$ 276,430
Financial assets at fair value through other comprehensive income	783,280	783,998	858,835
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	2,957,011	3,100,161	3,116,624
Financial assets at amortised cost	302,810	22,810	22,810
Notes receivable	1,798	8,873	9,409
Accounts receivable - net (including related parties)	1,515,876	1,651,793	1,402,841
Other accounts receivable	26,012	20,218	25,070
Guarantee deposits paid	14,203	11,763	16,234
	<u>\$ 6,308,329</u>	<u>\$ 6,027,025</u>	<u>\$ 5,728,253</u>

	<u>March 31, 2021</u>	<u>December 31,2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 2,063	\$ 799	\$ 287
Financial liabilities at amortised cost			
Financial assets at fair value through other comprehensive income			
Short-term borrowings	232,996	230,758	263,848
Notes payable	-	1,757	1,295
Accounts payable (including related parties)	727,653	717,846	701,653
Other accounts payable	1,184,664	619,042	958,278
Long-term borrowings (including current portion)	787,238	811,515	818,620
Guarantee deposits received	876	869	1,426
	<u>\$ 2,935,490</u>	<u>\$ 2,382,586</u>	<u>\$ 2,745,407</u>
Lease liabilities	<u>\$ 231,411</u>	<u>\$ 236,266</u>	<u>\$ 244,222</u>

B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2020.

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 currency exposures, 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:

	March 31, 2021			Three months ended March 31, 2021			
				Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 40,194	28.49	\$ 1,144,926	1%	\$ 11,449	\$ -	\$ 7,150
JPY : TWD	400,751	0.2560	102,472	1%	1,025	-	(2,026)
CNY : TWD	24,285	4.3200	104,887	1%	1,049	-	(548)
USD : CNY (Note)	260	6.5688	7,419	1%	74	-	148

Non-monetary items: None.

(Foreign currency:
functional currency)

Financial liabilities

Monetary items

USD : TWD	\$ 32,247	28.59	\$ 921,780	1%	(\$ 9,218)	\$ -	(\$ 3,211)
JPY : TWD	554,438	0.2597	143,988	1%	(1,440)	-	2,327
USD : CNY (Note)	697	6.5688	19,889	1%	(199)	-	9

Non-monetary items: 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, 2020		Year ended December 31, 2020				
			Sensitivity Analysis				
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive 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	26,644	1%	246	- 136	
<u>Non-monetary items:</u> None.							
<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.

	March 31, 2020		Three months ended March 31, 2020				
			Sensitivity Analysis				
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 43,767	30.18	\$ 1,320,669	1%	\$ 13,207	\$ - \$ 350	
JPY : TWD	311,776	0.277	86,300	1%	863	- (317)	
CNY : TWD	24,317	4.23	102,861	1%	1,029	- (1,493)	
USD : CNY (Note)	190	7.1034	5,743	1%	57	- (229)	
<u>Non-monetary items:</u> None.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 30,067	30.28	\$ 910,278	1%	(\$ 9,103)	\$ - \$ 5,531	
JPY : TWD	465,340	0.2808	130,667	1%	(1,307)	- 372	
USD : CNY (Note)	213	7.1034	6,438	1%	(64)	- (6)	
<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 three months ended March 31, 2021 and 2020 would have increased/decreased by \$45,191 and \$19,163 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 \$86,835 and \$91,488 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main 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 three months ended March 31, 2021 and 2020, the Group's borrowings at floating rate were denominated in TWD, USD and JPY.
- ii. At March 31, 2021, December 31, 2020 and March 31, 2020, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the three months ended March 31, 2021 and 2020 would have been \$2,029 and \$2,153 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 cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as operating activities, including outstanding receivables.

- ii. The Group adopts following assumptions 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 customer's 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 reorganisation 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.
- viii. The Group used historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of March 31, 2021, December 31, 2020 and March 31, 2020, the loss rate methodology is as follows :

	Individual	Group	Total
<u>At March 31, 2021</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 13,631	\$ 1,519,854	\$ 1,533,485
Loss allowance	\$ 13,631	\$ 2,180	\$ 15,811
<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	\$ 4,997	\$ 3,023	\$ 8,020
<u>At March 31, 2020</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 1,216	\$ 1,434,140	\$ 1,435,356
Loss allowance	\$ 1,216	\$ 21,890	\$ 23,106

- vi. As at March 31, 2021, December 31, 2020 and March 31, 2020, 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 and notes receivable was 1,517,674, \$1,660,666 and \$1,412,250, respectively.

- vii. Movements in relation to the Group applying the simplified approach to provided loss allowance for accounts receivable are as follows:

	2021	2020
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 8,020	\$ 21,821
Provision for impairment loss	<u>7,791</u>	<u>1,285</u>
At March 31	<u>\$ 15,811</u>	<u>\$ 23,106</u>

- vii. 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.
- ix. For investments in debt instruments at amortised cost, the credit rating levels are presented below:

	March 31, 2021			
	<u>Lifetime</u>			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 302,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 302,810</u>

	December 31, 2020			
	<u>Lifetime</u>			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 22,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,810</u>

	March 31, 2020			
	<u>Lifetime</u>			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 22,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,810</u>

(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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
<u>March 31, 2021</u>					
<u>Non-derivative financial liabilities :</u>					
Short-term borrowings	\$ 233,254	\$ -	\$ -	\$ -	\$ -
Accounts payable (including related parties)	727,653	-	-	-	-
Lease liabilities	23,543	21,498	18,435	35,702	163,711
Other payables	1,184,664	-	-	-	-
Long-term borrowings (including current portion)	795,885	-	-	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	\$ 2,063	\$ -	\$ -	\$ -	\$ -
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2020</u>					
<u>Non-derivative financial liabilities :</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>March 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities :</u>					
Short-term borrowings	\$ 264,392	\$ -	\$ -	\$ -	\$ -
Notes payable	1,295	-	-	-	-
Accounts payable (including related parties)	701,653	-	-	-	-
Lease liabilities	23,002	21,162	19,181	35,135	185,279
Other payables	958,278	-	-	-	-
Long-term borrowings (including current portion)	51,309	784,564	-	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	\$ 287	\$ -	\$ -	\$ -	\$ -

(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(10).

C. The carrying amounts of cash and cash equivalent, notes receivable, accounts receivable, other receivables, long-term and short-term borrowings, notes payable, accounts payable, other payables and lease liabilities 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 March 31, 2021, December 31, 2020 and March 31, 2020 is as follows:

March 31, 2021	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	\$ 570,506	\$ -	\$ -	\$ 570,506
Equity securities	29,835	-	106,990	136,825
Forward exchange contract	-	8	-	8
Financial assets at fair value through other comprehensive income				
Equity securities	85,071	-	698,209	783,280
Total	<u>\$ 685,412</u>	<u>\$ 8</u>	<u>\$ 805,199</u>	<u>\$ 1,490,619</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 2,063</u>	<u>\$ -</u>	<u>\$ 2,063</u>
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				
Equity securities	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	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ -</u>	<u>\$ 799</u>
March 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	\$ 169,548	\$ -	\$ -	\$ 169,548
Equity securities	-	-	106,853	106,853
Forward exchange contract	-	29	-	29
Financial assets at fair value through other comprehensive income				
Equity securities	56,043	-	802,792	858,835
Total	<u>\$ 225,591</u>	<u>\$ 29</u>	<u>\$ 909,645</u>	<u>\$ 1,135,265</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 287</u>	<u>\$ -</u>	<u>\$ 287</u>

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 three months ended March 31, 2021 and 2020, 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 three months ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 805,199	\$ 951,466
Losses recognised in other comprehensive income	<u>-</u>	<u>(41,822)</u>
At March 31	<u>\$ 805,199</u>	<u>\$ 909,644</u>

- H. For the three months ended March 31, 2021 and 2020, 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 March 31, 2021	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, 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 March 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 799,191	Market comparable companies	Price to earnings ratio multiple	0.75~1.09	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; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference 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:

		March 31, 2021					
				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, 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)

		March 31, 2020			
		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)	\$ 13,874 (\$ 13,874)

(4) Explanation of the impact of the COVID-19 pandemic to the Group's operation in first quarter of 2021

With the ever-changing situation of the global pandemic, the global supply chains were impacted at different levels by the preventive measures against the pandemic and the stress on shipping. Moreover, the prices of raw materials have risen due to the strong demand to replenish inventories. The Group will continue to follow up the situation and timely adjust the countermeasures.

13. Supplementary Disclosures

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- 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 \$100 million or 20% of paid-in capital or more: None.
- 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: Amounts were not significant and did not reach the Company's disclosure threshold of \$10,000.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 3.

(3) Information on investments in Mainland China

Basic information: Please refer to table 4.

(4) Information on major shareholders

Please refer to table 5.

14. SEGMENT INFORMATION

(1) General information

There was no significant change in the reporting period. Please refer to Note 14 in the consolidated financial statements for the year ended December 31, 2020.

(2) Segment information

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

	<u>Three months ended March 31, 2021</u>				
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>	<u>Total</u>
Revenue from external customers	<u>\$ 1,351,961</u>	<u>\$ 164,480</u>	<u>\$ 66,970</u>	<u>\$ -</u>	<u>\$ 1,583,411</u>
Segment income (loss)	<u>\$ 310,569</u>	<u>(\$ 26,816)</u>	<u>\$ 3,997</u>	<u>\$ 11,626</u>	<u>\$ 299,376</u>
	<u>Three months ended March 31, 2020</u>				
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>	<u>Total</u>
Revenue from external customers	<u>\$ 857,686</u>	<u>\$ 250,353</u>	<u>\$ 51,189</u>	<u>\$ 4,851</u>	<u>\$ 1,164,079</u>
Segment income (loss)	<u>\$ 128,741</u>	<u>\$ 17,555</u>	<u>(\$ 2,426)</u>	<u>\$ 10,679</u>	<u>\$ 154,549</u>

(3) 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.

Opto Tech Corporation and subsidiaries
Provision of endorsements and guarantees to others
Three months ended March 31, 2021

Table 1

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of March 31, 2021	Outstanding endorsement/ guarantee amount at March 31, 2021	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
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	3	\$ 1,451,437	\$ 100,048	\$ 100,048	\$ 90,851	\$ -	1.38%	\$ 3,628,594	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 six 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. It 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) \$7,257,187 thousand dollars × 20% = \$1,451,437 thousand dollars
- (2) \$7,257,187 thousand dollars × 50% = \$3,628,594 thousand dollars

Opto Tech Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
March 31, 2021

Table 2

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 March 31, 2021				
					Number of shares	Book value	Ownership (%)	Fair value	Remark
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	85,071	2.45	85,071	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.	None.	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	20,146	0.20	20,146	None
Dongzhen Asset Co., Ltd.	"	Taiwan Surface Mounting Technology Corp.	None.	"	255,000	29,835	0.09	29,835	None
Opto Tech Corp.	Fund	Fuanklin Templeton Sinoam Money Market Fund	None.	"	9,247,290	96,506	None	96,506	None
"	"	Taishin 1699 Money Market fund	None.	"	4,477,862	61,147	None	61,147	None
"	"	FSITC Taiwan Money Market fund	None.	"	5,965,267	92,134	None	92,134	None
"	"	Jih Sun Money Market fund	None.	"	5,391,133	80,661	None	80,661	None
"	"	TCB Taiwan Money Market Fund	None.	"	4,885,150	50,037	None	50,037	None
"	"	Union Money Market	None.	"	7,134,275	95,011	None	95,011	None
"	"	Capital Money Market	None.	"	5,837,819	95,010	None	95,010	None

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

Opto Tech Corporation and subsidiaries
Information on investees
Three months ended March 31, 2021

Table 3

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
				Balance as of March 31, 2021	Balance as of December 31, 2020	Number of shares	Ownership (%)	Book value			
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	\$ 258,348	\$ 258,348	1,298,800	100	\$ 26,570	\$ 2,984	\$ 3,588	Subsidiary of the Company
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	100	153,179	1,165	1,164	Subsidiary of the Company (Note)
Opto Tech Corp.	Everyung Investment Ltd.	Samoa	International trading	42,343	42,343	5,000,000	50	45,583	5,977	2,989	Subsidiary of the Company
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Taiwan	Investment business	400,000	29,800	40,000,000	100	401,544	1,579	1,579	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	8,995	14,426	3,607	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	46,029	2,995	2,995	Indirect subsidiary (Note)
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50	45,583	5,977	2,988	Indirect subsidiary

Note: 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
Three months ended March 31, 2021

Table 4

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	Ownership	Investment income	Book value of	Accumulated	Remark
				amount of remittance to Mainland China as of January 1, 2021	remitted to Mainland China during the period	remitted back to Taiwan during the period	amount of remittance to Mainland China as of March 31, 2021	of investee for the three months ended March 31, 2021	held by the Company (direct or indirect)	(loss) recognised by the Company for the three months March 31, 2021 (Note 2)	investments in Mainland China as of March 31, 2021	amount of investment income remitted back to Taiwan as of March 31, 2021	
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	\$ 317,341	\$ -	\$ -	\$ 317,341	\$ 5,977	99.94%	\$ 5,974	\$ 91,166	\$ -	

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 not reviewed by the independent accountants of the parent company for the corresponding periods.

Name of company	Investments in Mainland China for the three months ended March 31, 2021:		
	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	investment amount approved by the Investment Commission of the Ministry of Economic	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	\$ 317,341	\$ 317,849	\$ 4,354,312

Opto Tech Corporation and its subsidiaries

Major shareholders information

March 31, 2021

Table 5

Shares		
Name of major shareholders	Number of share 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 following 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 from 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 share issued in dematerialised from because of the different calculation basis or the differences.
- (b) If the aforementioned data contains share 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.