

**OPTO TECH CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Opto Tech Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Opto Tech Corporation and subsidiaries (the "Group") as at September 30, 2021 and 2020, 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 the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Basis for qualified conclusion

As explained in Notes 4(3)B and 6(7), the amounts and information of the financial statements of insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Those statements reflect total assets of NT\$874,360 thousand and NT\$413,405 thousand, constituting 7.14% and 3.88% of the consolidated total assets, and total liabilities of NT\$167,320 thousand and NT\$163,957 thousand, constituting 5.66% and 4.82% of the consolidated total liabilities as of September 30, 2021 and 2020, and total comprehensive income (including income and loss of the associates accounted for using the equity method) of NT\$2,602 thousand and NT\$2,620

thousand, for the three months ended September 30, 2021 and 2020, respectively, and NT\$31,677 and NT(\$947) for the nine months ended September 30, 2021 and 2020, constituting 1.07%, 1.29%, 4.52% and (0.27%) 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, 2021 and 2020, 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 the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Chiang, Tsai-Yen

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

Nov 3, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report 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, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets	Notes	September 30, 2021		December 31, 2020		September 30, 2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	\$ 3,513,944	29	\$ 3,100,161	29	\$ 3,109,626	29
Financial assets at fair value through profit or loss - current	6(2)	682,606	6	320,419	3	270,092	3
Current financial assets at amortised cost, net	6(3) and 8	911,238	7	22,810	-	22,810	-
Notes receivable, net	6(5)	2,846	-	8,873	-	6,239	-
Accounts receivable - net	6(5)	1,516,024	12	1,634,913	16	1,912,022	18
Accounts receivable - related parties - net	6(5) and 7	36,977	-	16,880	-	32,397	-
Other receivables		14,427	-	20,218	-	27,726	-
Inventories - net	6(6)	1,072,575	9	1,155,589	11	1,126,555	11
Prepayments		68,351	1	24,202	-	39,021	1
Other current assets		3,412	-	2,435	-	1,332	-
Current Assets		7,822,400	64	6,306,500	59	6,547,820	62
Total current assets							
Financial assets at fair value through profit or loss - non-current	6(2)	106,990	1	106,990	1	106,853	1
Financial assets at fair value through other comprehensive income or loss - non-current	6(4)	806,846	7	783,998	7	870,036	8
Investments accounted for using equity method	6(7)	73,145	1	5,394	-	5,485	-
Property, plant and equipment - net	6(8) and 7	2,598,161	21	2,705,133	26	2,755,733	26
Right-of-use assets	6(9)	220,195	2	236,135	2	239,861	2
Investment property, net	6(10)	399,307	3	399,307	4	-	-
Intangible assets	6(11)	15,610	-	14,318	-	15,219	-
Deferred tax assets		41,035	-	48,337	1	63,315	1
Other non-current assets	6(31) and 7	166,214	1	35,315	-	38,712	-
Total non-current assets		4,427,503	36	4,334,927	41	4,095,214	38
Total assets		\$ 12,249,903	100	\$ 10,641,427	100	\$ 10,643,034	100

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity	Notes	September 30, 2021		December 31, 2020		September 30, 2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term loans	6(12)	\$ 341,071	3	\$ 230,758	2	\$ 223,748	2
Financial liabilities at fair value through profit or loss - current	6(2)	77	-	799	-	-	-
Notes payable		-	-	1,757	-	341	-
Accounts payable		727,507	6	665,926	6	589,368	5
Accounts payable - related parties	7	45,112	-	51,920	1	74,093	1
Other payables	6(13) and 7	682,584	6	619,042	6	1,060,747	10
Current income tax liabilities		172,667	1	25,969	-	69,676	1
Provisions for liabilities - current	6(17)	6,850	-	4,033	-	5,848	-
Current lease liabilities	7	19,048	-	19,560	-	19,340	-
Long-term liabilities, current portion	6(14)	484,536	4	62,960	1	63,409	1
Other current liabilities	6(22) and 7	31,120	-	50,840	-	57,065	-
Current Liabilities		<u>2,510,572</u>	<u>20</u>	<u>1,733,564</u>	<u>16</u>	<u>2,163,635</u>	<u>20</u>
Non-current liabilities							
Long-term loans	6(14)	-	-	748,555	7	736,311	7
Provisions for liabilities - non-current	6(17)	19,341	-	18,808	-	17,030	-
Deferred tax liabilities		43,375	-	42,986	1	73,231	1
Non-current lease liabilities	7	202,581	2	216,706	2	220,216	2
Other non-current liabilities		180,696	2	187,482	2	189,396	2
Total non-current liabilities		<u>445,993</u>	<u>4</u>	<u>1,214,537</u>	<u>12</u>	<u>1,236,184</u>	<u>12</u>
Total liabilities		<u>2,956,565</u>	<u>24</u>	<u>2,948,101</u>	<u>28</u>	<u>3,399,819</u>	<u>32</u>
Equity attributable to owners of parent							
Capital	6(18)						
Common stock		4,386,228	36	3,786,228	35	3,786,228	35
Capital Reserve	6(19)						
Capital surplus		1,489,822	12	703,108	7	702,965	7
Retained Earnings	6(20)						
Legal reserve		786,944	6	729,360	7	729,360	7
Special reserve		2,423	-	3,743	-	3,743	-
Unappropriated earnings		2,465,649	20	2,361,920	22	1,805,232	17
Other Equity Adjustments	6(21)						
Other equity interest		213,592	2	187,351	2	235,216	2
Treasury stocks	6(16)(18)						
Treasury stocks		(54,954)	-	(82,021)	(1)	(23,172)	-
Equity attributable to owners of parent		<u>9,289,704</u>	<u>76</u>	<u>7,689,689</u>	<u>72</u>	<u>7,239,572</u>	<u>68</u>
Non-controlling interest		3,634	-	3,637	-	3,643	-
Total equity		<u>9,293,338</u>	<u>76</u>	<u>7,693,326</u>	<u>72</u>	<u>7,243,215</u>	<u>68</u>
Significant contingent liabilities and unrecognised contract commitments	9						
Significant events after the balance sheet date	11						
Total liabilities and equity		<u>\$ 12,249,903</u>	<u>100</u>	<u>\$ 10,641,427</u>	<u>100</u>	<u>\$ 10,643,034</u>	<u>100</u>

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

OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(22) and 7	\$ 1,809,464	100	\$ 1,665,499	100	\$ 4,776,743	100	\$ 4,207,493	100
Operating costs	6(6)(16)(27)								
	(28) and 7	(1,193,330)	(66)	(1,169,623)	(70)	(3,216,059)	(67)	(3,003,369)	(71)
Gross profit, net		616,134	34	495,876	30	1,560,684	33	1,204,124	29
Operating expenses	6(16)(27)(28)								
Selling expenses		(34,336)	(2)	(30,595)	(2)	(89,411)	(2)	(91,082)	(2)
General and administrative expenses		(201,569)	(11)	(138,428)	(8)	(530,323)	(11)	(350,805)	(9)
Research and development expenses		(45,939)	(3)	(84,283)	(5)	(102,874)	(2)	(244,764)	(6)
Expected credit gain (loss) on financial assets	12(2)	24	-	2,700	-	(2,136)	-	(5,178)	-
Total operating expenses		(281,820)	(16)	(250,606)	(15)	(724,744)	(15)	(691,829)	(17)
Operating profit		334,314	18	245,270	15	835,940	18	512,295	12
Non-operating income and expenses									
Interest income	6(23)	1,835	-	2,107	-	6,659	-	9,099	-
Other income	6(24)	11,096	1	13,685	1	29,045	-	41,342	1
Other gains and losses	6(25)	(9,655)	(1)	(36,971)	(2)	2,293	-	(71,171)	(2)
Finance costs	6(26)	(4,065)	-	(6,586)	(1)	(14,191)	-	(21,936)	-
Share of loss of associates and joint ventures accounted for under equity method	6(7)	(2,266)	-	(551)	-	(1,971)	-	(374)	-
Total non-operating income and expenses		(3,055)	-	(28,316)	(2)	21,835	-	(43,040)	(1)
Profit before income tax		331,259	18	216,954	13	857,775	18	469,255	11
Income tax expense	6(29)	(84,392)	(5)	(10,881)	(1)	(182,853)	(4)	(71,661)	(2)
Net income		\$ 246,867	13	\$ 206,073	12	\$ 674,922	14	\$ 397,594	9

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)									
Items that will not be reclassified to profit or loss									
Unrealised gains (losses) on valuation of financial assets at fair value through other comprehensive (loss) income	6(4)(21)	(\$ 3,162)	-	(\$ 3,305)	-	\$ 22,848	1	(\$ 51,557)	(1)
Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss	6(29)	-	-	-	-	-	-	8,364	-
Total other comprehensive (loss) income that will not be reclassified to profit or loss, net of tax		(3,162)	-	(3,305)	-	22,848	1	(43,193)	(1)
Items that will be reclassified to profit or loss									
Currency translation differences of foreign operations	6(21)	(189)	-	851	-	3,666	-	(1,187)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	6(7)(21)	(117)	-	269	-	(278)	-	308	-
Total other comprehensive income(loss) that will be reclassified to profit or loss, net of tax		(306)	-	1,120	-	3,388	-	(879)	-
Other comprehensive (loss) income that will be reclassified to profit or loss, net of tax									
		(\$ 3,468)	-	(\$ 2,185)	-	\$ 26,236	1	(\$ 44,072)	(1)
Total comprehensive income for the period									
		\$ 243,399	13	\$ 203,888	12	\$ 701,158	15	\$ 353,522	8
Profit, attributable to:									
Owners of the parent		\$ 246,867	13	\$ 206,072	12	\$ 674,920	14	\$ 397,593	9
Non-controlling interest		-	-	1	-	2	-	1	-
		\$ 246,867	13	\$ 206,073	12	\$ 674,922	14	\$ 397,594	9
Total comprehensive income (loss) attributable to:									
Owners of the parent		\$ 243,399	13	\$ 203,886	12	\$ 701,161	15	\$ 353,520	8
Non-controlling interest		-	-	2	-	(3)	-	2	-
		\$ 243,399	13	\$ 203,888	12	\$ 701,158	15	\$ 353,522	8
Earnings per share									
Profit for the period	6(30)	\$ 0.62		\$ 0.55		\$ 1.78		\$ 1.05	
Diluted earnings per share									
Profit for the period	6(30)	\$ 0.62		\$ 0.54		\$ 1.75		\$ 1.03	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

Equity attributable to owners of the parent												
	Note	Retained Earnings					Other equity interest			Non-controlling interest	Total equity	
		Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks			Total
<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(4)(21)	-	-	-	-	-	(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(20)											
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(4)	-	-	-	-	180	-	(180)	-	-	-	-
Balance at September 30, 2020		\$ 3,786,228	\$ 702,965	\$ 729,360	\$ 3,743	\$ 1,805,232	(\$ 10,252)	\$ 245,468	(\$ 23,172)	\$ 7,239,572	\$ 3,643	\$ 7,243,215
<u>Nine months ended September 30, 2021</u>												
Balance at January 1, 2021		\$ 3,786,228	\$ 703,108	\$ 729,360	\$ 3,743	\$ 2,361,920	(\$ 4,063)	\$ 191,414	(\$ 82,021)	\$ 7,689,689	\$ 3,637	\$ 7,693,326
Net income for the period		-	-	-	-	674,920	-	-	-	674,920	2	674,922
Other comprehensive income (loss) for the period	6(4)(21)	-	-	-	-	-	3,393	22,848	-	26,241	(5)	26,236
Total comprehensive income(loss)		-	-	-	-	674,920	3,393	22,848	-	701,161	(3)	701,158
Capital surplus changes in ownership interests in subsidiaries	4(3)	-	(4,105)	-	-	-	-	-	-	(4,105)	-	(4,105)
Distribution of 2020 earnings:	6(20)											
Legal reserve		-	-	57,584	-	(57,584)	-	-	-	-	-	-
Special reserve		-	-	-	(1,320)	1,320	-	-	-	-	-	-
Cash dividends		-	-	-	-	(514,927)	-	-	-	(514,927)	-	(514,927)
Proceeds from issuance of shares	6(18)	600,000	775,800	-	-	-	-	-	-	1,375,800	-	1,375,800
Stock repurchased	6(18)	-	-	-	-	-	-	-	(162,408)	(162,408)	-	(162,408)
Treasury shares transferred to employees	6(18)	-	13,968	-	-	-	-	-	189,475	203,443	-	203,443
Other changes in capital surplus:												
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	6(19)	-	1,051	-	-	-	-	-	-	1,051	-	1,051
Balance at September 30, 2021		\$ 4,386,228	\$ 1,489,822	\$ 786,944	\$ 2,423	\$ 2,465,649	(\$ 670)	\$ 214,262	(\$ 54,954)	\$ 9,289,704	\$ 3,634	\$ 9,293,338

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 857,775	\$ 469,255
Adjustments			
Income and expenses having no effect on cash flows			
Expected credit losses on financial assets	12(2)	2,136	5,178
Depreciation	6(8)(9)(27)	342,218	345,909
Amortization	6(11)(27)	13,634	11,104
Net profit on financial assets and liabilities at fair value through profit or loss	6(2)(25)	(1,934)	(808)
Interest income	6(23)	(6,659)	(9,099)
Dividend income	6(24)	(18,763)	(14,454)
Loss on disposal of property, plant and equipment	6(25)	239	28,340
Interest expense	6(26)	13,290	21,034
Share of profit of associates accounted for using equity method	6(7)	1,971	374
Gain on lease termination	6(8)(25)	-	(4)
Impairment loss on non-financial assets	6(7)(23)	-	35,585
Share-based payments	6(16)	105,473	-
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		(360,975)	(100,000)
Notes receivable - net		6,027	6,812
Accounts receivable - net		116,753	(502,037)
Accounts receivable - related parties - net		(20,097)	391
Other receivables		6,133	(12,610)
Inventories - net		83,014	113,143
Current prepayments		(44,149)	6,081
Other current assets		(977)	2,117
Other non-current assets		5,914	1,553
Net changes in liabilities relating to operating activities			
Notes payable		(1,757)	335
Accounts payable		61,581	(61,699)
Accounts payable - related parties		(6,808)	(4,598)
Other payables		64,323	133,900
Other current liabilities		(19,720)	21,559
Provisions for liabilities		3,350	(1,125)
Net defined benefit liability		(8,897)	(11,926)
Cash inflow generated from operations		1,193,095	484,310
Interest received		6,317	9,777
Dividends received		18,763	17,671
Interest paid		(14,071)	(21,798)
Income tax paid		(28,465)	(79,258)
Net cash flows from operating activities		<u>1,175,639</u>	<u>410,702</u>

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Financial assets at amortised cost	6(3)	(\$ 888,428)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(4)	-	3,780
Increase in investments accounted for using the equity method	6(7)	(70,000)	-
Acquisition of property, plant and equipment	6(8)(31)	(346,156)	(239,891)
Proceeds from disposal of property, plant and equipment		139	-
Acquisition of intangible assets	6(11)	(14,926)	(12,094)
(Increase)decrease in deposits-out		(10,609)	1,986
Net cash flows used in investing activities		(1,329,980)	(246,219)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(32)	596,941	496,465
Decrease in short-term loans	6(32)	(485,807)	(521,871)
Decrease in long-term loans	6(32)	(322,862)	-
Repayments of principal portion of lease liabilities	6(32)	(14,746)	(15,414)
Decrease in guarantee deposits	6(32)	2,111	(87)
Stock repurchased	6(18)	(162,408)	-
Proceeds from issuance of shares	6(18)	1,375,800	-
Cash dividends paid	6(20)	(513,876)	-
Treasury shares transferred to employees	6(18)	97,970	-
Net cash flows from (used in) financing activities		573,123	(40,907)
Effect of change in exchange rate		(4,999)	(11,415)
Net increase in cash and cash equivalents		413,783	112,161
Cash and cash equivalents at beginning of period		3,100,161	2,997,465
Cash and cash equivalents at end of period		\$ 3,513,944	\$ 3,109,626

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, 2021 AND 2020

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

(Reviewed, not audited)

1. HISTORY AND ORGANIZATION

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

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were reported to the Board of Directors on November 3, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021 (Note)

Note : Earlier application from January 1, 2021 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 2022 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 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

Except for the following, 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 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 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

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

(3) Basis of consolidation

- A. The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2020.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
Opto Tech Corp.	Ho Chung Investment Co., Ltd. (Ho Chung Investment)	Investment business	100.00	100.00	100.00	Notes 1&7
Opto Tech Corp.	Opto Technology International Group Co., Ltd. (OTIG)	Holding company	-	-	100.00	Notes 2&7
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trade	-	-	-	Notes 3&7
Opto Tech Corp.	CS Bright Corporation(CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	Note 4&7
Opto Tech Corp.	Everyung Investment Ltd.(Everyung)	Holding company	50.00	50.00	-	Note 2&7
Opto Tech Corp.	Bright Investment International Ltd. (Bright)	Holding company	100.00	-	-	Note 4&7
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Investment business	100.00	100.00	-	Note 5&7
Opto Tech Corp.	Opto System Technologies Inc.	Manufacture and sales of lighting equipment	100.00	-	-	Note 6&7
OTIG	Opto Tech (Cayman) Co., Ltd. (Opto (Cayman))	Holding company	-	-	-	Note 2&7
OTIG	Everyung Investment Ltd. (Everyung)	Holding company	-	-	50.00	Note 2&7
CSB	Bright Investment International Ltd. (Bright)	Holding company	-	100.00	100.00	Note 4&7
Bright	Everyung Investment Ltd. (Everyung)	Holding company	50.00	50.00	50.00	Note 7
Everyung	Opto Plus Technology Co., Ltd. (Opto Plus)	Manufacture and sales of LED and electronic products	100.00	100.00	100.00	Note 7

Note 1: Ho Chung Investment has been continuously acquiring the Company's common stock amounting to 755 thousand shares (after capital reduction amounting to 352 thousand shares) from 1998 to 2000. It holds about 0.2% of the Company's outstanding common stock.

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

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

Note 4: The Board of Directors of the Company resolved the liquidation of foreign subsidiary, CS Bright Corporation (CSB), on September 10, 2020. The effective date was set on December 31, 2020, and the liquidation is still in process. The share equity of Bright Investment International Ltd. which was held by CSB had been transferred to the Company on April 22, 2021.

Note 5: The subsidiary - Dongzhen Asset Co., Ltd. is a wholly-owned subsidiary established by the Company on November 25, 2020, and has been included in the consolidated financial statements since the date of acquisition.

Note 6: The subsidiary - Opto System Technologies Inc. is a wholly-owned subsidiary established by the Company on September 16, 2021, and has been included in the consolidated financial statements since the date of acquisition.

Note 7: The financial statements of the entity as of and for the nine months ended September 30, 2021 and 2020 were not reviewed by 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, 2021. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2020.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Cash on hand	\$ 168	\$ 341	\$ 470
Checking accounts and demand deposits	1,388,444	677,614	716,583
Time deposits	1,964,332	2,064,206	1,872,573
Cash equivalents - Resale bonds	<u>161,000</u>	<u>358,000</u>	<u>520,000</u>
Total	<u>\$ 3,513,944</u>	<u>\$ 3,100,161</u>	<u>\$ 3,109,626</u>

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

B. Cash and cash equivalents all amounting to \$22,810 were pledged to others as collateral for the leases of land and dormitory as of September 30, 2021, December 31, 2020 and September 30, 2020, and were classified as financial assets at amortised cost. Please refer to Notes 6(3) and 8 for the details.

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

Items	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Funds	\$ 565,000	\$ 315,000	\$ 265,000
Listed stocks	146,730	-	-
Valuation adjustment			
Funds	6,094	5,248	4,977
Forward exchange contracts	-	171	115
Equity instruments	(35,218)	-	-
Total	<u>\$ 682,606</u>	<u>\$ 320,419</u>	<u>\$ 270,092</u>
Financial liabilities mandatorily measured at fair value through profit and loss			
Forward exchange contracts	(<u>\$ 77</u>)	(<u>\$ 799</u>)	<u>\$ -</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Unlisted stocks	\$ 127,048	\$ 127,048	\$ 127,048
Valuation adjustment	(20,058)	(20,058)	(20,195)
Total	<u>\$ 106,990</u>	<u>\$ 106,990</u>	<u>\$ 106,853</u>

A. The Group recognised net gain (loss) of (\$16,919), (\$18), \$1,934 and \$808 on financial assets and financial liabilities held for trading for the three months and nine months ended September 30, 2021 and 2020, respectively.

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

Derivative Instruments	September 30, 2021	
	Contract Amount (Nominal Principal)	Contract period
Liabilities-Current items:		
Forward exchange contracts	USD \$ <u>2,000</u> (thousands)	September 29, 2021~ October 14, 2021

			December 31, 2020	
Derivative Instruments	Contract Amount (Nominal Principal)		Contract period	
Assets - Current items:				
Forward exchange contracts	USD	\$ <u>2,000</u> (thousands)	December 1, 2020~ January 21, 2021	
Liabilities-Current items:				
Forward exchange contracts	USD	\$ <u>3,000</u> (thousands)	December 21, 2020~ January 26, 2021	
			September 30, 2020	
Derivative Instruments	Contract Amount (Nominal Principal)		Contract period	
Assets-Current items:				
Forward exchange contracts	USD	\$ <u>1,000</u> (thousands)	September 25, 2020~ October 20, 2020	

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

C. The Group has no financial assets at fair value through 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 amortised cost

Items	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Time deposits with maturity over three months	\$ 888,428	\$ -	\$ -
Restricted time deposit	<u>22,810</u>	<u>22,810</u>	<u>22,810</u>
	<u>\$ 911,238</u>	<u>\$ 22,810</u>	<u>\$ 22,810</u>

A. The Group recognised interest income of \$633, \$19, \$1,024 and \$75 for financial assets at amortised cost for the three months and nine months ended September 30, 2021 and 2020, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

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

<u>Items</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Non-current items:			
Equity instruments			
Listed stocks	\$ 73,574	\$ 73,574	\$ 73,574
Unlisted stocks	<u>477,809</u>	<u>477,809</u>	<u>477,809</u>
Subtotal	551,383	551,383	551,383
Valuation adjustment	<u>255,463</u>	<u>232,615</u>	<u>318,653</u>
Total	<u>\$ 806,846</u>	<u>\$ 783,998</u>	<u>\$ 870,036</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 \$806,846, \$783,998 and \$870,036 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- C. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- D. 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:

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instrument at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	(\$ <u>3,162</u>)	(\$ <u>3,305</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>\$ 8,419</u>	<u>\$ 2,011</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Equity instrument at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income (loss)	\$ <u>22,848</u>	(\$ <u>43,193</u>)
Cumulative gains reclassified to retained earnings due to recognition	<u>\$ -</u>	<u>\$ 180</u>
Dividend income recognised in profit or loss Held at end of period	<u>\$ 18,763</u>	<u>\$ 14,454</u>

(5) Notes and accounts receivable

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable	\$ 2,846	\$ 8,873	\$ 6,239
Accounts receivable	1,524,197	1,642,933	1,922,733
Accounts receivable - related parties	36,977	16,880	32,397
Less : Allowance for uncollectible accounts	(8,173)	(8,020)	(10,711)
	<u>\$ 1,555,847</u>	<u>\$ 1,660,666</u>	<u>\$ 1,950,658</u>

As of September 30, 2021, December 31, 2020 and September 30, 2020, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2020, the balance of receivables from contracts with customers amounted to \$ 1,482,823.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Without past due	\$ 1,544,599	\$ 1,618,397	\$ 1,895,214
Up to 180 days	8,402	34,823	52,740
181 to 360 days	6,273	4,771	4,252
Over 361 days	1,900	1,822	2,924
	<u>\$ 1,561,174</u>	<u>\$ 1,659,813</u>	<u>\$ 1,955,130</u>

The ageing analysis was based on past due date.

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Without past due	<u>\$ 2,846</u>	<u>\$ 8,873</u>	<u>\$ 6,239</u>

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

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

(6) Inventories

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Raw materials	\$ 267,789	\$ 196,857	\$ 204,890
Supplies	273,297	252,103	256,320
Work in process	299,100	261,112	319,268
Semi-finished goods	114,988	88,817	82,746
Finished goods	117,401	356,700	263,331
Total	<u>\$ 1,072,575</u>	<u>\$ 1,155,589</u>	<u>\$ 1,126,555</u>

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

	Three months ended September 30	
	2021	2020
Cost of goods sold	\$ 1,198,233	\$ 1,130,953
(Gain on reversal) loss on decline in market value	(4,903)	38,670
	<u>\$ 1,193,330</u>	<u>\$ 1,169,623</u>
	Nine months ended September 30	
	2021	2020
Cost of goods sold	\$ 3,229,570	\$ 2,902,813
(Gain on reversal) loss on decline in market value	(13,511)	100,556
	<u>\$ 3,216,059</u>	<u>\$ 3,003,369</u>

B. For the three months and nine months ended September 30, 2021, because of the rise of the Group's product price, the net realised value was reversed and recognised as reduction of cost of goods sold.

C. For the three months and nine months ended September 30, 2021 and 2020, the Group wrote down inventory from cost to net realisable value accounted for as 'cost of goods sold'.

(7) Investments accounted for using equity method

	2021	2020
At January 1	\$ 5,394	\$ 8,768
Share of profit of investment accounted for using equity method	(1,971)	(374)
Earnings distribution of investments accounted for using equity method	-	(3,217)
Increase in investment cost (transferred from prepayments for investments)	70,000	-
Change in other equity items (Note 6(20))	(278)	308
At September 30	<u>\$ 73,145</u>	<u>\$ 5,485</u>

Associated enterprises	September 30, 2021	December 31, 2020	September 30, 2020
NEW SMART TECHNOLOGY CO., LTD.	\$ 67,752	\$ -	\$ -
VML TECHNOLOGIES B.V.	5,393	5,394	5,485
	<u>\$ 73,145</u>	<u>\$ 5,394</u>	<u>\$ 5,485</u>

(8) Property, plant and equipment

2021

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,041,199	\$ 5,444,530	\$ 1,050,132	\$ 707,319	\$ 13,288	\$ 81,650	\$ 1,937,717	\$ 114,523	\$ 11,390,358
Accumulated depreciation	(1,193,941)	(4,277,941)	(931,593)	(597,978)	(8,104)	(69,172)	(1,570,993)	-	(8,649,722)
Accumulated impairment	(59)	(35,388)	-	-	-	(19)	(37)	-	(35,503)
	<u>\$ 847,199</u>	<u>\$ 1,131,201</u>	<u>\$ 118,539</u>	<u>\$ 109,341</u>	<u>\$ 5,184</u>	<u>\$ 12,459</u>	<u>\$ 366,687</u>	<u>\$ 114,523</u>	<u>\$ 2,705,133</u>
<u>Nine months ended September 30</u>									
Opening net book amount	\$ 847,199	\$ 1,131,201	\$ 118,539	\$ 109,341	\$ 5,184	\$ 12,459	\$ 366,687	\$ 114,523	\$ 2,705,133
Additions	419	5,950	3,026	1,640	-	2,322	5,788	200,807	219,952
Disposals	-	(246)	-	-	-	(133)	-	-	(379)
Reclassifications	-	76,565	10,545	21,540	-	9,983	14,846	(133,479)	-
Depreciation expense	(44,113)	(206,743)	(14,677)	(11,361)	(1,023)	(4,553)	(43,710)	-	(326,180)
Net exchange differences	(315)	(51)	-	-	1	-	-	-	(365)
Closing net book amount	<u>\$ 803,190</u>	<u>\$ 1,006,676</u>	<u>\$ 117,433</u>	<u>\$ 121,160</u>	<u>\$ 4,162</u>	<u>\$ 20,078</u>	<u>\$ 343,611</u>	<u>\$ 181,851</u>	<u>\$ 2,598,161</u>
At September 30									
Cost	\$ 2,040,756	\$ 5,421,431	\$ 1,063,703	\$ 730,500	\$ 13,284	\$ 89,181	\$ 1,958,352	\$ 181,851	\$ 11,499,058
Accumulated depreciation	(1,237,507)	(4,379,367)	(946,270)	(609,340)	(9,122)	(69,084)	(1,614,704)	-	(8,865,394)
Accumulated impairment	(59)	(35,388)	-	-	-	(19)	(37)	-	(35,503)
	<u>\$ 803,190</u>	<u>\$ 1,006,676</u>	<u>\$ 117,433</u>	<u>\$ 121,160</u>	<u>\$ 4,162</u>	<u>\$ 20,078</u>	<u>\$ 343,611</u>	<u>\$ 181,851</u>	<u>\$ 2,598,161</u>

2020

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1									
Cost	\$ 2,028,554	\$ 5,625,019	\$ 1,118,047	\$ 717,932	\$ 8,703	\$ 78,865	\$ 1,949,344	\$ 116,824	\$ 11,643,288
Accumulated depreciation	(1,135,179)	(4,381,982)	(974,309)	(594,031)	(7,337)	(66,858)	(1,567,562)	-	(8,727,258)
Accumulated impairment	(59)	(6,742)	-	-	-	(19)	(83)	-	(6,903)
	<u>\$ 893,316</u>	<u>\$ 1,236,295</u>	<u>\$ 143,738</u>	<u>\$ 123,901</u>	<u>\$ 1,366</u>	<u>\$ 11,988</u>	<u>\$ 381,699</u>	<u>\$ 116,824</u>	<u>\$ 2,909,127</u>
<u>Nine months ended September 30</u>									
Opening net book amount	\$ 893,316	\$ 1,236,295	\$ 143,738	\$ 123,901	\$ 1,366	\$ 11,988	\$ 381,699	\$ 116,824	\$ 2,909,127
Additions	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>

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

	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Amount capitalised	\$ <u>159</u>	\$ <u>808</u>
Interest rate	<u>0%~0.53%</u>	<u>0.24%~1.38%</u>

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%.

(9) Leasing arrangements — lessee

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

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

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 212,000	\$ 223,498	\$ 227,276
Buildings	2,897	4,635	5,214
Transportation equipment (Business Vehicles)	3,621	5,400	6,063
Office equipment (Internet equipment)	1,677	2,602	1,308
	<u>\$ 220,195</u>	<u>\$ 236,135</u>	<u>\$ 239,861</u>

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 3,829	\$ 3,829
Buildings	579	782
Transportation equipment (Business Vehicles)	628	760
Office equipment (Internet equipment)	308	230
	<u>\$ 5,344</u>	<u>\$ 5,601</u>

	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 11,487	\$ 11,486
Buildings	1,738	2,346
Transportation equipment (Business Vehicles)	1,888	2,663
Office equipment (Internet equipment)	925	692
	<u>\$ 16,038</u>	<u>\$ 17,187</u>

C. For the three months and nine months ended September 30, 2021 and 2020, the additions to right-of-use assets amounted to \$0, \$3,708, \$109 and \$5,971, respectively.

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

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,012	\$ 1,081
Expense on short-term lease contracts	\$ 2,005	\$ 2,735
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 3,092	\$ 3,283
Expense on short-term lease contracts	\$ 7,034	\$ 8,031

E. For the three months and nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases amounted to \$7,986, \$8,698, \$24,872 and \$26,728, 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.

(10) Investment property

	<u>2021</u>
	<u>Land</u>
At January 1 (September 30)	\$ 399,307

September 30, 2020: None.

A. On September 30, 2021, the fair value of investment properties was \$410,640, which was based on the market evidence on transaction price of similar property and publicly announced present value. On December 31, 2020, the fair value of investment properties was \$410,640, which was based on the valuation results from independent appraisers.

B. The Group has no investment properties pledged to others.

(11) Intangible assets

	2021	2020
	<u>Software</u>	<u>Software</u>
At January 1		
Cost	\$ 40,624	\$ 38,298
Accumulated amortisation	(26,306)	(24,069)
	<u>\$ 14,318</u>	<u>\$ 14,229</u>
<u>Nine months ended September 30</u>		
Opening net book amount	\$ 14,318	\$ 14,229
Additions	14,926	12,094
Amortisation expense	(13,634)	(11,104)
Closing net book amount	<u>\$ 15,610</u>	<u>\$ 15,219</u>
At September 30		
Cost	\$ 39,378	\$ 37,539
Accumulated amortisation	(23,768)	(22,320)
	<u>\$ 15,610</u>	<u>\$ 15,219</u>

Details of amortisation on intangible assets are as follows:

	<u>Three months ended September 30</u>	
	2021	2020
Operating costs	\$ 2,252	\$ 1,143
Operating expenses	2,328	2,788
Total	<u>\$ 4,580</u>	<u>\$ 3,931</u>
	<u>Nine months ended September 30</u>	
	2021	2020
Operating costs	\$ 6,917	\$ 3,262
Operating expenses	6,717	7,842
Total	<u>\$ 13,634</u>	<u>\$ 11,104</u>

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Unsecured bank borrowings	\$ 341,071	\$ 230,758	\$ 223,748
Interest rate range	<u>0.53%~5%</u>	<u>0.51%~5.25%</u>	<u>0.51%~5.25%</u>

(13) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Salaries and bonus payable	\$ 199,570	\$ 186,138	\$ 133,077
Compensation payable to employees	160,923	115,354	198,174
Remuneration payable to directors	53,696	38,410	65,854
Dividends payable	-	-	378,623
Others	268,395	279,140	285,019
Total	<u>\$ 682,584</u>	<u>\$ 619,042</u>	<u>\$ 1,060,747</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Credit line</u>	<u>Period</u>	<u>Interest rate range</u>	<u>September 30, 2021</u>
Syndicated borrowings with four financial institutions including China Trust Commercial Bank(Unsecured)	\$ 1,200,000	2019.02.20~ 2022.02.20	1.0797%~ 1.797%	\$ 484,536
Less: Current portion (shown as “Other current liabilities”)				(<u>484,536</u>)
				<u>\$ -</u>

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

<u>Type of borrowings</u>	<u>Credit line</u>	<u>Period</u>	<u>Interest rate range</u>	<u>September 30, 2020</u>
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 current liabilities”)				(<u>63,409</u>)
				<u>\$ 736,311</u>

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

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

(15) Pensions

- A. (a) The Company and CS Bright Corporation have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and CS Bright Corporation contribute monthly an amount equal to 2.68% and 3.18% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$1,710, \$2,411, \$5,130 and \$7,230 for the three months and nine months ended September 30, 2021 and 2020, respectively.
 - (c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to \$8,059.

- B. (a) Effective July 1, 2005, the Company and its CS Bright Corporation established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and CS Bright Corporation contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiary, Opto Plus Technology Co., Ltd., has defined contribution plans. Monthly contributions to an administered by the government in accordance with the pension regulations in the People’s Republic of China (P.R.C.) are based on certain percentage of employees’ monthly salaries and wages. The above Mainland China subsidiaries’ contribution percentage for both the nine months ended September 30, 2021 and 2020 was 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, 2021 and 2020 were \$8,451, \$8,770, \$25,367 and \$27,158, respectively.

(16) Share-based payment

- A. For the nine months ended September 30, 2021, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Treasury stock transferred to employees	2021.07.20	7,588	-	Vested immediately

Transfer restriction is no transfer within two years.

The grant date is the date that the number of shares subscribable by employees is confirmed by the Company.

- B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Treasury stock transferred to employees	110.07.20	31.6	12.95	40.63%	0.01~0.02years	-	0.1241%	13.91

C. Expenses incurred on share-based payment transactions are shown below:

	<u>Nine months ended September 30</u>
Equity-settled	<u>\$ 105,473</u>

For the nine months ended September 30, 2020: None.

(17) Provisions

<u>Warranty</u>	<u>2021</u>	<u>2020</u>
At January 1	\$ 22,841	\$ 24,017
Accrued during the period	7,835	6,324
Used during the period	(4,485)	(7,449)
Exchange differences	-	(14)
At September 30	<u>\$ 26,191</u>	<u>\$ 22,878</u>

Analysis of total provisions:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Current	<u>\$ 6,850</u>	<u>\$ 4,033</u>	<u>\$ 5,848</u>
Non-current	<u>\$ 19,341</u>	<u>\$ 18,808</u>	<u>\$ 17,030</u>

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

(18) Share capital

A. As of September 30, 2021, the Company's authorized capital was \$10,000,000, consisting of 1,000,000 thousand shares of common stock, and the paid-in capital was \$4,386,228, consisting of 438,623 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, 2021 and 2020 are as follows:

	(In thousands of shares)	
	<u>2021</u>	<u>2020</u>
At January 1	375,541	377,868
Cash capital increase	60,000	-
Purchase of treasury shares	(6,566)	-
Treasury stock transferred to employees	7,588	-
At September 30	<u>436,563</u>	<u>377,868</u>

B. In accordance with paragraph 7, Article 43-6 of Securities and Exchange Act, private placements of securities can be conducted subsequently within one year after the date that shareholders made their resolution as approved by the Board of Directors on March 18, 2021, which has not yet been approved at the shareholders' meeting. Taking into consideration capital market condition, the Company discontinued the private replacement of securities as approved by the shareholders in 2020.

C. To meet the strategic cooperation needs of the Company's long-term development, strengthen the Company's competitiveness and introduce strategic investors, the Company raised additional cash by issuing 60 million new shares at the price of \$22.93 (in dollars) per share, totaling \$1,375,800 as approved by the Board of Directors on July 1, 2021. All proceeds from shares issued have been collected. Pursuant to the Securities and Exchange Act, the ordinary shares raised through the private placement are subject to certain transfer restrictions and cannot be listed on the stock exchange until three years after they have been issued and have been offered publicly. Other than these restrictions, the rights and obligations of the ordinary shares raised through the private placement are the same as other issued ordinary shares. The effective date for the aforesaid cash capital increase was set on August 30, 2021, the registration was completed on September 9, 2021.

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, 2021	
Name of company holding the shares	Reason for reacquisition	Number of Shares	Carrying amount
The Company	For transfer of shares to employees	1,305	\$ 31,782
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	23,172
		<u>2,060</u>	<u>\$ 54,954</u>

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of Shares	Carrying amount
The Company	For transfer of shares to employees	2,327	\$ 58,849
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	23,172
		<u>3,082</u>	<u>\$ 82,021</u>

		September 30, 2020	
Name of company holding the shares	Reason for reacquisition	Number of Shares	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	\$ 23,172

- (b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.
- (c) On November 6, 2020, the Board of Directors of the Company approved to repurchase the Company's common shares and transfer them to employees. The Company expected to repurchase 7,500,000 shares with an upper limit of cash amount of \$3,103,739. As of January 8, 2021, the final date of repurchase period, the Company repurchased 4,294 thousand shares for a total consideration of \$109,251.
- (d) On January 8, 2021, the Board of Directors of the Company approved to repurchase the Company's common shares and transfer to employees. The Company expected to repurchase 7,500,000 shares with an upper limit of cash amount of \$3,482,361. As of March 10, 2021, the final date of repurchase period, the Company repurchased 4,599 thousand shares for a total consideration of \$112,006.
- (e) The Company passed a resolution at the shareholders' meeting on July 1, 2021 to transfer treasury shares to employees at a price lower than the average price of the shares actually bought back. The transfer price was set at \$12.95 (in dollars) per share and approved by the Board of Directors on the same day, and will buy back shares to transfer to employees. The regulations stipulate that 8,893 thousand shares of treasury shares shall be transferred to employees. (The actual number of treasury shares transferred was 7,588 thousand shares.)
- (f) Pursuant to R.O.C. Securities and Exchange Act, the number of shares bought back as treasury shares should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and raised capital surplus.
- (g) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (h) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares not be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.

(19) 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.

	2021			
	Share premium	Treasury share transactions	Long-term investments	Employee stock options
At January 1	\$ 373,792	\$ 60,256	\$ 82,760	\$ 186,300
Cash capital increase	775,800	-	-	-
Changes in ownership interests in subsidiaries	-	-	(4,105)	-
Treasury stock transferred to employees	-	13,968	-	-
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	-	1,051	-
At September 30	<u>\$ 1,149,592</u>	<u>\$ 74,224</u>	<u>\$ 79,706</u>	<u>\$ 186,300</u>

	2020				
	Share premium	Treasury share transactions	Long-term investments	Employee stock options	Total
At January 1/ September 30	<u>\$ 373,792</u>	<u>\$ 60,256</u>	<u>\$ 82,617</u>	<u>\$ 186,300</u>	<u>\$ 702,965</u>

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be distributed as follows:
- Offset prior years' operating losses.
 - 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated legal reserve equals the total capital of the Company.
 - Special reserve set aside in accordance with relevant laws or regulations or as required for operations.
 - Aside from some of accumulated unappropriated retained earnings that 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.
 - 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 is in excess of 25% of the Company's paid-in capital.

- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- E. The appropriation of 2020 earnings as resolved by the Board of Directors on July 1, 2021 and the appropriation of 2019 earnings as resolved by the shareholders on June 16, 2020 are as follows:

	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 57,584		\$ 60,048	
Reversal of special reserve	(1,320)		(4,649)	
Cash dividends	<u>514,927</u>	\$ 1.39	<u>-</u>	\$ -
Total	<u>\$ 571,191</u>		<u>\$ 55,399</u>	

- (a) The distribution of cash dividends in 2020 was approved by the Company's Board of Directors on March 18, 2021. The statutory surplus reserve and the special surplus reserve were approved at the general meeting of shareholders on July 1, 2021. There was no difference between the surplus distribution in 2020 and the Company's approval by the Board of Directors on March 18, 2021. For the surplus distribution approved by the Board of Directors and resolutions of the shareholders' meeting, please refer to the Market Observation Post System for further information.
- (b) On March 19, 2020, the Board of Directors of the Company resolved the appropriation of earnings and expected to distribute cash dividends of \$378,623 with \$1 per share. On June 16, 2020, shareholders proposed an amendment, "shareholders' bonus – cash" is \$0, for the proposed resolution of 2019 earnings appropriation, which means that cash dividends will be distributed at \$0 per share. The Board of Directors shall subsequently distribute dividends following the resolution of shareholders. Consequently, the Company's Board of Directors resolved the amendments to the appropriation of earnings on December 18, 2020 and no cash dividend will be distributed. Please refer to the website of Market Observation Post System for information about appropriation of earnings which was approved by the Board of Directors and resolved by shareholders.

(21) Other equity items

	2021		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	(\$ 4,063)	\$ 191,414	\$ 187,351
Financial assets at fair value through other comprehensive income(loss)			
Revaluation - Group	-	22,848	22,848
Currency translation differences:			
-Group	3,671	-	3,671
-Associates	(278)	-	(278)
At September 30	(\$ 670)	\$ 214,262	\$ 213,592

	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	(\$ 10,252)	\$ 245,468	\$ 235,216

(22) Operating revenue

	Three months ended September 30	
	2021	2020
Revenue from contracts with customers	\$ 1,809,464	\$ 1,665,499
	Nine months ended September 30	
	2021	2020
Revenue from contracts with customers	\$ 4,776,743	\$ 4,207,493

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, 2021					
Revenue from external contracts customers	\$ <u>1,412,934</u>	\$ <u>291,896</u>	\$ <u>104,634</u>	\$ <u>-</u>	\$ <u>1,809,464</u>
Three months ended September 30, 2020					
Revenue from external contracts customers	\$ <u>1,320,343</u>	\$ <u>258,644</u>	\$ <u>82,047</u>	\$ <u>4,465</u>	\$ <u>1,665,499</u>
Nine months ended September 30, 2021					
Revenue from external contracts customers	\$ <u>3,948,376</u>	\$ <u>590,700</u>	\$ <u>237,667</u>	\$ <u>-</u>	\$ <u>4,776,743</u>
Nine months ended September 30, 2020					
Revenue from external contracts customers	\$ <u>3,250,155</u>	\$ <u>740,617</u>	\$ <u>204,038</u>	\$ <u>12,683</u>	\$ <u>4,207,493</u>

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

	September 30, 2021	December 31, 2020	September 30, 2020	January 1, 2020
Contract liabilities	\$ <u>21,500</u>	\$ <u>44,086</u>	\$ <u>51,903</u>	\$ <u>30,360</u>
			<u>Three months ended September 30</u>	
			<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period			\$ <u>8,944</u>	\$ <u>1,116</u>
			<u>Nine months ended September 30</u>	
			<u>2021</u>	<u>2020</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period			\$ <u>40,838</u>	\$ <u>12,441</u>

(23) Interest income

	Three months ended September 30	
	2021	2020
Interest income from bank deposits	\$ 1,730	\$ 1,719
Interest income from resale bonds	104	386
Other interest income	1	2
	<u>\$ 1,835</u>	<u>\$ 2,107</u>
	Nine months ended September 30	
	2021	2020
Interest income from bank deposits	\$ 6,118	\$ 7,742
Interest income from resale bonds	534	1,250
Other interest income	7	107
	<u>\$ 6,659</u>	<u>\$ 9,099</u>

(24) Other income

	Three months ended September 30	
	2021	2020
Rental income	\$ 20	\$ 20
Dividend income	8,419	2,011
Other income	2,657	11,654
	<u>\$ 11,096</u>	<u>\$ 13,685</u>
	Nine months ended September 30	
	2021	2020
Rental income	\$ 60	\$ 60
Dividend income	18,763	14,454
Other income	10,222	26,828
	<u>\$ 29,045</u>	<u>\$ 41,342</u>

(25) Other gains and losses

	Three months ended September 30	
	2021	2020
Gain on disposals of property, plant and equipment	(\$ 182)	(\$ 28,340)
Net currency exchange gain (loss)	7,894	(8,505)
Net loss on financial assets and liabilities at fair value through profit or loss	(16,619)	(18)
Gain on lease termination	-	4
Others	(748)	(112)
Total	<u>(\$ 9,655)</u>	<u>(\$ 36,971)</u>

	Nine months ended September 30	
	2021	2020
Loss on disposals of property, plant and equipment	(\$ 239)	(\$ 28,340)
Net currency exchange gain (loss)	1,782	(7,885)
Net gain on financial assets and liabilities at fair value through profit or loss	1,934	808
Impairment loss on disposal of property, plant and	-	(35,585)
Gain on lease termination	-	4
Others	(1,184)	(173)
Total	<u>\$ 2,293</u>	<u>(\$ 71,171)</u>

(26) Finance costs

	Three months ended September 30	
	2021	2020
Interest expense:		
Bank borrowings	\$ 2,857	\$ 5,529
Lease liabilities	1,012	1,081
Less: Capitalisation of qualifying assets	(20)	(253)
	3,849	6,357
Other financial costs	216	229
Total	<u>\$ 4,065</u>	<u>\$ 6,586</u>

	Nine months ended September 30	
	2021	2020
Interest expense:		
Bank borrowings	\$ 10,357	\$ 18,559
Lease liabilities	3,092	3,283
Less: Capitalisation of qualifying assets	(159)	(808)
	13,290	21,034
Other financial costs	901	902
Total	<u>\$ 14,191</u>	<u>\$ 21,936</u>

(27) Expenses by nature

	Three months ended September 30	
	2021	2020
Employee benefit expense	\$ 465,958	\$ 359,107
Depreciation on property, plant and equipment	113,294	112,373
Amortisation on intangible assets	4,580	3,931
Total	<u>\$ 583,832</u>	<u>\$ 475,411</u>

	Nine months ended September 30	
	2021	2020
Employee benefit expense	\$ 1,138,045	\$ 979,300
Depreciation on property, plant and equipment	342,218	345,909
Amortisation on intangible assets	13,634	11,104
Total	<u>\$ 1,493,897</u>	<u>\$ 1,336,313</u>

(28) Employee benefit expense

	Three months ended September 30	
	2021	2020
Wages and salaries	\$ 429,753	\$ 293,860
Termination benefits	-	22,625
Labor and health insurance fees	21,242	21,864
Pension costs	10,161	11,181
Other personnel expenses	4,802	9,577
	<u>\$ 465,958</u>	<u>\$ 359,107</u>

	Nine months ended September 30	
	2021	2020
Wages and salaries	\$ 1,027,846	\$ 832,836
Termination benefits	-	22,625
Labor and health insurance fees	63,953	66,512
Pension costs	30,497	34,388
Other personnel expenses	15,749	22,939
	<u>\$ 1,138,045</u>	<u>\$ 979,300</u>

A. According to the Articles of Incorporation of the Company, if the Company has profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation. The shareholders' meeting on July 1, 2021 approved the amendment to the Company's Articles of Incorporation, and revised the employee remuneration ratio to 10%~20% based on profitability, and the directors' remuneration ratio to no more than 10%.

- B. For the three months and nine months ended September 30, 2021 and 2020, employees' compensation was accrued at \$62,111, \$39,899, \$160,716 and \$86,981, respectively; directors' remuneration was accrued at \$20,704, \$13,300, \$53,572 and \$28,994, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based both on 15% and 5%.
- C. For the three months and nine months ended September 30, 2021, the Company's subsidiary, CS Bright Corporation, was liquidated. Therefore, remuneration for directors and employees is not estimated. For the three months and nine months ended September 30, 2020, employees' compensation of the Company's subsidiary, CS Bright Corporation, was accrued at \$714 and \$970, respectively; while directors' and supervisors' remuneration was accrued at \$178 and \$242, 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 accrued employees' compensation and directors' remuneration at 12% and 3%, respectively.
- D. For the three months and nine months ended September 30, 2021, employees' compensation of the Company's subsidiary, Dongzhen Asset Co., Ltd., was accrued both at \$207; while directors' remuneration was accrued both at \$124.
- E. Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors are the same as the amount recognised in the consolidated financial statements.
- F. Information about employees' compensation and directors' remuneration of the Company as resolved at the Board of Directors' meeting will be posted in the Market Observation Post System at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 81,168	(\$ 1,195)
Tax on undistributed surplus earnings	232	-
Prior year income tax underestimation	-	-
Total current tax	81,400	(1,195)
Deferred tax:		
Origination and reversal of temporary differences	2,992	12,076
Income tax expense	\$ 84,392	\$ 10,881

	Nine months ended September 30	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 173,596	\$ 68,405
Tax on undistributed surplus earnings	232	8,323
Prior year income tax underestimation	1,335	(25,336)
Total current tax	<u>175,163</u>	<u>51,392</u>
Deferred tax:		
Origination and reversal of temporary differences	7,690	20,269
Income tax expense	<u>\$ 182,853</u>	<u>\$ 71,661</u>

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

	Three months ended September 30	
	2021	2020
Changes in fair value of financial assets at fair value through other comprehensive income	\$ -	\$ -
	Nine months ended September 30	
	2021	2020
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ -</u>	<u>\$ 8,364</u>

B. As of September 30, 2021, the Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(30) Earnings per share

	Three months ended September 30, 2021		
	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	\$ 246,867	395,618	<u>\$ 0.62</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	4,953	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 246,867</u>	<u>400,571</u>	<u>\$ 0.62</u>

<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>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>
<u>Nine months ended September 30, 2021</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 674,920	378,475	\$ <u>1.78</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	<u>6,181</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 674,920</u>	<u>384,656</u>	<u>\$ 1.75</u>

Nine months ended September 30, 2020			
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 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>

(31) Supplemental cash flow information

Investing activities with partial cash payments :

	Nine months ended September 30	
	2021	2020
Purchase of property, plant and equipment	\$ 219,952	\$ 241,133
Add : Ending balance of prepayments for business facilities	130,147	6,205
Less: Opening balance of prepayments for business facilities	(3,943)	(7,447)
Cash paid during the period	\$ <u>346,156</u>	\$ <u>239,891</u>

Financing activities with no cash flow effects

	Nine months ended September 30	
	2021	2020
Distribution of cash dividends (shown as "other payables")	\$ -	\$ <u>378,623</u>

(32) Changes in liabilities from financing activities

	2021				
	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities	Guarantee deposits	Liabilities from financing activities-gross
At January 1	\$ 230,758	\$ 811,515	\$ 236,266	\$ 869	\$ 1,279,408
Changes in cash flow from financing activities	111,134	(322,862)	(14,746)	2,111	(224,363)
Interest payment	-	-	(3,092)	-	(3,092)
Amorization of interest expenses	-	-	3,092	-	3,092
Increase in lease liabilities	-	-	109	-	109
Impact of changes in foreign exchange rate	(821)	(4,117)	-	-	(4,938)
At September 30	<u>\$ 341,071</u>	<u>\$ 484,536</u>	<u>\$ 221,629</u>	<u>\$ 2,980</u>	<u>\$ 1,050,216</u>
	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 activities	(25,406)	-	(15,414)	(87)	(40,907)
Interest payment	-	-	(3,283)	-	(3,283)
Interest in lease principal	-	-	5,971	-	5,971
Amorization 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>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Opto Medical Public Welfare Foundation	Other related parties
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company; this company is the director of the Company.(Note 1)
Giga Epitaxy Technology Corp.	The Company is the director of this company.(Note 3)
Nichia Taiwan Corp.	This company investments by the Company accounted for using the equity method.(Note 4)
Nichia Corp.	This company is the Company's parent company of enterprise group accounted for using equity method.
VML Technologies B.V.	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method.
Shen Zhen Guabg Xin Vision Technology CO., Ltd.(Shen Zhen Guang Xin)	The chairman of this company is an independent director of the Company.(Note 2)
Guang Xin Vision Tech. (HK) CO., Ltd. (Hong Kong Guang Xin)	The chairman of this company is an independent director of the Company.(Note 2)
NEW SMART TECHNOLOGY CO., LTD.	The company is the company's direct and indirect investment using the equity method company.

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

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

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

Note 4: The shareholders of the Company during their meeting resolved to issue common shares for capital increase through a private placement on July 1, 2021. The entity became an investor which accounted for its investment in the Company using the equity method after the effective date (August 30, 2021) for capital increase.

(2) Significant transactions and balances with related parties

A. Operating revenue:

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
-Associates	\$ 20,177	\$ 59
-Individuals with significant influence on the Group	28,487	-
-Other related parties	<u>59,709</u>	<u>59,276</u>
Total	<u>\$ 108,373</u>	<u>\$ 59,335</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Sales of goods:		
-Associates	\$ 22,456	\$ 59
-Individuals with significant influence on the Group	28,487	-
-Other related parties	<u>241,763</u>	<u>189,743</u>
Total	<u>\$ 292,706</u>	<u>\$ 189,802</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, 2021 and 2020, the credit term was 45 ~ 136 days, some related parties adopt advance payment post-shipment method and 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
-Individuals with significant influence on the Group	\$ 9,288	\$ -
-Other related parties	<u>23,836</u>	<u>53,960</u>
	<u>\$ 33,124</u>	<u>\$ 53,960</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
Purchases of goods:		
-Individuals with significant influence on the Group	\$ 9,288	\$ -
-Other related parties	<u>94,122</u>	<u>165,246</u>
	<u>\$ 103,410</u>	<u>\$ 165,246</u>

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, 2021 and 2020, the credit term was 60 ~ 120 days and 90 ~ 120 days for the non-related parties, respectively.

C. Accounts receivable:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Receivables from related parties:			
-Other related parties	\$ -	\$ 16,880	\$ 32,397
-Individuals with significant influence on the Group	35,982	-	-
-Associates	995	-	-
	<u>\$ 36,977</u>	<u>\$ 16,880</u>	<u>\$ 32,397</u>

D. Accounts payable:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Payables to related parties:			
-Individuals with significant influence on the Group	\$ 45,112	\$ -	\$ -
-Other related parties	-	51,920	74,093
Total	<u>\$ 45,112</u>	<u>\$ 51,920</u>	<u>\$ 74,093</u>
Other payables:			
-Individuals with significant influence on the Group	\$ 210	\$ -	\$ -
-Other related parties	-	211	70
-Associates	2,328	-	-
Total	<u>\$ 2,538</u>	<u>\$ 211</u>	<u>\$ 70</u>

E. Advance receipt

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Associates	<u>\$ -</u>	<u>\$ 942</u>	<u>\$ 63</u>

F. Property transactions:

- (a) Acquisition of property, plant and equipment(including prepayments for business facilities shown as other non-current assets):

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
NEW SMART TECHNOLOGY CO., LTD.	<u>\$ 101,071</u>	<u>\$ -</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
NEW SMART TECHNOLOGY CO., LTD.	<u>\$ 101,071</u>	<u>\$ -</u>

- (b) Acquisition of financial assets:

		<u>Nine months ended September 30</u>		
	<u>Accounts</u>	<u>No. of shares</u>	<u>Objects</u>	<u>Consideration</u>
Associates	Investments accounted for using the equity method	5,000	Common stocks	<u>\$ 70,000</u>

For the nine months ended September 30, 2020: None

G. Lease

- (a) Rent expense

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
-Other related parties	\$ 400	\$ 600
-Individuals with significant influence on the Group	200	-
	<u>\$ 600</u>	<u>\$ 600</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
-Other related parties	\$ 1,600	\$ 1,800
-Individuals with significant influence on the Group	200	-
	<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, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Other related parties	\$ <u>2,769</u>	\$ <u>4,518</u>	\$ <u>5,096</u>

(ii) Interest expense

	<u>Three months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
-Other related parties	\$ 9	\$ 25
-Individuals with significant influence on the Group	5	-
	<u>\$ 14</u>	<u>\$ 25</u>
	<u>Nine months ended September 30</u>	
	<u>2021</u>	<u>2020</u>
-Other related parties	\$ 45	\$ 82
-Individuals with significant influence on the Group	5	-
	<u>\$ 50</u>	<u>\$ 82</u>

H. Others

	<u>2021</u>	
	<u>Three months ended September 30</u>	<u>Nine months ended September 30</u>
Donation expense :		
-Opto Medical Public Welfare Foundation	\$ -	\$ 50,000
Expenditure of labor service :		
-Associates	\$ 11,000	\$ 11,000

January 1, 2020 to September 30, 2020 : None.

The purpose of the donation is mainly for the medical emergency relief needed by the society and the cooperative development of medical technology. The above-mentioned donation has no major agreement between the Group and the recipient.

(3) Key management compensation

	Three months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 45,618	\$ 29,829
Post-employment benefits	33	113
Total	<u>\$ 45,651</u>	<u>\$ 29,942</u>

	Nine months ended September 30	
	2021	2020
Salaries and other short-term employee benefits	\$ 109,097	\$ 63,434
Post-employment benefits	214	331
Total	<u>\$ 109,311</u>	<u>\$ 63,765</u>

8. PLEGGED ASSETS

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

Pledged assets	Book value			Purpose of pledge	
	September 30, 2021	December 31, 2020	September 30, 2020	Creditor Bank	Type
Restricted assets- Time deposits, (shown as "other current assets")	<u>\$ 22,810</u>	<u>\$ 22,810</u>	<u>\$ 22,810</u>	Chang Hwa Commercial Bank and Far Eastern International Bank	Land lease and dormitory lease deposits

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT
COMMITMENTS

(1) As of September 30, 2021, the guarantees provided by the Company through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Far Eastern International Bank	Performance guarantee	\$ 19,450
Chang Hwa Commercial Bank	Customs duty	15,000
Chang Hwa Commercial Bank	Performance guarantee	3,360
Mega International Commercial Bank	Performance guarantee and warranty	7,071
Taipei Fubon Commercial Bank	Performance guarantee	755
Taishin International Bank	Borrowing	97,423
		<u>\$ 143,059</u>

(2) As of September 30, 2021, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

<u>Amount (thousands)</u>	
TWD	14,447
JPY	6,821
USD	1,016

(3) Operating lease commitments:

See Note 6(9).

(4) As of September 30, 2021, the promissory notes issued by the Company and subsidiary corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to \$4,906,062.

(5) As of September 30, 2021, the capital expenditure contracted but not yet incurred is \$168,619.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. For the Company's future development and business expansion, the shareholders of the Company at their first interim meeting held on October 21, 2021 resolved to change its Chinese name to 'Taiwan-Asia Semiconductor Corporation', amend the Company's Articles of Incorporation, and adjust the scope of business. The Company will announce its new name after approval by the regulatory authority.

B. For the Company's future operational planning, the shareholders of the Company at their first interim meeting held on October 21, 2021 resolved to sell all of its ownership interest in a Mainland China subsidiary - Opto Plus Technology Co., Ltd. at an estimated price of no less than RMB 33,000 thousand.

C. To implement work specialisation and increase overall operational performance and market competitiveness of the Company through effective planning, the shareholders of the Company at their first interim meeting held on October 21, 2021 resolved to spin off the operations relating to the 'Displays and Lighting Group' (including assets, liabilities and operations) to an existing wholly-owned subsidiary, Opto System Technologies Inc. in accordance with the requirements stipulated in the Article 35 of Business Mergers And Acquisitions Act.

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, 2021, December 31, 2020 and September 30, 2020, the gearing ratios were (40.70%), (36.52%) and (40.45%), respectively.

(2) Financial instruments

A. Financial instrument by category

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 789,596	\$ 427,409	\$ 376,945
Financial assets at fair value through other comprehensive income	806,846	783,998	870,036
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	3,513,944	3,100,161	3,109,626
Financial assets at amortised cost	911,238	22,810	22,810
Notes receivable	2,846	8,873	6,239
Accounts receivable - net (including related parties)	1,553,001	1,651,793	1,944,419
Other accounts receivable	14,427	20,218	27,726
Guarantee deposits paid	22,372	11,763	14,561
	<u>\$ 7,614,270</u>	<u>\$ 6,027,025</u>	<u>\$ 6,372,362</u>
	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at fair value through profit or loss	<u>\$ 77</u>	<u>\$ 799</u>	<u>\$ -</u>
Financial liabilities at amortised cost			
Financial assets at fair value through other comprehensive income			
Short-term borrowings	341,071	230,758	223,748
Notes payable	-	1,757	341
Accounts payable (including related parties)	772,619	717,846	663,461
Other accounts payable	682,584	619,042	1,060,747
Long-term borrowings (including current portion)	484,536	811,515	799,720
Guarantee deposits received	2,980	869	1,458
	<u>\$ 2,283,790</u>	<u>\$ 2,381,787</u>	<u>\$ 2,749,475</u>
Lease liabilities	<u>\$ 221,629</u>	<u>\$ 236,266</u>	<u>\$ 239,556</u>

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various currency exposures, primarily with respect to the USD and JPY. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.
- iii. As the foreign operations are strategic investments, the Company does not hedge for them.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2021			Nine months ended September 30, 2021			
	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	\$ 45,675	27.80	\$ 1,269,765	1%	\$ 12,698	\$ -	\$ 2,690
JPY : TWD	340,021	0.247	83,985	1%	840	-	(1,338)
CNY : TWD	24,724	4.277	105,745	1%	1,057	-	(193)
USD : CNY (Note)	931	6.4737	25,928	1%	259	-	12
<u>Non-monetary items:</u> None.							
(Foreign currency: functional currency)							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 28,612	27.90	\$ 798,275	1%	(\$ 7,983)	\$ -	\$ 9,821
JPY : TWD	565,746	0.2510	142,002	1%	(1,420)	-	1,596
USD : CNY (Note)	1,170	6.4737	32,585	1%	(326)	-	(133)
<u>Non-monetary items:</u> None.							

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

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

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

Nine months ended September 3

	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
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : TWD	\$ 56,861	29.05	\$ 1,651,812	1%	\$ 16,518	\$ -
JPY : TWD	274,904	0.2736	75,214	1%	752	-
CNY : TWD	28,797	4.244	122,214	1%	1,222	-
USD : CNY (Note)	1,113	6.8224	32,271	1%	323	-
<u>Non-monetary items:</u> None.						
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : TWD	\$ 30,522	29.15	\$ 889,716	1%	(\$ 8,897)	\$ -
JPY : TWD	325,582	0.2776	90,382	1%	(904)	-
USD : CNY (Note)	43	6.8224	1,247	1%	(12)	-
<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, 2021 and 2020 would have increased/decreased by \$61,556 and \$24,184, 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 \$91,548 and \$94,088 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

- i. The Group's 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, 2021 and 2020, the Group's borrowings at floating rate were denominated in TWD, USD and JPY.
- ii. At September 30, 2021, December 31, 2020 and September 30, 2020, 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, 2021 and 2020 would have been \$4,921 and \$6,106 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as operating activities, including outstanding receivables.
- ii. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition: If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iii. The default occurs when the contract payments are past due over 180 days for distributors and 360 days for other customers, respectively.
- iv. The Group classifies customer's accounts receivable, in accordance with credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- viii. The Group used historical and timely information to assess the default possibility of notes receivable and accounts receivable (including related parties). As of September 30, 2021, December 31, 2020 and September 30, 2020, the loss rate methodology is as follows :

	<u>Individual</u>	<u>Group</u>	<u>Total</u>
<u>At September 30, 2021</u>			
Expected loss rate	100%	0.01%~100%	
Total book value	\$ 6,273	\$ 1,557,747	\$ 1,564,020
Loss allowance	<u>\$ 6,273</u>	<u>\$ 1,900</u>	<u>\$ 8,173</u>

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

	<u>Individual</u>	<u>Group</u>	<u>Total</u>
<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	<u>\$ 1,072</u>	<u>\$ 9,639</u>	<u>\$ 10,711</u>

vi. As at September 30, 2021, December 31, 2020 and September 30, 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable and notes receivable was \$1,555,847, \$1,660,666 and \$1,950,658, respectively.

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

	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 8,020	\$ 21,821
Provision for impairment loss	2,136	5,178
Write-offs	(1,983)	(16,288)
At September 30	<u>\$ 8,173</u>	<u>\$ 10,711</u>

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

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

	September 30, 2021			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 911,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 911,238</u>
	December 31, 2020			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 22,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,810</u>
	September 30, 2020			
	Lifetime			
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	<u>\$ 22,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,810</u>

(c) Liquidity risk

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
<u>September 30, 2021</u>					
<u>Non-derivative financial liabilities :</u>					
Short-term borrowings	\$ 341,386	\$ -	\$ -	\$ -	\$ -
Accounts payable (including related parties)	722,619	-	-	-	-
Lease liabilities	22,871	19,832	17,892	35,540	154,928
Other payables	682,584	-	-	-	-
Long-term borrowings (including current portion)	490,498	-	-	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	\$ 77	\$ -	\$ -	\$ -	\$ -
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2020</u>					
<u>Non-derivative financial liabilities :</u>					
Short-term borrowings	\$ 231,089	\$ -	\$ -	\$ -	\$ -
Notes payable	1,757	-	-	-	-
Accounts payable (including related parties)	717,846	-	-	-	-
Lease liabilities	23,642	22,305	18,933	35,782	168,130
Other payables	619,042	-	-	-	-
Long-term borrowings (including current portion)	74,285	751,637	-	-	-
<u>Derivative financial liabilities :</u>					
Forward exchange contracts	\$ 799	\$ -	\$ -	\$ -	\$ -

<u>September 30, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities :</u>					
Short-term borrowings	\$ 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	-	-	-

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(10).

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

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at September 30, 2021, December 31, 2020 and September 30, 2020 is as follows:

September 30, 2021	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 571,094	\$ -	\$ -	\$ 571,094
Equity securities	111,512	-	106,990	218,502
Financial assets at fair value through other comprehensive income				
Equity securities	108,637	-	698,209	806,846
Total	<u>\$ 791,243</u>	<u>\$ -</u>	<u>\$ 805,199</u>	<u>\$ 1,596,442</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 77</u>
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 320,248	\$ -	\$ -	\$ 320,248
Equity securities	-	-	106,990	106,990
Forward exchange contract	-	171	-	171
Financial assets at fair value through other comprehensive income				
Equity securities	85,789	-	698,209	783,998
Total	<u>\$ 406,037</u>	<u>\$ 171</u>	<u>\$ 805,199</u>	<u>\$ 1,211,407</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ -</u>	<u>\$ 799</u>
September 30, 2020				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 269,977	\$ -	\$ -	\$ 269,977
Equity securities	-	-	106,853	106,853
Forward exchange contract	-	115	-	115
Financial assets at fair value through other comprehensive income				
Equity securities	70,844	-	799,192	870,036
Total	<u>\$ 340,821</u>	<u>\$ 115</u>	<u>\$ 906,045</u>	<u>\$ 1,246,981</u>

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

- (a) The instruments the Group used market quoted prices as their fair values (that is, Level 1) are composed of: listed shares using closing price and open-end fund using net asset value at balance sheet date.

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.
- (c) When assessing non-standard and low-complexity financial instruments, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.
- F. For the nine months ended September 30, 2021 and 2020, there was no transfer between Level 1 and Level 2.
- G. The following chart is the movement of Level 3 financial instruments of equity securities for the nine months ended September 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
At January 1	\$ 805,199	\$ 951,466
Losses recognised in other comprehensive income	-	(41,821)
Sold in the period	-	(3,600)
At September 30	<u>\$ 805,199</u>	<u>\$ 906,045</u>

- H. For the nine months ended September 30, 2021 and 2020, there was no transfer into or out from Level 3.
- I. Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions and reviewing periodically.
- J. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 698,209	Market comparable companies	Price to earnings ratio multiple	0.94~2.3	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	30%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,990	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 698,209	Market comparable companies	Price to earnings ratio multiple	0.94~2.3	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	30%~35%	The higher the discount for lack of marketability, the lower the fair value.
Unlisted shares	106,990	Net asset value	Discount for lack of volatility	19.25%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at 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.

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

		September 30, 2021				
				Recognised in other comprehensive income		
		Recognised in profit or loss				
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ 1,275	(\$ 1,275)	\$ 15,582	(\$ 15,582)
		December 31, 2020				
				Recognised in other comprehensive income		
		Recognised in profit or loss				
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ 1,275	(\$ 1,275)	\$ 15,582	(\$ 15,582)

		September 30, 2020		
		Recognised in profit or loss		Recognised
		Favourable	Unfavourable	comprehensive
		change	change	change
	Input	Change		
Financial assets				
Equity instrument	Discount of lack of volatility	±5%	\$ 1,274	(\$ 1,274) \$ 13,874

(4) Impact of the COVID-19 pandemic to the Group's operation in the third quarter of 2021

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- 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 6(2).
- J. Significant inter-company transactions during the reporting periods: Amounts were insignificant and did not reach the Company's disclosure threshold of \$10,000.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 4.

(3) Information on investments in Mainland China

Basic information: Please refer to table 5.

(4) Information on major shareholders

Please refer to table 6.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	<u>Three months ended September 30, 2021</u>			
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>
Revenue from external customers	\$ 1,412,934	\$ 291,896	\$ 104,634	\$ -
Segment income (loss)	\$ 329,163	(\$ 10,048)	\$ 7,827	\$ 4,317
	<u>Three months ended September 30, 2020</u>			
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>
Revenue from external customers	\$ 1,320,343	\$ 258,644	\$ 82,047	\$ 4,465
Segment income (loss)	\$ 263,635	(\$ 12,535)	\$ 7,014	(\$ 41,160)
	<u>Nine months ended September 30, 2021</u>			
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>
Revenue from external customers	\$ 3,948,376	\$ 590,700	\$ 237,667	\$ -
Segment income (loss)	\$ 906,550	(\$ 87,860)	\$ 14,419	\$ 24,666
	<u>Nine months ended September 30, 2020</u>			
	<u>LED and Silicon Sensor Chips Group</u>	<u>Displays and Lighting Group</u>	<u>Packaging Business Group</u>	<u>Other segments</u>
Revenue from external customers	\$ 3,250,155	\$ 740,617	\$ 204,038	\$ 12,683
Segment income (loss)	\$ 514,410	(\$ 6,516)	\$ 9,063	(\$ 47,702)

(3) Reconciliation for segment income (loss)

- A. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. A reconciliation of reportable segment income or loss to the income (loss) before tax from continuing operations is measured in a manner consistent with that in the statement of comprehensive income.

Opto Tech Corporation and subsidiaries
Provision of endorsements and guarantees to others
Nine months ended September 30, 2021

Table 1

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2021	Outstanding endorsement/ guarantee amount at September 30, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Remark
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	3	\$ 1,857,941	\$ 100,048	\$ 97,650	\$ 88,548	-	1.05%	4,644,852	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 with the endorser/guarantor is classified into the following categories:

- (1) Having business relationship.
- (2) The Company owns more than 50% voting shares of the endorsed/guaranteed company.
- (3) The Company and its subsidiaries jointly own more than 50% voting shares of the endorsed/guaranteed company.
- (4) The endorsed/guaranteed company directly or indirectly owns more than 50% voting shares of the endorser/guarantor.
- (5) Mutual guarantees in the same trade due to construction undertaking pursuant to the contracts.
- (6) Due to joint venture, each shareholder provides guarantees for the company in proportion to its ownership.

Note 3: The calculation and amount of ceiling on providing endorsement / guarantee to others shall be disclosed. If there was contingent loss recognized in the financial statements, the recognized amount shall be disclosed Under the Company's "Procedures for Provision of Endorsements and Guarantees", the Company's total guarantees and endorsements to others should not exceed 50% of the Company's net asset value, and total guarantees and endorsements provided for a single party should not exceed 20% of the Company's net asset value. The calculation is shown below:

- (1) \$9,289,704 thousand dollars × 20% = \$1,857,941 thousand dollars
- (2) \$9,289,704 thousand dollars × 50% = \$4,644,852 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, 2021

Table 2

Expressed in thousands of TWD

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of September 30, 2021				
					Number of shares	Book value	Ownership (%)	Fair value	Remark
Opto Tech Corp.	Stock	AXT, Inc.	None.	Financial assets at fair value through profit or loss	124,100	\$ -	-	\$ -	Note
"	"	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	Financial assets at fair value through other comprehensive income	10,000	585,253	0.45	585,253	None
"	"	Viking Tech Corporation	None.	"	2,873,994	108,637	2.45	108,637	None
"	"	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	13,808,725	106,990	6.38	106,990	None
"	"	Giga Epitaxy Technology Corp.	None.	Financial assets at fair value through other comprehensive income	4,950,491	16,391	15.00	16,391	None
"	"	Shin-Etsu Opto Electronic Co., Ltd.	None.	"	2,000,000	96,565	10.00	96,565	None
"	"	Top Increasing Technology Co., Ltd.	None.	Financial assets at fair value through profit or loss	10,000,000	-	16.67	-	None
Ho Chung Investment Co., Ltd.	"	Opto Tech Corp.	Parent company	"	754,543	24,485	0.17	24,485	None
Dongzhen Asset Co., Ltd.	"	United Microelectronics Corp.	None.	"	4,208,000	111,512	1.06	111,512	None
Opto Tech Corp.	Fund	Jih Sun Money Market fund	None.	"	5,391,133	80,756	None	80,756	None
"	"	Taishin 1699 Money Market fund	None.	"	4,477,862	61,216	None	61,216	None
"	"	TCB Taiwan Money Market Fund	None.	"	4,885,150	50,075	None	50,075	None
"	"	FSITC Taiwan Money Market fund	None.	"	5,965,267	92,239	None	92,239	None
"	"	Franklin Templeton Sinoam Money Market Fund	None.	"	9,247,290	96,615	None	96,615	None
"	"	Capital Money Market	None.	"	5,837,819	95,095	None	95,095	None
"	"	Union Money Market	None.	"	7,134,275	95,098	None	95,098	None

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

Opto Tech Corporation and subsidiaries

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

Nine months ended September 30, 2021

Table 3

Expressed in thousands of TWD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Remark
			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 is the Company's parent company of enterprise group accounted for using	Sales	(\$ 270,000)	(5.92%)	45 days	Equivalent to general transaction	-	\$ 35,725	2.35%	None

Opto Tech Corporation and subsidiaries
Information on investees
Nine months ended September 30, 2021

Table 4

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2021			Net income (loss) of the investee	Investment income (loss) recognised by investor	Remark
				Balance as of September 30, 2021	Balance as of December 31, 2020	Number of shares	Ownership (%)	Book value			
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	\$ 258,348	\$ 258,348	1,298,800	100	\$ 23,159	\$ 4,187	(\$ 598)	Subsidiary of the Company
Opto Tech Corp.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays, SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	149,256	67,227	1,562	Subsidiary of the Company (Note)
Opto Tech Corp.	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	-	5,100,000	100	55,574	13,008	8,551	Subsidiary of the Company
Opto Tech Corp.	Everyung Investment Ltd.	Samoa	Investment business	42,343	42,343	5,000,000	50	54,840	26,025	13,012	Subsidiary of the Company
Opto Tech Corp.	Dongzhen Asset Co., Ltd.	Taiwan	Investment business	400,000	42,343	40,000,000	100	403,775	3,808	3,808	Subsidiary of the Company
Opto Tech Corp.	Opto System Technologies Inc.	Taiwan	Manufacture and sales of lighting equipment	1,000	-	100,000	100	1,000	-	-	Subsidiary of the Company
Opto Tech Corp.	NEW SMART TECHNOLOGY CO., LTD.	Taiwan	Automatic control equipment engineering business	14,000	-	1,000,000	5	13,550	33,064	(450)	Investment accounted for using equity method
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25	5,393	1,122	280	Investment accounted for using equity method
Dongzhen Asset Co., Ltd.	NEW SMART TECHNOLOGY CO., LTD.	Taiwan	Automatic control equipment engineering business	56,000	-	4,000,000	20	54,202	33,064	(1,801)	Investment accounted for using equity method
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	-	171,332	-	100	-	13,008	4,457	Indirect subsidiary
Bright Investment International Ltd	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50	55,138	26,025	13,012	Indirect subsidiary

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

Opto Tech Corporation and subsidiaries
Information on investments in Mainland China
Nine months ended September 30, 2021

Table 5

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, 2021	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, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months September 30, 2021 (Note 2)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Remark
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	\$ 317,341	\$ -	\$ -	\$ 317,341	\$ 26,025	100%	\$ 26,025	\$ 110,276	\$ -	

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 in Opto Tech (Suzhou) Co., Ltd. and Everyung Investment Ltd. invests in 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.

Investments in Mainland China for the nine months ended September 30, 2021:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	\$ 317,341	\$ 317,849	\$ 5,573,822

Opto Tech Corporation and its subsidiaries

Major shareholders information

September 30, 2021

Table 6

Shares		
Name of major shareholders	Number of share held	Ownership (%)
Nichia Taiwan Corp	88,811,822	20.24%

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

(a) The major shareholders information was from the data that the Company issued common shares(including treasury shares) and preference shares in dematerialised 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 is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and trusted shares, at the same time, and 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.