

**OPTO TECH CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019**

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

(20)PWCR20000125

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 September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine 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 "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 statement 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(6), 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 statement reflect total assets of NT\$413,405 and NT\$437,395, constituting 3.88% and 4.32% of the consolidated total assets, and total liabilities of NT\$163,957 and NT\$170,376, constituting 4.82% and 5.60% of the consolidated total liabilities as of September 30, 2020

and 2019, and total comprehensive income (including income and loss of the associates accounted for using the equity method) of NT\$2,620 and NT\$4,954, for the three months ended September 30, 2020 and 2019, respectively, and NT(\$947) and NT\$19,883 for the nine months ended September 30, 2020 and 2019, constituting 1.29%, 2.53%, (0.27%) and 4.44% of the consolidated total comprehensive income, respectively.

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 September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with “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.

Lin, Yu-Kuan

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

November 6, 2020

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
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 3,109,626	29	\$ 2,997,465	29	\$ 2,532,739	25
Financial assets at fair value through profit or loss - current	6(2)	270,092	3	169,315	2	169,528	2
Notes receivable, net	6(4)	6,239	-	13,051	-	16,621	-
Accounts receivable - net	6(4)	1,912,022	18	1,415,163	14	1,729,384	17
Accounts receivable - related parties - net	6(4) and 7	32,397	-	32,788	-	53,478	-
Other receivables		27,726	-	19,011	-	22,026	-
Inventories - net	6(5)	1,126,555	11	1,239,698	12	1,175,222	12
Prepayments		39,021	1	45,102	1	64,355	1
Other current assets	8	24,142	-	26,259	-	43,474	-
Total current assets		6,547,820	62	5,957,852	58	5,806,827	57
Non-current assets							
Financial assets at fair value through profit or loss - non-current	6(2)	106,853	1	106,853	1	106,899	1
Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	870,036	8	925,373	9	863,643	8
Investments accounted for using the equity method	6(6)	5,485	-	8,768	-	6,311	-
Property, plant and equipment - net	6(7)	2,755,733	26	2,909,127	28	2,920,810	29
Right-of-use assets	6(8)	239,861	2	251,529	3	257,426	3
Intangible assets	6(9)	15,219	-	14,229	-	11,408	-
Deferred tax assets		63,315	1	88,920	1	95,742	1
Other non-current assets		38,712	-	43,493	-	63,613	1
Total non-current assets		4,095,214	38	4,348,292	42	4,325,852	43
Total assets		\$ 10,643,034	100	\$ 10,306,144	100	\$ 10,132,679	100

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2020		December 31, 2019		September 30, 2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term loans	6(10)	\$ 223,748	2	\$ 249,640	3	\$ 241,540	3
Financial liabilities at fair value through profit or loss - current	6(2)	-	-	31	-	-	-
Notes payable		341	-	6	-	2,792	-
Accounts payable		589,368	5	651,067	6	620,205	6
Accounts payable - related parties	7	74,093	1	78,691	1	94,113	1
Other payables	6(11) and 7	1,060,747	10	548,988	5	591,152	6
Current income tax liabilities		69,676	1	102,901	1	77,905	1
Provisions for liabilities - current	6(14)	5,848	-	8,272	-	9,844	-
Current lease liabilities	7	19,340	-	19,598	-	20,381	-
Other current liabilities	6(12)(19)	120,474	1	35,506	-	37,669	-
Total current liabilities		<u>2,163,635</u>	<u>20</u>	<u>1,694,700</u>	<u>16</u>	<u>1,695,601</u>	<u>17</u>
Non-current liabilities							
Long-term loans	6(12)	736,311	7	814,504	8	832,144	8
Provisions for liabilities - non-current	6(14)	17,030	-	15,745	-	15,620	-
Deferred tax liabilities		73,231	1	81,572	1	68,899	1
Non-current lease liabilities	7	220,216	2	229,898	2	234,442	2
Other non-current liabilities	6(13)	189,396	2	201,409	2	195,969	2
Total non-current liabilities		<u>1,236,184</u>	<u>12</u>	<u>1,343,128</u>	<u>13</u>	<u>1,347,074</u>	<u>13</u>
Total liabilities		<u>3,399,819</u>	<u>32</u>	<u>3,037,828</u>	<u>29</u>	<u>3,042,675</u>	<u>30</u>
Equity attributable to owners of parent							
Capital	6(15)						
Common stock		3,786,228	35	3,786,228	37	3,786,228	37
Capital reserve	6(16)						
Capital surplus		702,965	7	702,965	7	702,965	7
Retained earnings	6(17)						
Legal reserve		729,360	7	669,312	6	669,312	7
Special reserve		3,743	-	8,392	-	8,392	-
Unappropriated earnings		1,805,232	17	1,841,481	18	1,700,543	17
Other equity adjustments	6(18)						
Other equity interest		235,216	2	279,469	3	242,091	2
Treasury stocks	6(15)						
Treasury stocks		(23,172)	-	(23,172)	-	(23,172)	-
Equity attributable to owners of parent		<u>7,239,572</u>	<u>68</u>	<u>7,264,675</u>	<u>71</u>	<u>7,086,359</u>	<u>70</u>
Non-controlling interest		3,643	-	3,641	-	3,645	-
Total equity		<u>7,243,215</u>	<u>68</u>	<u>7,268,316</u>	<u>71</u>	<u>7,090,004</u>	<u>70</u>
Significant contingent liabilities and unrecognised contract commitments	9						
Significant events after the balance sheet date	11						
Total liabilities and equity		<u>\$ 10,643,034</u>	<u>100</u>	<u>\$ 10,306,144</u>	<u>100</u>	<u>\$ 10,132,679</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
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(19) and 7	\$ 1,665,499	100	\$ 1,546,639	100	\$ 4,207,493	100	\$ 4,126,859	100
Operating costs	6(5)(24)(25)								
	and 7	(1,169,623)	(70)	(1,034,345)	(67)	(3,003,369)	(71)	(2,853,218)	(69)
Gross profit, net		495,876	30	512,294	33	1,204,124	29	1,273,641	31
Operating expenses	6(24)(25)								
Selling expenses		(30,595)	(2)	(37,031)	(2)	(91,082)	(2)	(93,315)	(2)
General and administrative expenses		(138,428)	(8)	(142,070)	(9)	(350,805)	(9)	(360,978)	(9)
Research and development expenses		(84,283)	(5)	(99,361)	(7)	(244,764)	(6)	(264,620)	(6)
Expected credit losses on financial assets	12(2)	2,700	-	2,566	-	(5,178)	-	104	-
Total operating expenses		(250,606)	(15)	(275,896)	(18)	(691,829)	(17)	(718,809)	(17)
Operating income		245,270	15	236,398	15	512,295	12	554,832	14
Non-operating income and expenses									
Interest income	6(20)	2,107	-	3,861	-	9,099	-	12,384	-
Other income	6(21)	13,685	1	16,563	1	41,342	1	53,008	1
Other gains and losses	6(22)	(36,971)	(2)	(2,052)	-	(71,171)	(2)	7,979	-
Finance costs	6(23)	(6,586)	(1)	(8,915)	-	(21,936)	-	(25,519)	-
Share of profit (loss) of associates and joint ventures accounted for using the equity method	6(6)	(551)	-	3,760	-	(374)	-	5,766	-
Total non-operating income and expenses		(28,316)	(2)	13,217	1	(43,040)	(1)	53,618	1
Profit before income tax		216,954	13	249,615	16	469,255	11	608,450	15
Income tax expense	6(26)	(10,881)	(1)	(51,760)	(3)	(71,661)	(2)	(148,906)	(4)
Net income		\$ 206,073	12	\$ 197,855	13	\$ 397,594	9	\$ 459,544	11

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)									
Items that will not be reclassified to profit or loss									
Unrealised (losses) gains on valuation of financial assets at fair value through other comprehensive (loss) income	6(3)(18)	(\$ 3,305)	-	\$ 1,150	-	(\$ 51,557)	(1)	(\$ 7,903)	-
Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(26)	-	-	-	-	8,364	-	-	-
Total other comprehensive (loss) income that will not be reclassified to profit or loss, net of tax		(3,305)	-	1,150	-	(43,193)	(1)	(7,903)	-
Items that will be reclassified subsequently to profit or loss									
Currency translation differences of foreign operations	6(18)	851	-	(3,094)	-	(1,187)	-	(3,287)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	6(6)(18)	269	-	(83)	-	308	-	(96)	-
Total other comprehensive (loss) income that will be reclassified to profit or loss, net of tax		1,120	-	(3,177)	-	(879)	-	(3,383)	-
Other comprehensive loss for the period, net of income tax		<u>(\$ 2,185)</u>	<u>-</u>	<u>(\$ 2,027)</u>	<u>-</u>	<u>(\$ 44,072)</u>	<u>(1)</u>	<u>(\$ 11,286)</u>	<u>-</u>
Total comprehensive income for the period		<u>\$ 203,888</u>	<u>12</u>	<u>\$ 195,828</u>	<u>13</u>	<u>\$ 353,522</u>	<u>8</u>	<u>\$ 448,258</u>	<u>11</u>
Profit attributable to:									
Owners of the parent		\$ 206,072	12	\$ 197,854	13	\$ 397,593	9	\$ 459,539	11
Non-controlling interest		<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>5</u>	<u>-</u>
		<u>\$ 206,073</u>	<u>12</u>	<u>\$ 197,855</u>	<u>13</u>	<u>\$ 397,594</u>	<u>9</u>	<u>\$ 459,544</u>	<u>11</u>
Total comprehensive income attributable to:									
Owners of the parent		\$ 203,886	13	\$ 195,828	13	\$ 353,520	8	\$ 448,254	11
Non-controlling interest		<u>2</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>4</u>	<u>-</u>
		<u>\$ 203,888</u>	<u>12</u>	<u>\$ 195,828</u>	<u>13</u>	<u>\$ 353,522</u>	<u>8</u>	<u>\$ 448,258</u>	<u>11</u>
Earnings per share									
Profit for the period	6(27)	<u>\$ 0.55</u>		<u>\$ 0.50</u>		<u>\$ 1.05</u>		<u>\$ 1.07</u>	
Diluted earnings per share									
Profit for the period	6(27)	<u>\$ 0.54</u>		<u>\$ 0.49</u>		<u>\$ 1.03</u>		<u>\$ 1.06</u>	

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Note	Retained Earnings					Other equity interest		Treasury stocks	Total	Non-controlling interest	Total equity
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive income				
<u>Nine months ended September 30, 2019</u>												
Balance at January 1, 2019		\$ 4,454,386	\$ 702,521	\$ 604,001	\$ -	\$ 1,537,426	\$ 2,021	\$ 251,355	(\$ 24,503)	\$ 7,527,207	\$ 3,641	\$ 7,530,848
Net income for the period		-	-	-	-	459,539	-	-	-	459,539	5	459,544
Other comprehensive loss for the period	6(3)(18)	-	-	-	-	-	(3,382)	(7,903)	-	(11,285)	(1)	(11,286)
Total comprehensive income (loss)		-	-	-	-	459,539	(3,382)	(7,903)	-	448,254	4	448,258
Distribution of 2018 earnings:	6(11)(17)											
Legal reserve		-	-	65,311	-	(65,311)	-	-	-	-	-	-
Special reserve		-	-	-	8,392	(8,392)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(222,719)	-	-	-	(222,719)	-	(222,719)
Other adjustments of capital reserve:												
Adjustments to net difference of subsidiary book value		-	444	-	-	-	-	-	-	444	-	444
Capital reduction		(668,158)	-	-	-	-	-	-	1,331	(666,827)	-	(666,827)
Balance at September 30, 2019		<u>\$ 3,786,228</u>	<u>\$ 702,965</u>	<u>\$ 669,312</u>	<u>\$ 8,392</u>	<u>\$ 1,700,543</u>	<u>(\$ 1,361)</u>	<u>\$ 243,452</u>	<u>(\$ 23,172)</u>	<u>\$ 7,086,359</u>	<u>\$ 3,645</u>	<u>\$ 7,090,004</u>
<u>Nine months ended September 30, 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		-	-	-	-	397,593	-	-	-	397,593	1	397,594
Other comprehensive loss for the period	6(3)(18)	-	-	-	-	-	(880)	(43,193)	-	(44,073)	1	(44,072)
Total comprehensive income (loss)		-	-	-	-	397,593	(880)	(43,193)	-	353,520	2	353,522
Distribution of 2019 earnings:	6(11)(17)											
Legal reserve		-	-	60,048	-	(60,048)	-	-	-	-	-	-
Special reserve		-	-	-	(4,649)	4,649	-	-	-	-	-	-
Cash dividends		-	-	-	-	(378,623)	-	-	-	(378,623)	-	(378,623)
Disposal of financial assets at fair value through other comprehensive income	6(3)(18)	-	-	-	-	180	-	(180)	-	-	-	-
Balance at September 30, 2020		<u>\$ 3,786,228</u>	<u>\$ 702,965</u>	<u>\$ 729,360</u>	<u>\$ 3,743</u>	<u>\$ 1,805,232</u>	<u>(\$ 10,252)</u>	<u>\$ 245,468</u>	<u>(\$ 23,172)</u>	<u>\$ 7,239,572</u>	<u>\$ 3,643</u>	<u>\$ 7,243,215</u>

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 469,255	\$ 608,450
Adjustments			
Income and expenses having no effect on cash flows			
Expected credit losses (reverse of gains) on financial assets	12(2)	5,178	(104)
Depreciation	6(7)(8)(24)	345,909	355,773
Amortization	6(9)(24)	11,104	9,184
Net (profit) loss on financial assets and liabilities at fair value through profit or loss	6(2)(22)	(808)	853
Interest expense	6(23)	21,034	24,610
Interest income	6(20)	(9,099)	(12,384)
Dividend income	6(21)	(14,454)	(20,051)
Gain on disposal of investments	6(22)	-	(2,003)
Share of loss (profit) of associates accounted for using the equity method	6(6)	374	(5,766)
Losses on disposals of property, plant and equipment		28,340	-
Gain on lease termination	6(8)(22)(29)	(4)	-
Impairment loss on non-financial assets	6(7)(22)	35,585	-
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		(100,000)	52,003
Notes receivable - net		6,812	(3,502)
Accounts receivable - net		(502,037)	(154,842)
Accounts receivable - related parties - net		391	25,994
Other receivables		(12,610)	(9,384)
Inventories - net		113,143	156,179
Prepayments		6,081	(37,945)
Other current assets		2,117	464
Other non-current assets		2,795	(13,283)
Net changes in liabilities relating to operating activities			
Notes payable		335	2,759
Accounts payable		(61,699)	46,198
Accounts payable - related parties		(4,598)	6,150
Other payables		133,900	(9,174)
Other payables - related parties		-	656
Other current liabilities		21,559	(8,186)
Provisions for liabilities		(1,125)	(8,950)
Net defined benefit liability		(11,926)	940
Cash inflow generated from operations		485,552	1,004,639
Interest received		9,777	12,535
Dividends received		17,671	20,051
Interest paid		(21,798)	(24,468)
Income tax paid		(79,258)	(128,688)
Net cash flows from operating activities		411,944	884,069

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$ 3,780	\$ -
Acquisition of property, plant and equipment	6(7)	(241,133)	(191,624)
Acquisition of intangible assets	6(9)	(12,094)	(11,752)
Decrease in deposits-out		1,986	3,801
Increase in other financial assets	8	-	(19,450)
Net cash flows used in investing activities		(247,461)	(219,025)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(29)	496,465	861,921
Decrease in short-term loans	6(29)	(521,871)	(1,355,000)
Increase in long-term loans	6(29)	-	830,695
Decrease in long-term loans	6(29)	-	(250,000)
Repayments of principal portion of lease liabilities	6(29)	(15,414)	(15,925)
Decrease in guarantee deposits	6(29)	(87)	(748)
Payment of cash dividends	6(17)	-	(222,275)
Payment of capital reduction	6(15)	-	(666,827)
Net cash flows used in financing activities		(40,907)	(818,159)
Effect of changes in exchange rate		(11,415)	(4,372)
Net increase (decrease) in cash and cash equivalents		112,161	(157,487)
Cash and cash equivalents at beginning of period		2,997,465	2,690,226
Cash and cash equivalents at end of period		\$ 3,109,626	\$ 2,532,739

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

OPTO TECH CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(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 Financial Statements and Procedures for Authorization

These consolidated financial statements were reported to the Board of Directors on November 6, 2020.

3. Application of New Standards, Amendments and Interpretations

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

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

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

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

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

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

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

<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

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

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

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

<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
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current',	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022
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.

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, 2019, 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, 2019.

(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, 2019.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
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. (Opto)	Holding company	100.00	100.00	100.00	Notes 3&6
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trade	-	100.00	100.00	Notes 4&6
Opto Tech Corp.	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	Notes 5&6
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Holding company	-	100.00	100.00	Notes 3&6
Opto	Everyung Investment Ltd. (Everyung)	Holding company	50.00	50.00	50.00	Note 6

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2020	December 31, 2019	September 30, 2019	
Cayman	Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou)	Research, design and manufacture of LED display, wireless communication equipment and related parts with related techniques and after-sale service	-	-	100.00	Notes 2&6
CSB	Bright Investment International Ltd. (Bright)	Holding company	100.00	100.00	100.00	Note 5&6
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: On August 11, 2016, the Board of Directors has resolved to liquidate the Company's Mainland China subsidiary, Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou) which was dissolved on December 19, 2019, and the remaining funds were repatriated to Opto Tech (Cayman) Co., Ltd.

Note 3: On August 14, 2017, the Board of Directors has resolved to liquidate the Company's offshore companies, Opto Technology International Group Co., Ltd. (OTIG) and Opto Tech (Cayman) Co., Ltd. (Opto (Cayman)). Opto (Cayman) was dissolved on September 16, 2020, and its remaining funds were repatriated to OTIG which was dissolved on October 26, 2020.

Note 4: On April 28, 2020, the Board of Directors has resolved to liquidate the Company's offshore companies, Opto Tech (Macao) Co., Ltd. (Opto Macao). Opto Macao was dissolved on September 29, 2020, and its remaining funds were repatriated to Opto Tech Corp..

Note 5: On September 10, 2020, the Board of Directors of the Company resolved to liquidate the subsidiary, CS Bright Corp..

Note 6: The financial statements of the entity as of and for the nine months ended September 30, 2020 and 2019 were not reviewed by the independent auditors as the entity did not meet the definition of a significant subsidiary.

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 September 30, 2020. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2019.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand	\$ 470	\$ 478	\$ 576
Checking demand deposits	716,583	456,624	509,625
Time deposits	1,872,573	2,030,363	1,642,538
Cash equivalents - Resale bonds	<u>520,000</u>	<u>510,000</u>	<u>380,000</u>
Total	<u>\$ 3,109,626</u>	<u>\$ 2,997,465</u>	<u>\$ 2,532,739</u>

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

B. Cash and cash equivalents amounting to \$22,810, \$22,810 and \$40,310 were pledged to others as collateral for the leases of land and dormitory as of September 30, 2020, December 31, 2019 and September 30, 2019, respectively, and were classified as other financial assets. Please refer to Note 8 for the details.

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

<u>Items</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Funds	\$ 265,000	\$ 165,000	\$ 165,000
Valuation adjustment			
Funds	4,977	4,315	4,068
Forward exchange contracts	<u>115</u>	<u>-</u>	<u>460</u>
Total	<u>\$ 270,092</u>	<u>\$ 169,315</u>	<u>\$ 169,528</u>
Financial liabilities mandatorily measured at fair value through profit and loss			
Forward exchange contracts	<u>\$ -</u>	<u>(\$ 31)</u>	<u>\$ -</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit and loss			
Unlisted stocks	\$ 127,048	\$ 127,048	\$ 127,048
Valuation adjustment	<u>(20,195)</u>	<u>(20,195)</u>	<u>(20,149)</u>
Total	<u>\$ 106,853</u>	<u>\$ 106,853</u>	<u>\$ 106,899</u>

A. The Group recognised net gain (loss) of (\$18), (\$1,220), \$808 and (\$853) on financial assets measured at fair value through profit or loss for the three months and nine months ended September 30, 2020 and 2019, respectively.

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

<u>September 30, 2020</u>		
<u>Financial instruments</u>	<u>Contract Amount (Nominal Principal)</u>	<u>Contract period</u>
Assets-Current items:		
Forward exchange contracts	USD \$ <u>1,000</u> (thousands)	September 25, 2020~ October 20, 2020
<u>December 31, 2019</u>		
<u>Financial instruments</u>	<u>Contract Amount (Nominal Principal)</u>	<u>Contract period</u>
Liabilities - Current items:		
Forward exchange contracts	USD \$ <u>1,000</u> (thousands)	December 30, 2019~ January 21, 2020

Financial instruments	September 30, 2019		Contract period
	Contract Amount (Nominal Principal)		
Assets - Current items:			
Forward exchange contracts	USD	\$ <u>1,000</u> (thousands)	August 5, 2019~ October 3, 2019

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 profit or loss pledged to others.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	September 30, 2020	December 31, 2019	September 30, 2019
Non-current items:			
Equity instruments			
Listed stocks	\$ 73,574	\$ 73,574	\$ 73,574
Unlisted stocks	<u>477,809</u>	<u>481,409</u>	<u>477,809</u>
Subtotal	<u>551,383</u>	<u>554,983</u>	<u>551,383</u>
Valuation adjustment	<u>318,653</u>	<u>370,390</u>	<u>312,260</u>
Total	<u>\$ 870,036</u>	<u>\$ 925,373</u>	<u>\$ 863,643</u>

A. The Group sold all its stocks of Guang Xin Vision Co., Ltd. for \$3,780 and resulted in transfers of \$180 from other equity to retained earnings on disposal during the second quarter of 2020.

B. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$870,036, \$925,373 and \$863,643 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Three months ended September 30	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	(\$ <u>3,305</u>)	\$ <u>1,150</u>
Cumulative gains reclassified to retained earnings due to recognition	\$ <u>-</u>	\$ <u>-</u>
Dividend income recognised in profit or loss		
Held at end of period	\$ <u>2,011</u>	\$ <u>3,449</u>

	Nine months ended September 30	
	2020	2019
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive loss	(\$ 43,193)	(\$ 7,903)
Cumulative gains reclassified to retained earnings due to recognition	\$ 180	\$ -
Dividend income recognised in profit or loss		
Held at end of period	\$ 14,454	\$ 20,051

(4) Notes and accounts receivable

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 6,239	\$ 13,051	\$ 16,621
Accounts receivable	1,922,733	1,436,984	1,752,536
Accounts receivable - related parties	32,397	32,788	53,478
Less: Allowance for uncollectible accounts	(10,711)	(21,821)	(23,152)
	<u>\$ 1,950,658</u>	<u>\$ 1,461,002</u>	<u>\$ 1,799,483</u>

As of September 30, 2020, December 31, 2019 and September 30, 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to \$1,717,828.

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

	September 30, 2020	December 31, 2019	September 30, 2019
Without past due	\$ 1,895,214	\$ 1,425,938	\$ 1,693,186
Up to 180 days	52,740	21,705	90,085
181 to 360 days	4,252	2,838	3,203
Over 361 days	2,924	19,291	19,540
	<u>\$ 1,955,130</u>	<u>\$ 1,469,772</u>	<u>\$ 1,806,014</u>

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
Without past due	\$ 6,239	\$ 13,051	\$ 16,621

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

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

(5) Inventories

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Raw materials	\$ 204,890	\$ 230,552	\$ 280,096
Supplies	256,320	233,340	222,129
Work in process	319,268	360,946	288,648
Semi-finished goods	82,746	78,894	71,747
Finished goods	263,331	335,966	312,602
Total	<u>\$ 1,126,555</u>	<u>\$ 1,239,698</u>	<u>\$ 1,175,222</u>

The cost of inventories recognised as expense for the period:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 1,130,953	\$ 1,026,230
Loss on decline in market value	38,670	8,115
	<u>\$ 1,169,623</u>	<u>\$ 1,034,345</u>

	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 2,902,813	\$ 2,832,823
Loss on decline in market value	100,556	20,395
	<u>\$ 3,003,369</u>	<u>\$ 2,853,218</u>

During the three months and nine months ended September 30, 2020 and 2019, the Group wrote down inventory from cost to net realisable value accounted for as 'cost of goods sold'.

(6) Investments accounted for using the equity method

	<u>2020</u>	<u>2019</u>
At January 1	\$ 8,768	\$ 641
Share of (loss) profit of investments accounted for using the equity method	(374)	5,766
Earnings distribution of investments accounted for using the equity method	(3,217)	-
Change in other equity items (Note 6(18))	308	(96)
At September 30	<u>\$ 5,485</u>	<u>\$ 6,311</u>

<u>Associated enterprises</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
VML TECHNOLOGIES B.V.	<u>\$ 5,485</u>	<u>\$ 8,768</u>	<u>\$ 6,311</u>

(7) Property, plant and equipment

2020

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,028,554	\$ 5,625,019	\$ 1,118,047	\$ 717,932	\$ 8,703	\$ 78,865	\$ 1,949,344	\$ 116,824	\$ 11,643,288
Accumulated depreciation	(1,135,179)	(4,381,982)	(974,309)	(594,031)	(7,337)	(66,858)	(1,567,562)	-	(8,727,258)
Accumulated impairment	(59)	(6,742)	-	-	-	(19)	(83)	-	(6,903)
	<u>\$ 893,316</u>	<u>\$ 1,236,295</u>	<u>\$ 143,738</u>	<u>\$ 123,901</u>	<u>\$ 1,366</u>	<u>\$ 11,988</u>	<u>\$ 381,699</u>	<u>\$ 116,824</u>	<u>\$ 2,909,127</u>
Nine months ended September 30, 2020									
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	2,127	29,931	2,581	2,204	2,155	4,326	10,579	187,230	241,133
Disposals	-	(3,269)	(12,480)	(1,104)	-	(39)	(11,448)	-	(28,340)
Reclassifications	8,846	111,309	5,131	1,229	2,155	(17)	39,348	(168,001)	-
Depreciation expense	(43,623)	(207,850)	(16,270)	(12,956)	(444)	(3,049)	(44,530)	-	(328,722)
Impairment loss	-	(35,585)	-	-	-	-	-	-	(35,585)
Net exchange differences	(1,436)	(434)	-	-	(6)	(4)	-	-	(1,880)
Closing net book amount	<u>\$ 859,230</u>	<u>\$ 1,130,397</u>	<u>\$ 122,700</u>	<u>\$ 113,274</u>	<u>\$ 5,226</u>	<u>\$ 13,205</u>	<u>\$ 375,648</u>	<u>\$ 136,053</u>	<u>\$ 2,755,733</u>
At September 30									
Cost	\$ 2,036,380	\$ 5,597,509	\$ 1,066,835	\$ 707,635	\$ 12,996	\$ 81,489	\$ 1,934,387	\$ 136,053	\$ 11,573,284
Accumulated depreciation	(1,177,091)	(4,429,518)	(944,135)	(594,361)	(7,770)	(68,265)	(1,558,702)	-	(8,779,842)
Accumulated impairment	(59)	(37,594)	-	-	-	(19)	(37)	-	(37,709)
	<u>\$ 859,230</u>	<u>\$ 1,130,397</u>	<u>\$ 122,700</u>	<u>\$ 113,274</u>	<u>\$ 5,226</u>	<u>\$ 13,205</u>	<u>\$ 375,648</u>	<u>\$ 136,053</u>	<u>\$ 2,755,733</u>

2019

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,027,334	\$ 5,520,427	\$ 1,097,977	\$ 706,514	\$ 8,969	\$ 76,724	\$ 1,899,447	\$ 174,848	\$ 11,512,240
Accumulated depreciation	(1,081,716)	(4,251,295)	(947,667)	(577,068)	(6,863)	(64,280)	(1,503,780)	-	(8,432,669)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(83)	-	(7,968)
	<u>\$ 945,559</u>	<u>\$ 1,261,325</u>	<u>\$ 150,310</u>	<u>\$ 129,446</u>	<u>\$ 2,106</u>	<u>\$ 12,425</u>	<u>\$ 395,584</u>	<u>\$ 174,848</u>	<u>\$ 3,071,603</u>
Nine months ended September 30, 2019									
Opening net book amount	\$ 945,559	\$ 1,261,325	\$ 150,310	\$ 129,446	\$ 2,106	\$ 12,425	\$ 395,584	\$ 174,848	\$ 3,071,603
Additions	6,652	22,542	10,373	3,902	-	1,203	16,156	130,796	191,624
Reclassifications	1,152	180,878	7,285	7,516	-	-	31,463	(228,294)	-
Depreciation expense	(44,159)	(209,452)	(21,209)	(12,602)	(545)	(3,236)	(47,229)	-	(338,432)
Net exchange differences	(3,094)	(877)	-	-	(14)	-	-	-	(3,985)
Closing net book amount	<u>\$ 906,110</u>	<u>\$ 1,254,416</u>	<u>\$ 146,759</u>	<u>\$ 128,262</u>	<u>\$ 1,547</u>	<u>\$ 10,392</u>	<u>\$ 395,974</u>	<u>\$ 77,350</u>	<u>\$ 2,920,810</u>
At September 30									
Cost	\$ 2,028,390	\$ 5,585,860	\$ 1,115,635	\$ 717,932	\$ 8,719	\$ 77,095	\$ 1,946,828	\$ 77,350	\$ 11,557,809
Accumulated depreciation	(1,122,221)	(4,324,702)	(968,876)	(589,670)	(7,172)	(66,684)	(1,550,771)	-	(8,630,096)
Accumulated impairment	(59)	(6,742)	-	-	-	(19)	(83)	-	(6,903)
	<u>\$ 906,110</u>	<u>\$ 1,254,416</u>	<u>\$ 146,759</u>	<u>\$ 128,262</u>	<u>\$ 1,547</u>	<u>\$ 10,392</u>	<u>\$ 395,974</u>	<u>\$ 77,350</u>	<u>\$ 2,920,810</u>

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

	Nine months ended September 30	
	2020	2019
Amount capitalized	\$ 808	\$ 842
Interest rate	0.24%~1.38%	0.45%~1.41%

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

(8) Leasing arrangements – lessee

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

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

	September 30, 2020	December 31, 2019	September 30, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 227,276	\$ 238,804	\$ 242,671
Buildings	5,214	7,947	8,759
Transportation equipment (Business vehicles)	6,063	2,778	3,765
Office equipment (Internet equipment)	1,308	2,000	2,231
	<u>\$ 239,861</u>	<u>\$ 251,529</u>	<u>\$ 257,426</u>

	Three months ended September 30	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 3,829	\$ 3,830
Buildings	782	786
Transportation equipment (Business vehicles)	760	987
Office equipment (Internet equipment)	230	230
	<u>\$ 5,601</u>	<u>\$ 5,833</u>

	Nine months ended September 30	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 11,486	\$ 11,490
Buildings	2,346	2,344
Transportation equipment (Business vehicles)	2,663	2,969
Office equipment (Internet equipment)	692	538
	<u>\$ 17,187</u>	<u>\$ 17,341</u>

C. For the three months and nine months ended September 30, 2020 and 2019, the additions to right-of-use assets amount to \$3,708, \$0, \$5,971 and \$4,874, respectively.

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

	Three months ended September 30	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,081	\$ 1,161
Expense on short-term lease contracts	\$ 2,735	\$ 2,350
	Nine months ended September 30	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,283	\$ 3,151
Expense on short-term lease contracts	\$ 8,031	\$ 7,050

E. For the three months and nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases amounts to \$8,698, \$8,787, \$26,728 and \$26,126, respectively.

F. The Group terminated the lease of the subsidiary's office prior to the expiration date in September 2020, recognised gain on lease termination amounting to \$4, and decreased right-of-use asset and lease liability by \$402 and \$469, respectively. No penalty was paid due to the early termination.

(9) Intangible assets

	2020
	Software
At January 1	
Cost	\$ 38,298
Accumulated amortisation	(24,069)
	<u>\$ 14,229</u>
Nine months ended September 30, 2020	
Opening net book amount	\$ 14,229
Additions	12,094
Amortisation expense	(11,104)
Closing net book amount	<u>\$ 15,219</u>
At September 30	
Cost	\$ 37,539
Accumulated amortisation	(22,320)
	<u>\$ 15,219</u>

	<u>2019</u>
	<u>Software</u>
At January 1	
Cost	\$ 31,627
Accumulated amortisation	(22,787)
	<u>\$ 8,840</u>
Nine months ended September 30, 2019	
Opening net book amount	\$ 8,840
Additions	11,752
Amortisation expense	(9,184)
Closing net book amount	<u>\$ 11,408</u>
At September 30	
Cost	\$ 32,363
Accumulated amortisation	(20,955)
	<u>\$ 11,408</u>

Details of amortisation on intangible assets are as follows:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$ 1,143	\$ 987
Selling expenses	193	171
General and administration expenses	1,711	1,213
Research and development expenses	884	640
Total	<u>\$ 3,931</u>	<u>\$ 3,011</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Operating costs	\$ 3,262	\$ 2,952
Selling expenses	549	500
General and administration expenses	4,795	3,763
Research and development expenses	2,498	1,969
Total	<u>\$ 11,104</u>	<u>\$ 9,184</u>

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Unsecured bank borrowings	<u>\$ 223,748</u>	<u>\$ 249,640</u>	<u>\$ 241,540</u>
Interest rate range	<u>0.51%~5.25%</u>	<u>0.53%~5.25%</u>	<u>0.53%~5.25%</u>

(11) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Salaries and bonus payable	\$ 133,077	\$ 152,867	\$ 170,495
Compensation payable to employees	198,174	110,224	113,972
Remuneration payable to directors and supervisors	65,854	36,618	37,946
Dividends payable	378,623	-	-
Others	285,019	249,279	268,083
Total	<u>\$ 1,060,747</u>	<u>\$ 548,988</u>	<u>\$ 590,496</u>

(12) Long-term borrowings

Type of borrowings	Credit line	Period	Interest rate range	September 30, 2020
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	\$ 1,200,000	2019.02.20~ 2022.02.20	1.2188%~ 3.1712%	\$ 799,720
Less: Current portion (shown as “Other non-current liabilities”)				(63,409)
				<u>\$ 736,311</u>

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

Type of borrowings	Credit line	Period	Interest rate range	September 30, 2019
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	\$ 1,200,000	2019.02.20~ 2022.02.20	1.797%~ 3.730%	\$ 832,144
Less: Current portion (shown as “Other non-current liabilities”)				-
				<u>\$ 832,144</u>

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

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

- (b) The debt ratio should not be higher than 100%.
- (c) The interest coverage ratio shall not be less than 300%.
- (d) The tangible net value shall be maintained at more than 5 billion yuan (inclusive).

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

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

(13) Pensions

- A. (a) The Company and CS Bright Corporation have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and CS Bright Corporation contributes monthly an amount equal to 3.18% and 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and CS Bright Corporation would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and CS Bright Corporation will make contributions to cover the deficit.
 - (b) For the aforementioned pension plan, the Group recognised pension costs of \$2,411, \$2,605, \$7,230 and \$7,814 for the three months and nine months ended September 30, 2020 and 2019, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amount to \$9,132.
- 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 Tech (Suzhou) Co., Ltd. and Opto Plus Technology Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on certain percentage of employees' monthly salaries and wages. The above Mainland China subsidiaries' contribution percentage for the nine months ended September 30, 2020 and 2019 were both 14%. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under defined contribution pension plans of the Group for the three months and nine months ended September 30, 2020 and 2019 were \$8,770, \$9,433, \$27,158 and \$28,621, respectively.

(14) Provisions

<u>Warranty</u>	<u>2020</u>	<u>2019</u>
At January 1	\$ 24,017	\$ 34,229
Accrued during the period	6,324 (	1,123)
Used during the period	(7,449) (	7,827)
Exchange differences	(14)	185
At September 30	<u>\$ 22,878</u>	<u>\$ 25,464</u>

Analysis of total provisions:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current	<u>\$ 5,848</u>	<u>\$ 8,272</u>	<u>\$ 9,844</u>
Non-current	<u>\$ 17,030</u>	<u>\$ 15,745</u>	<u>\$ 15,620</u>

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

(15) Share capital

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

	(In thousands of shares)	
	<u>2020</u>	<u>2019</u>
At January 1	377,868	444,551
Capital reduction	-	(66,683)
At September 30	<u>377,868</u>	<u>377,868</u>

- B. On March 19, 2020, the Board of Directors of the Company adopted a resolution to raise additional cash through private placement by issuing the maximum 60,000 thousand common stocks or / and preferred stocks to fulfil the capital needs for strengthening the financial capacity, introducing strategic investors as proposed, maintaining the sustainable development and strengthening the competitiveness of the Company. The issuance was approved at the stockholders' meeting on June 16, 2020.
- C. On April 25, 2019, the Board of Directors proposed a capital reduction of 668,158 thousand, representing 66,816 thousand shares of outstanding shares whose ratio is around 15%. The capital reduction was resolved in the shareholders' meeting on June 13, 2019, and the Company submitted an application to FSC for registration. Subsequently, the Company obtained the registration of the capital reduction on July 18, 2019, with the effective date set on July 26, 2019. The return of the share payment has been completed on September 23, 2019.

D. Treasury stock

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

		(In thousands of shares)	
		September 30, 2020	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of Shares (thousand)</u>	<u>Carrying amount</u>
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	\$ <u>23,172</u>
		December 31, 2019	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of Shares (thousand)</u>	<u>Carrying amount</u>
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	\$ <u>23,172</u>
		September 30, 2019	
<u>Name of company holding the shares</u>	<u>Reason for reacquisition</u>	<u>Number of Shares (thousand)</u>	<u>Carrying amount</u>
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	\$ <u>23,172</u>

- (b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.
- (c) As abovementioned in item C, the number of shares of the Company held by the subsidiary-Ho Chung Investment Co., Ltd. was decreased by 133 thousand shares and the carrying

amount of the treasury stocks was decreased by \$1,331 as result of the capital reduction in the third quarter of 2019.

(16) 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.

(17) 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 2019 earnings as proposed by the Board of Directors on March 19, 2020 and the appropriation of 2018 earnings as resolved by the shareholders on June 13, 2019 are as follow:

	2019		2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 60,048		\$ 65,311	
Special reserve	(4,649)		8,392	
Cash dividends	378,623	\$ 1.00	222,719	\$ 0.50
Total	<u>\$ 434,022</u>		<u>\$ 296,422</u>	

At the stockholders' meeting on June 16, 2020, the stockholders amended the amount of dividend distribution: stockholders' cash dividends to \$0, for the proposed resolution of 2019 earnings appropriation, and the Board of Directors shall approve it in accordance with the resolution at the stockholders' meeting. However, as of November 6, 2020, the resolution has not yet been reapproved by the Board of Directors.

(18) Other equity items

	2020		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	(\$ 9,372)	\$ 288,841	\$ 279,469
Financial assets at fair value through other comprehensive income (loss)			
Revaluation - Group	- (	51,557)	(51,557)
Tax on revaluation	-	8,364	8,364
Revaluation transferred to retained earnings	- (	180)	(180)
Currency translation differences:			
-Group	(1,188)	-	(1,188)
-Associates	308	-	308
At September 30	<u>(\$ 10,252)</u>	<u>\$ 245,468</u>	<u>\$ 235,216</u>

	2019		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	\$ 2,021	\$ 251,355	\$ 253,376
Financial assets at fair value through other comprehensive income			
Revaluation - Group	-	(7,903)	(7,903)
Currency translation differences:			
-Group	(3,286)	-	(3,286)
-Associates	(96)	-	(96)
At September 30	(\$ 1,361)	\$ 243,452	\$ 242,091

(19) Operating revenue

	Three months ended September 30	
	2020	2019
Revenue from contracts with customers	\$ 1,665,499	\$ 1,546,639
	Nine months ended September 30	
	2020	2019
Revenue from contracts with customers	\$ 4,207,493	\$ 4,126,859

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

	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
	Three months ended September 30, 2020				
Revenue from external customer contracts	\$ 1,320,343	\$ 258,644	\$ 82,047	\$ 4,465	\$ 1,665,499
Three months ended September 30, 2019					
Revenue from external customer contracts	\$ 1,115,748	\$ 350,299	\$ 78,935	\$ 1,657	\$ 1,546,639
Nine months ended September 30, 2020					
Revenue from external customer contracts	\$ 3,250,155	\$ 740,617	\$ 204,038	\$ 12,683	\$ 4,207,493
Nine months ended September 30, 2019					
Revenue from external customer contracts	\$ 2,945,985	\$ 956,159	\$ 216,127	\$ 8,588	\$ 4,126,859

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	<u>January 1, 2019</u>
Contract liabilities:	\$ 51,903	\$ 30,360	\$ 32,843	\$ 40,808

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 1,116	\$ 1,685
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 12,441	\$ 30,644

(20) Interest income

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 1,719	\$ 3,318
Interest income from resale bonds	386	541
Other interest income	2	2
	<u>\$ 2,107</u>	<u>\$ 3,861</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 7,742	\$ 10,638
Interest income from resale bonds	1,250	1,466
Other interest income	107	280
	<u>\$ 9,099</u>	<u>\$ 12,384</u>

(21) Other income

	Three months ended September 30	
	2020	2019
Rent income	\$ 20	\$ 20
Dividend income	2,011	3,449
Other income	11,654	13,094
	<u>\$ 13,685</u>	<u>\$ 16,563</u>

	Nine months ended September 30	
	2020	2019
Rent income	\$ 60	\$ 60
Dividend income	14,454	20,051
Other income	26,828	32,897
	<u>\$ 41,342</u>	<u>\$ 53,008</u>

(22) Other gains and losses

	Three months ended September 30	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 28,340)	\$ -
Gain on disposal of investments	-	2,003
Net currency exchange loss	(8,505)	(2,576)
Net loss on financial assets and liabilities at fair value through profit or loss	(18)	(1,220)
Gain on lease termination	4	-
Others	(112)	(259)
Total	<u>(\$ 36,971)</u>	<u>(\$ 2,052)</u>

	Nine months ended September 30	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 28,340)	\$ -
Gain on disposal of investments	-	2,003
Net currency exchange (loss) gain	(7,885)	7,864
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	808	(853)
Gain on lease termination	4	-
Losses on disposals of property, plant and equipment	(35,585)	-
Others	(173)	(1,035)
Total	<u>(\$ 71,171)</u>	<u>\$ 7,979</u>

(23) Finance costs

	Three months ended September 30	
	2020	2019
Interest expense:		
Bank borrowings	\$ 5,529	\$ 7,843
Lease liabilities	1,081	1,161
Less: Capitalisation of qualifying assets	(253)	(306)
	6,357	8,698
Other financial costs	229	217
Total	\$ 6,586	\$ 8,915
	Nine months ended September 30	
	2020	2019
Interest expense:		
Bank borrowings	\$ 18,559	\$ 22,301
Lease liabilities	3,283	3,151
Less: Capitalisation of qualifying assets	(808)	(842)
	21,034	24,610
Other financial costs	902	909
Total	\$ 21,936	\$ 25,519

(24) Expenses by nature

	Three months ended September 30	
	2020	2019
Employee benefit expense	\$ 359,107	\$ 357,605
Depreciation on property, plant and equipment	112,373	116,223
Amortisation on intangible assets	3,931	3,011
Total	\$ 475,411	\$ 476,839
	Nine months ended September 30	
	2020	2019
Employee benefit expense	\$ 979,300	\$ 970,603
Depreciation on property, plant and equipment	345,909	355,773
Amortisation on intangible assets	11,104	9,184
Total	\$ 1,336,313	\$ 1,335,560

(25) Employee benefit expense

	Three months ended September 30	
	2020	2019
Wages and salaries	\$ 293,860	\$ 315,541
Termination benefits	22,625	-
Labor and health insurance fees	21,864	22,385
Pension costs	11,181	12,038
Other personnel expenses	9,577	7,641
	<u>\$ 359,107</u>	<u>\$ 357,605</u>
	Nine months ended September 30	
	2020	2019
Wages and salaries	\$ 832,836	\$ 846,872
Termination benefits	22,625	-
Labor and health insurance fees	66,512	66,617
Pension costs	34,388	36,435
Other personnel expenses	22,939	20,679
	<u>\$ 979,300</u>	<u>\$ 970,603</u>

- A. According to the Articles of Incorporation of the Company, if the Company has distributable profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors and supervisors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.
- B. For the three months and nine months ended September 30, 2020 and 2019, the employees' compensation was accrued at \$39,899, \$56,755, \$86,981 and \$112,648, respectively; directors' remuneration was accrued at \$13,300, \$20,351, \$28,994 and \$37,549, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 15% and 5%, respectively, of distributable profit of current period distributable as of the end of reporting period.
- C. For the three months and nine months ended September 30, 2020 and 2019, employees' compensation of the Company's subsidiary, CS Bright Corporation, was accrued at \$714, \$371 \$970 and \$1,324, respectively; while directors' and supervisors' remuneration was accrued at \$178, \$79, \$242 and \$397, respectively. The aforementioned amounts were recognised in salary expenses, which were accrued based on distributable profit of current year as of the end of reporting period. And for the nine months ended September 30, 2020, the subsidiary did not accrue employees' compensation and directors' remuneration; for the nine months ended September 30, 2019, the subsidiary accrued employees' compensation and directors'

remuneration at 12%, 3%, 10% and 3%, respectively.

D. Employees' compensation and directors' and supervisors' remuneration of 2019 as resolved by the Board of Directors are the same as the amount recognised in the consolidated financial statements.

E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the Board of Directors' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30	
	2020	2019
Current tax:		
Current tax on profits for the period	(\$ 1,195)	\$ 42,002
Tax on undistributed surplus earnings	-	-
Prior year income tax overestimation	-	-
Total current tax	(1,195)	42,002
Deferred tax:		
Origination and reversal of temporary differences	12,076	9,758
Income tax expense	\$ 10,881	\$ 51,760
	Nine months ended September 30	
	2020	2019
Current tax:		
Current tax on profit for the period	\$ 68,405	\$ 109,674
Tax on undistributed surplus earnings	8,323	30,236
Prior year income tax overestimation	(25,336)	(1,603)
Total current tax	51,392	138,307
Deferred tax:		
Origination and reversal of temporary differences	20,269	10,599
Income tax expense	\$ 71,661	\$ 148,906

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

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ <u>-</u>	\$ <u>-</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Changes in fair value of financial assets at fair value through other comprehensive income	\$ <u>8,364</u>	\$ <u>-</u>

B. As of September 30, 2020, the Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(27) Earnings per share

	<u>Three months ended September 30, 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	\$ 206,072	377,868	\$ <u>0.55</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	<u>-</u>	<u>3,757</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 206,072</u>	<u>381,625</u>	<u>\$ 0.54</u>

Three months ended September 30, 2019			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 197,854	396,713	<u>\$ 0.50</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	4,488	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 197,854</u>	<u>401,201</u>	<u>\$ 0.49</u>
Nine months ended September 30, 2020			
	<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	\$ 397,593	377,868	<u>\$ 1.05</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	6,754	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 397,593</u>	<u>384,622</u>	<u>\$ 1.03</u>

	Nine months ended September 30, 2019		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 459,539	428,430	<u>\$ 1.07</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	5,833	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 459,539</u>	<u>434,263</u>	<u>\$ 1.06</u>

(28) Supplemental cash flow information

Financing activities with no cash flow effects

	Nine months ended September 30	
	2020	2019
Distribution of cash dividends (shown as "other payables")	<u>\$ 378,623</u>	<u>\$ -</u>

(29) Changes in liabilities from financing activities

	2020				
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	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 activity	(25,406)	-	(15,414)	(87)	(40,907)
Interest payment	-	-	(3,283)	-	(3,283)
Increase in lease principal	-	-	5,971	-	5,971
Amortization of interest expenses	-	-	3,283	-	3,283
Decrease for the period	-	-	(469)	-	(469)
Impact of changes in foreign exchange rate	(486)	(14,784)	(28)	-	(15,298)
At September 30	<u>\$ 223,748</u>	<u>\$ 799,720</u>	<u>\$ 239,556</u>	<u>\$ 1,458</u>	<u>\$ 1,264,482</u>

2019

	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits	Dividends payable	Liabilities from financing activities-gross
At January 1	\$ 737,660	\$ 250,000	\$ 265,950	\$ 2,394	\$ -	\$ 1,256,004
Changes in cash flow from financing activity	(493,079)	580,695	(15,925)	(748)	(222,275)	(151,332)
Dividends declared	-	-	-	-	222,719	222,719
Adjustments to net difference of subsidiary book value	-	-	-	-	(444)	(444)
Interest payment	-	-	(3,151)	-	-	(3,151)
Increase in lease principal	-	-	4,804	-	-	4,804
Amortization of interest expenses	-	-	3,151	-	-	3,151
Impact of changes in foreign exchange rate	(3,041)	1,449	(6)	-	-	(1,598)
At September 30	\$ 241,540	\$ 832,144	\$ 254,823	\$ 1,646	\$ -	\$ 1,330,153

7. Related Party Transactions

(1) Names of related parties and relationship

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

Note 1: This company was the director of the Company and stepped down after the re-election at the stockholders' meeting on June 16, 2020.

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

(2) Significant transactions and balances with related parties

A. Operating revenue:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
Associates	\$ 59	\$ 15,915
Other related parties	59,276	97,127
Total	<u>\$ 59,335</u>	<u>\$ 113,042</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Sales of goods:		
Associates	\$ 59	\$ 115,344
Other related parties	189,743	246,440
Total	<u>\$ 189,802</u>	<u>\$ 361,784</u>

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the nine months ended September 30, 2020 and 2019, the credit term for the related parties was 45 ~136 days. Some related parties adopt the method of shipping after receiving the payment. The credit term was 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
Other related parties	\$ 53,960	\$ 56,663
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
Other related parties	\$ 165,246	\$ 193,314

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the nine months ended September 30, 2020 and 2019, the credit term was 60 ~ 120 days for the related parties, and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Receivables from related parties:			
Other related parties	<u>\$ 32,397</u>	<u>\$ 32,788</u>	<u>\$ 53,478</u>

D. Accounts payable:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Payables to related parties:			
Other related parties	\$ <u>74,093</u>	\$ <u>78,691</u>	\$ <u>94,113</u>
Other payables			
Other related parties	\$ <u>-</u>	\$ <u>-</u>	\$ <u>210</u>

E. Advance receipts

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other related parties	\$ <u>63</u>	\$ <u>-</u>	\$ <u>-</u>

F. Property transactions

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of property, plant and equipment:		
Other related parties	\$ <u>-</u>	\$ <u>459</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Acquisition of property, plant and equipment:		
Other related parties	\$ <u>-</u>	\$ <u>459</u>

G. Lease

(a) Rent expense

	<u>Three months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>600</u>	\$ <u>600</u>
	<u>Nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>
Other related parties	\$ <u>1,800</u>	\$ <u>1,800</u>

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

(b) Lease liabilities

(i) Outstanding balance:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Other related parties	\$ <u>5,096</u>	\$ <u>6,815</u>	\$ <u>7,382</u>

(ii) Interest expense

	Three months ended September 30	
	2020	2019
Other related parties	\$ 25	\$ 35
	Nine months ended September 30	
	2020	2019
Other related parties	\$ 82	\$ 112

(3) Key management compensation

	Three months ended September 30	
	2020	2019
Salaries and other short-term employee benefits	\$ 29,829	\$ 33,511
Post-employment benefits	113	115
Total	\$ 29,942	\$ 33,626
	Nine months ended September 30	
	2020	2019
Salaries and other short-term employee benefits	\$ 63,434	\$ 70,773
Post-employment benefits	331	343
Total	\$ 63,765	\$ 71,116

8. Pledged Assets

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

Pledged assets	Book value			Purpose of pledge	
	September 30, 2020	December 31, 2019	September 30, 2019	Creditor Bank	Type
Restricted assets- Time deposits, (shown as "other current assets")	\$ 22,810	\$ 22,810	\$ 40,310	Chang Hwa Commercial Bank Far Eastern International Bank	Land lease and dormitory lease deposits

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) As of September 30, 2020, the guarantees provided by the Group through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Far Eastern International Bank	Warranty	\$ 19,450
Chang Hwa Commercial Bank	Customs duty	10,000
Chang Hwa Commercial Bank	Warranty	3,360
Mega International Commercial Bank	"	20,868
Taipei Fubon Commercial Bank	"	2,055
Taishin International Bank	Borrowing	101,955
		\$ 157,688

(2) As of September 30, 2020, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	12,078
JPY	16,192
USD	676

(3) Operating lease commitments:
Please refer to Note 6(8).

(4) As of September 30, 2020, the promissory notes issued by the Company and CS Bright Corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to \$4,862,574.

(5) As of September 30, 2020, the capital expenditure contracted but not yet incurred is \$42,440.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

(1) The Company acquired land located in Xinzhuang Sec., Hsinchu City from non-related parties for considerations amounting to \$188,707 and \$206,500 on October 5 and October 15, 2020, respectively, after the assessment that the land is valuable for investment and can be subsequently planned for its own use based on the operational needs. The counterparties were different in the two transactions which were discussed and approved at the meeting of the managing directors based on the Procedures for Acquisition and Disposal of Assets, and considered by the Audit Committee and ratified by the Board of Directors on November 6, 2020.

(2) On November 6, 2020, the Board of Director of the Company has resolved to repurchase 7,500 thousand common stocks to be transferred to its employees with the maximum amount of \$3,103,739 thousand. The repurchase shall be completed in the period from November 9, 2020 to January 8, 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 September 30, 2020, December 31, 2019 and September 30, 2019, the gearing ratios were (40.45%), (36.24%) and (25.91%), respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 376,945	\$ 276,168	\$ 276,427
Financial assets at fair value through other comprehensive income	870,036	925,373	863,643
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	3,109,626	2,997,465	2,532,739
Notes receivable	6,239	13,051	16,621
Accounts receivable-net (including related parties)	1,944,419	1,447,951	1,782,862
Other accounts receivable	27,726	19,011	22,026
Guarantee deposits paid	14,561	16,547	22,645
Other financial assets	22,810	22,810	40,310
	<u>\$ 6,372,362</u>	<u>\$ 5,718,376</u>	<u>\$ 5,557,273</u>
<u>Financial liabilities</u>			
Financial liabilities mandatorily measured at fair value through profit or loss	\$ -	\$ 31	\$ -
Financial liabilities at amortised cost			
Short-term borrowings	223,748	249,640	241,540
Notes payable	341	6	2,792
Accounts payable (including related parties)	663,461	729,758	714,318
Other accounts payable	1,060,747	548,988	591,152
Long-term borrowings (including current portion)	799,720	814,504	832,144
Guarantee deposits received	1,458	1,545	1,646
	<u>\$ 2,749,475</u>	<u>\$ 2,344,472</u>	<u>\$ 2,383,592</u>
Lease liabilities	<u>\$ 239,556</u>	<u>\$ 249,496</u>	<u>\$ 254,823</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, 2019.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange

contracts, transacted with Group treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

- iii. As the foreign operations are strategic investments, the Company does not hedge for them.
 iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2020		Nine months ended September 30, 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	\$ 56,861	29.05	\$ 1,651,812	1%	\$ 16,518	\$ - (\$ 20,020)
JPY : TWD	274,904	0.2736	75,214	1%	752	- (402)
CNY : TWD	28,797	4.244	122,214	1%	1,222	- 1,058
USD : CNY (Note)	1,113	6.8224	32,271	1%	323	- 167
<u>Non-monetary items: None.</u>						
(Foreign currency: functional currency)						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 30,522	29.15	\$ 889,716	1%	(\$ 8,897)	\$ - \$ 17,672
JPY : TWD	325,582	0.2776	90,382	1%	(904)	- 257
USD : CNY (Note)	43	6.8224	1,247	1%	(12)	- (617)
<u>Non-monetary items: None.</u>						

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

	September 30, 2019			Nine months ended September 30, 2019			
				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	\$ 48,636	30.98	\$ 1,506,743	1%	\$ 15,067	\$ -	(\$ 7,961)
JPY : TWD	360,451	0.2854	102,873	1%	1,029	-	(937)
CNY : TWD	22,456	4.3290	97,212	1%	972	-	(2,402)
USD : CNY (Note)	310	7.1268	9,619	1%	96	-	(933)
<u>Non-monetary items:</u> None.							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 25,806	31.08	\$ 802,050	1%	(\$ 8,021)	\$ -	\$ 4,168
JPY : TWD	418,235	0.2894	121,037	1%	(1,210)	-	2,607
USD : CNY (Note)	32	7.1268	993	1%	(10)	-	3
<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 nine months ended September 30, 2020 and 2019 would have increased/decreased by \$24,184 and \$19,143, 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 \$94,088 and \$94,426 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Interest rate risk

- i. The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. During the nine months ended September 30, 2020 and 2019, the Group's borrowings at floating rate were denominated in TWD, USD and JPY.
- ii. At September 30, 2020 and 2019, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the nine months ended September 30, 2020 and 2019 would have been \$6,106 and \$6,442 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and

- equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as operating activities, including outstanding receivables.
- ii. The Group adopts following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition : If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - iii. The default occurs when the contract payments are past due over 180 days for distributors and 360 days for other customers, respectively.
 - iv. The Group classifies customers' accounts receivable, in accordance with credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
 - v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
 - vi. The Group used historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of September 30, 2020, December 31, 2019 and September 30, 2019, the loss rate methodology is as follows:

	Individual	Group	Total
<u>At September 30, 2020</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 1,072	\$ 1,960,297	\$ 1,961,369
Loss allowance	\$ 1,072	\$ 9,639	\$ 10,711
<u>At December 31, 2019</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ -	\$ 1,482,823	\$ 1,482,823
Loss allowance	\$ -	\$ 21,821	\$ 21,821
<u>At September 30, 2019</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 15,845	\$ 1,806,790	\$ 1,822,635
Loss allowance	\$ 15,845	\$ 7,307	\$ 23,152

- vi. As at September 30, 2020, December 31, 2019 and September 30, 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was \$1,950,658, \$1,461,002 and \$1,799,483, respectively.
- vii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2020</u>	<u>2019</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 21,821	\$ 50,443
(Provision) Reversal of impairment loss	5,178 (	104)
Write-offs	(16,288)	(27,543)
Effect of foreign exchange	-	356
At September 30	<u>\$ 10,711</u>	<u>\$ 23,152</u>

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

(c) Liquidity risk

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

<u>September 30, 2020</u>	<u>Less than</u>	<u>Between</u>	<u>Between</u>	<u>Between</u>	<u>Over 5</u>
<u>Non-derivative financial</u>	<u>1 year</u>	<u>1 and 2</u>	<u>2 and 3</u>	<u>3 and 5</u>	<u>years</u>
<u>liabilities:</u>		<u>years</u>	<u>years</u>	<u>years</u>	<u>years</u>
Short-term borrowings	\$ 224,119	\$ -	\$ -	\$ -	\$ -
Notes payable	341	-	-	-	-
Accounts payable (including related parties)	663,461	-	-	-	-
Lease liabilities	23,485	22,458	19,508	35,135	172,495
Other payables	1,060,747	-	-	-	-
Long-term borrowings (including current portion)	74,486	730,511	-	-	-

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

<u>September 30, 2019</u>	<u>Less than</u>	<u>Between</u>	<u>Between</u>	<u>Between</u>	<u>Over 5</u>
<u>Non-derivative financial</u>	<u>1 year</u>	<u>1 and 2</u>	<u>2 and 3</u>	<u>3 and 5</u>	<u>years</u>
<u>liabilities:</u>					
Short-term borrowings	\$ 241,540	\$ -	\$ -	\$ -	\$ -
Notes payable	2,792	-	-	-	-
Accounts payable (including related parties)	714,318	-	-	-	-
Lease liabilities	24,787	21,767	7,510	35,535	190,063
Other payables (including related parties)	591,152	-	-	-	-
Long-term borrowings (including current portion)	22,976	84,772	734,991	-	-

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

C. 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 September 30, 2020, December 31, 2019 and September 30, 2019 is as follows:

September 30, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 269,977	\$ -	\$ -	\$ 269,977
Equity securities	-	-	106,853	106,853
Forward exchange contract	-	115	-	115
Financial assets at fair value through other comprehensive income	<u>70,844</u>	<u>-</u>	<u>799,192</u>	<u>870,036</u>
Total	<u>\$ 340,821</u>	<u>\$ 115</u>	<u>\$ 906,045</u>	<u>\$ 1,246,981</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 169,315	\$ -	\$ -	\$ 169,315
Equity securities	-	-	106,853	106,853
Financial assets at fair value through other comprehensive income	<u>80,760</u>	<u>-</u>	<u>844,613</u>	<u>925,373</u>
Total	<u>\$ 250,075</u>	<u>\$ -</u>	<u>\$ 951,466</u>	<u>\$ 1,201,541</u>
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ 31</u>
September 30, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 169,068	\$ -	\$ -	\$ 169,068
Equity securities	-	-	106,899	106,899
Forward exchange contract	-	460	-	460
Financial assets at fair value through other comprehensive income	<u>80,616</u>	<u>-</u>	<u>783,027</u>	<u>863,643</u>
Total	<u>\$ 249,684</u>	<u>\$ 460</u>	<u>\$ 889,926</u>	<u>\$ 1,140,070</u>

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

- 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.
- 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.
- 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.
- E. For the nine months ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- F. The following chart is the movement of Level 3 financial instruments of equity securities for the nine months ended September 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
At January 1	\$ 951,466	\$ 889,926
Sold in the period	(3,600)	-
Losses recognised in other comprehensive income	(41,821)	-
At September 30	<u>\$ 906,045</u>	<u>\$ 889,926</u>

- G. For the nine months ended September 30, 2020 and 2019, there was no transfer into or out from Level 3.
- H. 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.

I. 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 September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 799,192	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.
	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 841,013	Market comparable companies	Price to earnings ratio multiple	0.75~1.21	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	25%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,853	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 889,926	Market comparable companies	Price to earnings ratio multiple	0.82~1.20	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	17.72%~27.90%	The higher the discount for lack of marketability, the lower the fair value.

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

		September 30, 2020				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ 1,274	(\$ 1,274)	\$ 13,874	(\$ 13,874)
December 31, 2019						
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ 1,274	(\$ 1,274)	\$ 14,571	(\$ 14,571)
September 30, 2019						
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ 1,151	(\$ 1,151)	\$ 15,106	(\$ 15,106)

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2).
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 8.

(4) Information on major shareholders

Please refer to table 9.

14. SEGMENT INFORMATION

(1) General information

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, 2019.

(2) Segment information

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

	Three months ended September 30, 2020				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	<u>\$ 1,320,343</u>	<u>\$ 258,644</u>	<u>\$ 82,047</u>	<u>\$ 4,465</u>	<u>\$ 1,665,499</u>
Segment income (loss)	<u>\$ 263,635</u>	<u>(\$ 12,535)</u>	<u>\$ 7,014</u>	<u>(\$ 41,160)</u>	<u>\$ 216,954</u>
	Three months ended September 30, 2019				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	<u>\$ 1,115,748</u>	<u>\$ 350,299</u>	<u>\$ 78,935</u>	<u>\$ 1,657</u>	<u>\$ 1,546,639</u>
Segment income (loss)	<u>\$ 207,778</u>	<u>\$ 38,879</u>	<u>\$ 10,491</u>	<u>(\$ 7,533)</u>	<u>\$ 249,615</u>
	Nine months ended September 30, 2020				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	<u>\$ 3,250,155</u>	<u>\$ 740,617</u>	<u>\$ 204,038</u>	<u>\$ 12,683</u>	<u>\$ 4,207,493</u>
Segment income (loss)	<u>\$ 514,410</u>	<u>(\$ 6,516)</u>	<u>\$ 9,063</u>	<u>(\$ 47,702)</u>	<u>\$ 469,255</u>
	Nine months ended September 30, 2019				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	<u>\$ 2,945,985</u>	<u>\$ 956,159</u>	<u>\$ 216,127</u>	<u>\$ 8,588</u>	<u>\$ 4,126,859</u>
Segment income (loss)	<u>\$ 439,971</u>	<u>\$ 150,510</u>	<u>\$ 17,470</u>	<u>\$ 499</u>	<u>\$ 608,450</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
Loans to others
For the nine months ended September 30, 2020

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2020	Balance at September 30, 2020	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 4)	Remark
													Item	Value			
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables	Yes	\$ 64,448	\$ 23,479	\$ 23,479	-	1	\$ 175,384	None	-	None	-	\$ 175,384	\$ 31,816	

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

(1)The Company is "0".

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

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

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

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

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

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

Opto Tech Corporation and subsidiaries
Provision of endorsements and guarantees to others
For the nine months ended September 30, 2020

Table 2

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2020	Outstanding endorsement/ guarantee amount at September 30, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements /	Remark
			Relationship with the endorser/ guarantor (Note 2)		to the party in Mainland China									
0	Opto Tech Corp.	CS Bright Corp.	3	\$ 1,447,914	\$ 30,000	\$ 30,000	\$ -	\$ -	0.41%	\$ 3,619,786	Y	N	N	-
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	3	1,447,914	130,656	102,025	92,852	-	1.41%	3,619,786	Y	N	Y	-

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

(1) The Company is "0".

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

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

(1) Having business relationship.

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

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

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

(5) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(6) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: 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) \$7,239,572 thousand dollars × 20% = \$1,447,914 thousand dollars.

(2) \$7,239,572 thousand dollars × 50% = \$3,619,786 thousand dollars.

Opto Tech Corporation and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
September 30, 2020

Table 3

Expressed in thousands of TWD

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2020				Remark
					Number of shares	Book value	Ownership (%)	Fair value	
Opto Tech Corp.	Stock	AXT, Inc.	None.	Financial assets at fair value through profit or loss	124,100	\$ -	-	\$ -	Note
"	"	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	Financial assets at fair value through other comprehensive income	10,000	745,172	0.45	745,172	None
"	"	Viking Tech Corporation.	None.	"	2,873,994	70,844	2.45	70,844	None
"	"	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	13,808,725	106,853	6.38	106,853	None
"	"	Giga Epitaxy Technology Corp.	The Company is the director of this company.	Financial assets at fair value through other comprehensive income	4,950,491	13,801	15.00	13,801	None
"	"	Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company.	"	2,000,000	40,219	10.00	40,219	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	17,468	0.20	17,468	None
Opto Tech Corp.	Fund	Franklin Templeton Sinoam Money Market fund	None.	"	9,247,290	96,341	None	96,341	None
"	"	Taishin 1699 Money Market fund	None.	"	2,280,623	31,094	None	31,094	None
"	"	FSITC Taiwan Money Market fund	None.	"	4,022,602	62,026	None	62,026	None
"	"	Jih Sun Money Market fund	None.	"	5,391,133	80,516	None	80,516	None

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

Company Name

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

For the nine months ended September 30, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Opto Tech Corp.	Nichia Corp.	This company's subsidiary is the director of the Company.	sales	(\$ 153,929)	(3.84%)	45days	The unit prices are the same with third parties.	-	\$ 24,417	1.29%	none

Opto Tech Corporation and subsidiaries
 Significant inter-company transactions during the reporting period
 For the nine months ended September 30, 2020

Table 5

Expressed in thousands of TWD

Number (Note1)	Company name	Counterparty (Note2)	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets (Note3)
				General ledger account	Amount (Note5)	Transaction terms	
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Other receivables-related party	\$ 23,479	-	0.22%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Sales	135,031	Note 4	3.21%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Accounts receivable	19,087	Note 4	0.18%

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

(1)Parent company is "0".

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

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

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

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

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

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

Opto Tech Corporation and subsidiaries
Information on investees
For the nine months ended September 30, 2020

Table 6

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
				Balance as of September 30, 2020	Balance as of December 31, 2019	Number of shares	Ownership (%)	Book value			
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding	\$ 443,110	\$ 443,110	14,000,000	100.00	\$ 56,220	\$ 904	\$ 904	Subsidiary of the Company
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	258,348	258,348	1,298,800	100.00	23,097 (	2,349) (	387)	Subsidiary of the Company
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	-	4,096	-	-	- (	3,132) (	3,132)	Subsidiary of the Company · Note1
Opto Tech Corp.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays,SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	156,284	1,295	1,293	Subsidiary of the Company
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25.00	5,485 (	1,495) (	374)	Investment accounted for using equity method
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	171,332	5,100,000	100.00	34,254	2,395	10,199	Indirect subsidiary
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50.00	40,984	4,818	2,409	Indirect subsidiary
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding	-	294,360	-	-	- (	598) (	598)	Indirect subsidiary · Note2
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Investment business	148,910	148,910	5,000,000	50.00	40,984	4,818	2,409	Indirect subsidiary

Note1: Opto Tech (Macao) Co., Ltd. was dissolved on September 29, 2020.

Note2: Opto Tech (Cayman) Co., Ltd. was dissolved on September 16, 2020.

Opto Tech Corporation and subsidiaries
Information on investments in Mainland China
For the nine months ended September 30, 2020

Table 7

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of January 1, 2020	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of September 30, 2020	Net income of investee for the nine months ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income	Book value of	Accumulated	Remark
										(loss) recognised by the Company for the nine months ended September 30, 2020 (Note 2)	investments in Mainland China as of September 30, 2020	amount of investment income remitted back to Taiwan as of September 30, 2020	
Opto Tech (Suzhou) Co., Ltd.(Note3)	Research, Design and Manufacture of LED Display, Wireless Communication Equipment and related parts	\$ 294,708	(2)	\$ 294,708	\$ -	\$ -	\$ 294,708	\$ -	100.00%	\$ -	\$ -	\$ -	-
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	4,818	99.94%	4,815	81,967	-	-

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 auditors of the parent company for the corresponding periods.

Note 3: The liquidation was completed on December 19, 2019.

Investments in Mainland China for the nine months ended September 30, 2020:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Investment amount approved by the	Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	\$ 612,049	\$ 612,557	\$ 4,343,743	

Opto Tech Corporation and its subsidiaries

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

For the nine months ended September 30, 2020

Table 8

Expressed in thousands of TWD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				Others
	Amount	%	Amount	%	Balance at September 30, 2020	%	Balance at September 30, 2020	Purpose	Maximum balance during the nine months ended September 30, 2020	Balance at September 30, 2020	Interest rate	Interest during nine months ended September 30, 2020	
Opto Plus Technology Co., Ltd.	\$ 13,548	0.32	\$ -	-	\$ 5,523	0.28	\$ 102,025	Guarantee of bank line of credit	\$ -	\$ -	-	\$ -	None
Opto Plus Technology Co., Ltd.	(135,031)	(7.97)	-	-	(19,087)	(2.88)	-	-	64,448	23,479	-	-	None

Opto Tech Corporation and its subsidiaries

Major shareholders information

September 30, 2020

Table 9

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

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

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

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

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

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