# Opto Tech Corporation and Subsidiaries

## Consolidated Financial Statements for the Three Months Ended March 31, 2022 and 2021 and Independent Auditors' Review Report

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Opto Tech Corporation

### Introduction

We have reviewed the accompanying consolidated balance sheets of Opto Tech Corporation and its subsidiaries (collectively, the "Group") as of March 31, 2022, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". 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 disclosed in Note 12 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2022, the combined total assets of these non-significant subsidiaries was NT$1,990,491 thousand, representing 16.24% of the consolidated total assets, and the combined total liabilities of these subsidiaries was NT$387,892 thousand, representing 16.18% of the consolidated total liabilities; for the three months ended March 31, 2022, the amounts of the combined comprehensive income of these subsidiaries was NT$9,076 thousand, representing 5.50% of the consolidated total comprehensive income. Also, as stated in Note 13 to the consolidated financial statements, the investments accounted for using the equity method amounted to NT$60,205 thousand as of March 31, 2022. The share of profit (loss) of the associates was NT$(5,470) thousand of the Group's consolidated net income for the three months ended March 31, 2022. The share of other comprehensive income (loss) of the associates was NT$(5,441) thousand of the Group's consolidated comprehensive income for the three months ended March 31, 2022, and these investment amounts as well as additional disclosures in Note 34 "Information on Investees" were based on the investees' unreviewed financial statements for the same reporting periods as those of the Group.

## Qualified Conclusion

Based on our review and the reports of other auditors (refer to the other matter paragraph), except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

## Other Matter

Consolidated financial statements for the three months ended March 31, 2021 and independent auditors' review report of Opto Tech Corporation and its subsidiaries were not reviewed by us but were reviewed by other auditors, of which the CPA issued a qualified opinion on May 6, 2021.

The engagement partners on the review resulting in this independent auditors' review report are Chih-Yuan Chen and Tung-Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 12, 2022

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.*

## OPTO TECH CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | March 31, 2022 (Reviewed) | | December 31, 2021 (Audited) | | March 31, 2021 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 4,053,285 | 33 | $ 3,467,411 | 28 | $ 2,957,011 | 27 |
| Financial assets at fair value through profit or loss - current (Note 7) | 624,099 | 5 | 714,461 | 6 | 600,349 | 6 |
| Financial assets at amortized cost - current (Notes 9 and 30) | 371,185 | 3 | 820,785 | 7 | 302,810 | 3 |
| Notes receivable (Note 23) | 6,438 | - | 4,883 | - | 1,798 | - |
| Trade receivables (Notes 10 and 23) | 1,172,798 | 10 | 1,270,884 | 10 | 1,479,880 | 14 |
| Trade receivables from related parties (Notes 23 and 29) | 42,579 | - | 15,015 | - | 35,996 | - |
| Other receivables | 10,572 | - | 16,027 | - | 26,012 | - |
| Inventories (Note 11) | 1,269,080 | 10 | 1,269,993 | 10 | 1,088,911 | 10 |
| Other current assets | 86,426 | 1 | 104,024 | 1 | 53,828 | 1 |
| Total current assets | 7,636,462 | 62 | 7,683,483 | 62 | 6,546,595 | 61 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through profit or loss - non-current (Note 7) | 112,528 | 1 | 112,528 | 1 | 106,990 | 1 |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 1,065,958 | 9 | 1,037,218 | 8 | 783,280 | 7 |
| Investments accounted for using the equity method (Note 13) | 60,205 | 1 | 65,646 | 1 | 8,995 | - |
| Property, plant and equipment (Notes 14 and 29) | 2,606,823 | 21 | 2,664,220 | 22 | 2,632,179 | 24 |
| Right-of-use assets (Note 15) | 212,082 | 2 | 216,448 | 2 | 230,807 | 2 |
| Investment properties (Note 16) | 399,307 | 3 | 399,307 | 3 | 399,307 | 4 |
| Intangible assets (Note 17) | 16,134 | - | 14,040 | - | 14,404 | - |
| Deferred tax assets (Notes 4 and 25) | 39,030 | - | 46,348 | - | 44,112 | 1 |
| Other non-current assets | 111,350 | 1 | 106,121 | 1 | 34,322 | - |
| Total non-current assets | 4,623,417 | 38 | 4,661,876 | 38 | 4,254,396 | 39 |
| TOTAL | $ 12,259,879 | 100 | $ 12,345,359 | 100 | $ 10,800,991 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings (Note 18) | $ 342,153 | 3 | $ 334,047 | 3 | $ 232,996 | 2 |
| Financial liabilities at fair value through profit or loss - current (Note 7) | - | - | - | - | 2,063 | - |
| Contract liabilities - current (Notes 23 and 29) | 69,119 | 1 | 83,611 | 1 | 46,099 | 1 |
| Trade payables | 606,499 | 5 | 783,125 | 6 | 675,092 | 6 |
| Trade payables to related parties (Note 29) | 66,107 | - | 60,499 | - | 52,561 | 1 |
| Other payables (Notes 19 and 29) | 655,045 | 5 | 765,708 | 6 | 1,184,664 | 11 |
| Current tax liabilities (Notes 4 and 25) | 219,095 | 2 | 186,710 | 2 | 76,367 | 1 |
| Provisions - current (Note 20) | 4,506 | - | 6,831 | - | 6,260 | - |
| Lease liabilities - current (Notes 15 and 29) | 18,663 | - | 19,103 | - | 19,543 | - |
| Long-term liabilities - current portion (Note 18) | - | - | - | - | 787,238 | 7 |
| Other current liabilities | 5,426 | - | 7,058 | - | 6,990 | - |
| Total current liabilities | 1,986,613 | 16 | 2,246,692 | 18 | 3,089,873 | 29 |
| NON-CURRENT LIABILITIES | | | | | | |
| Provisions - non-current (Note 20) | 21,289 | - | 19,068 | - | 18,760 | - |
| Deferred tax liabilities (Notes 4 and 25) | 43,317 | 1 | 33,178 | - | 41,587 | - |
| Lease liabilities - non-current (Notes 15 and 29) | 195,474 | 2 | 199,148 | 2 | 211,868 | 2 |
| Net defined benefit liability - non-current (Notes 4 and 21) | 147,805 | 1 | 146,775 | 1 | 177,200 | 2 |
| Other non-current liabilities | 2,979 | - | 2,980 | - | 877 | - |
| Total non-current liabilities | 410,864 | 4 | 401,149 | 3 | 450,292 | 4 |
| Total liabilities | 2,397,477 | 20 | 2,647,841 | 21 | 3,540,165 | 33 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | |
| Ordinary shares | 4,386,228 | 36 | 4,386,228 | 35 | 3,786,228 | 35 |
| Capital surplus | 1,489,822 | 12 | 1,489,822 | 12 | 703,108 | 6 |
| Retained earnings | | | | | | |
| Legal reserve | 786,944 | 6 | 786,944 | 6 | 729,360 | 7 |
| Special reserve | 2,423 | - | 2,423 | - | 3,743 | - |
| Unappropriated earnings | 2,777,193 | 23 | 2,645,077 | 22 | 2,092,052 | 19 |
| Total retained earnings | 3,566,560 | 29 | 3,434,444 | 28 | 2,825,155 | 26 |
| Other equity | 471,112 | 4 | 438,344 | 4 | 187,125 | 2 |
| Treasury shares | (54,954) | (1) | (54,954) | - | (244,429) | (2) |
| Total equity attributable to owners of the Company | 9,858,768 | 80 | 9,693,884 | 79 | 7,257,187 | 67 |
| NON-CONTROLLING INTERESTS | 3,634 | - | 3,634 | - | 3,639 | - |
| Total equity | 9,862,402 | 80 | 9,697,518 | 79 | 7,260,826 | 67 |
| TOTAL | $ 12,259,879 | 100 | $ 12,345,359 | 100 | $ 10,800,991 | 100 |

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

(With Deloitte & Touche review report dated May 12, 2022)

# OPTO TECH CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 23 and 29) | $ 1,282,285 | 100 | $ 1,583,411 | 100 |
| OPERATING COSTS (Notes 11, 24 and 29) | 908,076 | 71 | 1,086,858 | 69 |
| GROSS PROFIT | 374,209 | 29 | 496,553 | 31 |
| OPERATING EXPENSES (Notes 10, 24 and 29) | | | | |
| Selling and marketing expenses | 25,721 | 2 | 27,850 | 2 |
| General and administrative expenses | 182,854 | 14 | 151,682 | 9 |
| Research and development expenses | 24,720 | 2 | 27,071 | 2 |
| Reversed expected credit loss on trade receivables | 1,297 | - | 7,791 | - |
| Total operating expenses | 234,592 | 18 | 214,394 | 13 |
| PROFIT FROM OPERATIONS | 139,617 | 11 | 282,159 | 18 |
| NON-OPERATING INCOME AND EXPENSES (Notes 13, 24 and 29) | | | | |
| Interest income | 2,314 | - | 2,006 | - |
| Other income | 17,716 | 1 | 16,772 | 1 |
| Other gains and losses | 31,848 | 2 | 480 | - |
| Finance costs | (2,595) | - | (5,648) | - |
| Share of profit or loss of associates accounted for using the equity method | (5,470) | - | 3,607 | - |
| Total non-operating income | 43,813 | 3 | 17,217 | 1 |
| PROFIT BEFORE INCOME TAX | 183,430 | 14 | 299,376 | 19 |
| INCOME TAX EXPENSE (Notes 4 and 25) | 51,314 | 4 | 54,315 | 4 |
| NET PROFIT FOR THE PERIOD | 132,116 | 10 | 245,061 | 15 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | 28,740 | 2 | (718) | - |

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# OPTO TECH CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | **Amount** | **%** | **Amount** | **%** |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translating the financial statements of foreign operations | $ 3,999 | 1 | $ 498 | - |
| Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method | 29 | - | (6) | - |
| | 4,028 | 1 | 492 | - |
| Other comprehensive income (loss) for the period, net of income tax | 32,768 | 3 | (226) | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 164,884 | 13 | $ 244,835 | 15 |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 132,116 | 10 | $ 245,059 | 15 |
| Non-controlling interests | - | - | 2 | - |
| | $ 132,116 | 10 | $ 245,061 | 15 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 164,884 | 13 | $ 244,833 | 15 |
| Non-controlling interests | - | - | 2 | - |
| | $ 164,884 | 13 | $ 244,835 | 15 |
| EARNINGS PER SHARE (Note 26) | | | | |
| Basic | $ 0.30 | | $ 0.66 | |
| Diluted | $ 0.30 | | $ 0.65 | |

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

(With Deloitte & Touche review report dated May 12, 2022) (Concluded)

## OPTO TECH CORPORATION AND SUBSIDIARIES

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

| | Equity Attributable to Owners of the Company (Note 22) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ordinary Shares | | | Retained Earnings | | | | Other Equity | | | | | | |
| | Shares (In Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total | Treasury Shares | Total | Non-controlling Interests | Total Equity |
| BALANCE, JANUARY 1, 2021 | 378,623 | $ 3,786,228 | $ 703,108 | $ 729,360 | $ 3,743 | $ 2,361,920 | $ 3,095,023 | $ (4,063) | $ 191,414 | $ 187,351 | $ (82,021) | $ 7,689,689 | $ 3,637 | $ 7,693,326 |
| Appropriation of the 2020 earnings Cash dividends | - | - | - | - | - | (514,927) | (514,927) | - | - | - | - | (514,927) | - | (514,927) |
| Net profit for three months ended March 31, 2021 | - | - | - | - | - | 245,059 | 245,059 | - | - | - | - | 245,059 | 2 | 245,061 |
| Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax | - | - | - | - | - | - | - | 492 | (718) | (226) | - | (226) | - | (226) |
| Total comprehensive income (loss) for the three months ended March 31, 2021 | - | - | - | - | - | 245,059 | 245,059 | 492 | (718) | (226) | - | 244,833 | 2 | 244,835 |
| Stock repurchased | - | - | - | - | - | - | - | - | - | - | (162,408) | (162,408) | - | (162,408) |
| BALANCE, MARCH 31, 2021 | 378,623 | $ 3,786,228 | $ 703,108 | $ 729,360 | $ 3,743 | $ 2,092,052 | $ 2,825,155 | $ (3,571) | $ 190,696 | $ 187,125 | $ (244,429) | $ 7,257,187 | $ 3,639 | $ 7,260,826 |
| BALANCE, JANUARY 1, 2022 | 438,623 | $ 4,386,228 | $ 1,489,822 | $ 786,944 | $ 2,423 | $ 2,645,077 | $ 3,434,444 | $ 688 | $ 437,656 | $ 438,344 | $ (54,954) | $ 9,693,884 | $ 3,634 | $ 9,697,518 |
| Net profit for the three months ended March 31, 2022 | - | - | - | - | - | 132,116 | 132,116 | - | - | - | - | 132,116 | - | 132,116 |
| Other comprehensive income for the three months ended March 31, 2022, net of income tax | - | - | - | - | - | - | - | 4,028 | 28,740 | 32,768 | - | 32,768 | - | 32,768 |
| Total comprehensive income for the three months ended March 31, 2022 | - | - | - | - | - | 132,116 | 132,116 | 4,028 | 28,740 | 32,768 | - | 164,884 | - | 164,884 |
| BALANCE, MARCH 31, 2022 | 438,623 | $ 4,386,228 | $ 1,489,822 | $ 786,944 | $ 2,423 | $ 2,777,193 | $ 3,566,560 | $ 4,716 | $ 466,396 | $ 471,112 | $ (54,954) | $ 9,858,768 | $ 3,634 | $ 9,862,402 |

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

(With Deloitte & Touche review report dated May 12, 2022)

# OPTO TECH CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 183,430 | $ 299,376 |
| Adjustments for: | | |
| Depreciation expenses | 100,353 | 114,246 |
| Amortization expenses | 4,212 | 4,498 |
| Reversed expected credit loss on trade receivables | 1,297 | 7,791 |
| Gain on fair value change of financial assets and liabilities at fair value through profit or loss | (6,873) | (502) |
| Interest expenses | 2,575 | 5,179 |
| Interest income | (2,314) | (2,006) |
| Dividend income | (13,926) | (10,344) |
| Share of (profit) loss of associates accounted for using the equity method | 5,470 | (3,607) |
| Gain on changes in lease term | (1) | - |
| (Gain) loss on disposal of property, plant and equipment | (4,208) | 69 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 97,235 | (278,164) |
| Notes receivable | (1,555) | 7,075 |
| Trade receivables | 96,789 | 147,242 |
| Trade receivables from related parties | (27,564) | (19,116) |
| Other receivables | 5,299 | (5,707) |
| Inventories | 913 | 66,678 |
| Other current assets | 17,598 | (27,191) |
| Other non-current assets | 2,456 | 3,433 |
| Contract liabilities | (14,492) | 2,013 |
| Notes payable | - | (1,757) |
| Trade payables | (176,626) | 9,166 |
| Trade payables to related parties | 5,608 | 641 |
| Other payables | (110,684) | 51,263 |
| Provisions | (104) | 2,179 |
| Other current liabilities | (1,632) | 236 |
| Net defined benefit liabilities | 1,030 | (9,412) |
| Cash generated from operations | 164,286 | 363,279 |
| Interest received | 2,470 | 1,919 |
| Dividend received | 13,926 | 10,344 |
| Interest paid | (2,554) | (5,747) |
| Income tax paid | (1,472) | (1,091) |
| Net cash generated from operating activities | 176,656 | 368,704 |

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# OPTO TECH CORPORATION AND SUBSIDIARIES

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | $ (400) | $ (280,000) |
| Proceeds from recovery of financial assets at amortized cost on maturity | 450,000 | - |
| Payments for property, plant and equipment | (30,425) | (35,169) |
| Proceeds from disposal of property, plant and equipment | 4,248 | 44 |
| Increase in refundable deposits | (10,312) | (2,440) |
| Proceeds from disposal of intangible assets | (6,306) | (4,584) |
| Net cash generated from (used in) investing activities | 406,805 | (322,149) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | 8,106 | (1,214) |
| Payments for long-term borrowings | - | (32,101) |
| Increase (decrease) in guarantee deposits | (1) | 7 |
| Repayment of the principal portion of lease liabilities | (4,935) | (4,855) |
| Payments for buy-back of treasury shares | - | (162,408) |
| Net cash generated from (used in) financing activities | 3,170 | (200,571) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | (757) | 10,866 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 585,874 | (143,150) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 3,467,411 | 3,100,161 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 4,053,285 | $ 2,957,011 |

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

(With Deloitte & Touche review report dated May 12, 2022) (Concluded)

# OPTO TECH CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**
**(Reviewed, Not Audited)**

## 1. GENERAL INFORMATION

Opto Tech Corporation (the "Company") was established in December 1983. 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.

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

## 2. THE AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized for issue by the board of directors on May 12, 2022.

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

a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRIC (IFRIC), and Interpretations of SIC (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the accounting policies of the Company and entities controlled by the Company (collectively referred to as the "Group").

b. The IFRSs issued by IASB, but not yet endorsed and issued into effect by the FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information" | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" | January 1, 2023 |
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 2) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 3) |
| Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" | January 1, 2023 (Note 4) |

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards and Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2023 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2023.

As of the date the consolidated financial statements were issued, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities that are determined by deducting the fair value of plan assets from the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Tables 3 and 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

2) Taxation

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Refer to the consolidated financial statements for the year ended December 31, 2021 for information on the critical accounting judgments and key sources of estimation uncertainty.

## 6. CASH AND CASH EQUIVALENTS

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Cash on hand | $ 176 | $ 169 | $ 171 |
| Checking accounts and demand deposits | 1,882,046 | 1,127,782 | 901,606 |
| Cash equivalents (investments with original maturities of less than 3 months) | | | |
| Time deposits | 2,093,063 | 1,976,460 | 1,695,234 |
| Repurchase agreements collateralized by bonds | 78,000 | 363,000 | 360,000 |
| | $ 4,053,285 | $ 3,467,411 | $ 2,957,011 |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Financial assets - current | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| Domestic listed shares | $ 52,355 | $ 143,072 | $ 29,835 |
| Mutual funds | 571,744 | 571,389 | 570,506 |
| Derivative financial assets (not under hedge accounting) | | | |
| Foreign exchange forward contracts | - | - | 8 |
| | $ 624,099 | $ 714,461 | $ 600,349 |
| Financial assets - non-current | | | |
| Non-derivative financial assets | | | |
| Unlisted shares | $ 112,528 | $ 112,528 | $ 106,990 |
| Financial liabilities - current | | | |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities (not under hedge accounting) | | | |
| Foreign exchange forward contracts | $ - | $ - | $ 2,063 |

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| March 31, 2021 | | | |
| Forward exchange contracts | USD/NTD | 2021.4.8-2021.5.18 | USD9,000/NTD254,669 |

The Group entered into forward exchange contracts to manage exposures due to fluctuation of foreign exchange rate.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

**Investments in Equity Instruments at FVTOCI**

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Non-current | | | |
| Domestic investments | | | |
| Listed shares | $ 279,433 | $ 250,693 | $ 85,071 |
| Unlisted shares | 241,382 | 241,382 | 112,956 |
| | 520,815 | 492,075 | 198,027 |
| Foreign investments | | | |
| Unlisted shares | 545,143 | 545,143 | 585,253 |
| | $ 1,065,958 | $ 1,037,218 | $ 783,280 |

These investments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current | | | |
| Time deposits with original maturity of more than 3 months | $ 347,975 | $ 797,975 | $ 280,000 |
| Restricted time deposit | 23,210 | 22,810 | 22,810 |
| | $ 371,185 | $ 820,785 | $ 302,810 |

Information relating to credit risk of financial assets at amortized cost is provided in Note 30.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Trade receivables | | | |
| At amortized cost | | | |
| Gross carrying amount | $ 1,182,330 | $ 1,279,119 | $ 1,495,691 |
| Less: Allowance for impairment loss | (9,532) | (8,235) | (15,811) |
| | $ 1,172,798 | $ 1,270,884 | $ 1,479,880 |

The average credit period of sales of goods was 45-136 days. In order to minimize credit risk, the Group authorized a department to be responsible for determining credit limits, credit approvals, credit management and to manage other unusual risk to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates and the industry outlooks.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's aging analysis.

March 31, 2022

| | Not Past Due | Past Due Less than 180 Days | Past Due 181 to 360 Days | Over 361 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | - | 3.47% | - | 100.00% | |
| Gross carrying amount | $ 1,143,325 | $ 30,532 | $ - | $ 8,473 | $ 1,182,330 |
| Loss allowance (Lifetime ECLs) | - | (1,059) | - | (8,473) | (9,532) |
| Amortized cost | $ 1,143,325 | $ 29,473 | $ - | $ - | $ 1,172,798 |

December 31, 2021

| | Not Past Due | Past Due Less than 180 Days | Past Due 181 to 360 Days | Over 361 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | - | - | - | 100.00% | |
| Gross carrying amount | $ 1,261,728 | $ 9,156 | $ - | $ 8,235 | $ 1,279,119 |
| Loss allowance (Lifetime ECLs) | - | - | - | (8,235) | (8,235) |
| Amortized cost | $ 1,261,728 | $ 9,156 | $ - | $ - | $ 1,270,884 |

March 31, 2021

| | Not Past Due | Past Due Less than 180 Days | Past Due 181 to 360 Days | Over 361 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | - | 33.45% | 100.00% | 100.00% | |
| Gross carrying amount | $ 1,462,053 | $ 26,789 | $ 4,400 | $ 2,449 | $ 1,495,691 |
| Loss allowance (Lifetime ECLs) | - | (8,962) | (4,400) | (2,449) | (15,811) |
| Amortized cost | $ 1,462,053 | $ 17,827 | $ - | $ - | $ 1,479,880 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Balance at January 1 | $ 8,235 | $ 8,020 |
| Add: Net remeasurement of loss allowance | 1,297 | 7,791 |
| Balance at March 31 | $ 9,532 | $ 15,811 |

## 11. INVENTORIES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Finished goods | $ 220,756 | $ 243,965 | $ 230,633 |
| Work in progress | 346,518 | 380,873 | 337,904 |
| Raw materials | 701,806 | 645,155 | 520,374 |
| | $ 1,269,080 | $ 1,269,993 | $ 1,088,911 |

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

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Cost of inventories sold | $ 902,355 | $ 1,095,601 |
| (Gain on reversal) loss on decline in market value | 5,721 | (8,743) |
| | $ 908,076 | $ 1,086,858 |

The reversals of previous write-downs resulted from an increase in net realizable value of the products.

## 12. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

| | | | Proportion of Ownership | | | |
|---|---|---|---|---|---|---|
| Investor | Investee | Nature of Activities | March 31, 2022 | December 31, 2021 | March 31, 2021 | Remark |
| The Company | Ho Chung Investment Co., Ltd. ("Ho Chung Investment") | Investment business | 100.00% | 100.00% | 100.00% | a. |
| The Company | CS Bright Corporation ("CSB") | Manufacturing and selling of LED and electronic products | 99.87% | 99.87% | 99.87% | a. and b. |
| The Company | Bright Investment International Ltd.("Bright") | Holding company | 100.00% | 100.00% | - | a. and b. |
| The Company | Everyung Investment Ltd. ("Everyung") | Holding company | 50.00% | 50.00% | 50.00% | a. |
| The Company | River Asset Co., Ltd. ("River Asset") | Investment business | 100.00% | 100.00% | 100.00% | a. |
| The Company | Opto System Technologies Inc. ("Opto System") | Manufacturing and selling of lighting equipment | 100.00% | 100.00% | - | a. and c. |
| The Company | Wan Zun Guang Investment Co., Ltd. ("Wan Zun Guang") | Investment business | 100.00% | - | - | a. and d. |
| Bright | Everyung Investment Ltd. ("Everyung") | Holding company | 50.00% | 50.00% | 50.00% | a. |
| CSB | Bright Investment International Ltd.("Bright") | Holding company | - | - | 100.00% | a. and b. |
| Everyung | Opto Plus Technology Co., Ltd. ("Opto Plus") | Manufacturing and selling of LED and electronic products | 100.00% | 100.00% | 100.00% | a. |
| Wan Zun Guang | ProAsia Semiconductor Corporation Ltd. ("ProAsia") | Development, manufacture and sales of silicon-based semiconductor power components and silicon carbide compound semiconductor power components | 100.00% | - | - | a. and e. |

Remarks:

a. The Company is not a major subsidiary; its financial statements have not been reviewed.

b. 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.

c. 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. The first extraordinary shareholders' meeting approved the transfer of the relevant business of the Company's system business group. The base date for the spillover was January 28, 2022.

d. The subsidiary - Wan Zun Guang Investment Co., Ltd. is a wholly-owned subsidiary established by the Company on January 19, 2022, and has been included in the consolidated financial statements since the date of acquisition.

e. The subsidiary - ProAsia Semiconductor Corporation Ltd. is a wholly-owned subsidiary established by the subsidiary - Wan Zun Guang Investment Co., Ltd. of Company on March 30, 2022, and has been included in the consolidated financial statements since the date of acquisition.

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

**Investments in Associates**

| | **March 31, 2022** | **December 31, 2021** | **March 31, 2021** |
|---|---|---|---|
| Associates that are not individually material | | | |
| VML TECHNOLOGIES B.V. | $ - | $ - | $ 8,995 |
| New Smart Technology Co., Ltd. | 60,205 | 65,646 | - |
| | $ 60,205 | $ 65,646 | $ 8,995 |

The Group disposed of VML TECHNOLOGIES B.V. in November 2021. In November 2021, the Company received all the proceeds from the disposal.

The share of profit and other comprehensive income (loss) of investments accounted for using the equity method are recognized according to the financial report that has not been reviewed by the auditors; however, the management believes that the abovementioned financial statements of the invested company which have not been reviewed by the auditors did not have a significant impact on the Group.

For the business activities, main business location, country information and the registration of the abovementioned affiliated enterprises, please refer to Table 3 "Information on investees".

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery and Equipment | Utility Facilities | Pollution Prevention Facilities | Transportation Equipment | Office Equipment | Other Equipment | Construction in Progress and Equipment Under Installation | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| Balance at January 1, 2022 | $ 2,047,020 | $ 5,443,283 | $ 1,063,703 | $ 731,271 | $ 12,758 | $ 89,523 | $ 1,962,107 | $ 395,135 | $ 11,744,800 |
| Additions | 2,190 | 401 | - | 2,760 | - | - | 8,083 | 16,991 | 30,425 |
| Disposals | - | (68,747 ) | - | - | (830 ) | (3,204 ) | - | - | (72,781 ) |
| Transferred from prepayments for equipment | - | - | - | - | - | - | - | 2,627 | 2,627 |
| Transferred from right-of-use assets | - | - | - | - | - | 2,770 | - | - | 2,770 |
| Reclassification | - | 35,131 | 800 | 1,950 | 146 | 275 | 1,061 | (39,363 ) | - |
| Effect of foreign currency exchange differences | 9,355 | 6,122 | - | - | 52 | 378 | - | - | 15,907 |
| Balance at March 31, 2022 | $ 2,058,565 | $ 5,416,190 | $ 1,064,503 | $ 735,981 | $ 12,126 | $ 89,742 | $ 1,971,251 | $ 375,390 | $ 11,723,748 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2022 | $ 1,253,751 | $ 4,554,057 | $ 951,225 | $ 612,179 | $ 8,929 | $ 71,172 | $ 1,629,267 | $ - | $ 9,080,580 |
| Disposals | - | (68,707 ) | - | - | (830 ) | (3,204 ) | - | - | (72,741 ) |
| Depreciation expense | 15,063 | 56,718 | 4,383 | 3,116 | 341 | 2,121 | 13,305 | - | 95,047 |
| Transferred from right-of-use assets | - | - | - | - | - | 2,770 | - | - | 2,770 |
| Effect of foreign currency exchange differences | 5,705 | 5,202 | - | - | 44 | 318 | - | - | 11,269 |
| Balance at March 31, 2022 | $ 1,274,519 | $ 4,547,270 | $ 955,608 | $ 615,295 | $ 8,484 | $ 73,177 | $ 1,642,572 | $ - | $ 9,116,925 |
| Carrying amounts at December 31, 2021 and January 1, 2022 | $ 793,269 | $ 889,226 | $ 112,478 | $ 119,092 | $ 3,829 | $ 18,351 | $ 332,840 | $ 395,135 | $ 2,664,220 |
| Carrying amounts at March 31, 2022 | $ 784,046 | $ 868,920 | $ 108,895 | $ 120,686 | $ 3,642 | $ 16,565 | $ 328,679 | $ 375,390 | $ 2,606,823 |
| Cost | | | | | | | | | |
| Balance at January 1, 2021 | $ 2,041,199 | $ 5,445,530 | $ 1,050,132 | $ 707,319 | $ 13,288 | $ 81,650 | $ 1,937,717 | $ 114,523 | $ 11,390,358 |
| Additions | 242 | 837 | 3,026 | 820 | - | 531 | 4,080 | 25,530 | 35,066 |
| Disposals | - | (921 ) | - | - | - | (3,856 ) | - | - | (4,777 ) |
| Reclassification | - | 29,080 | - | 16,472 | - | 762 | 14,621 | (60,935 ) | - |
| Capitalization of interest | - | - | - | - | - | - | - | 103 | 103 |
| Effect of foreign currency exchange differences | 1,551 | 1,419 | - | - | 9 | 52 | - | - | 3,031 |
| Balance at March 31, 2021 | $ 2,042,992 | $ 5,474,945 | $ 1,053,158 | $ 724,611 | $ 13,297 | $ 79,139 | $ 1,956,418 | $ 79,221 | $ 11,423,781 |
| Accumulated depreciation and impairment | | | | | | | | | |
| Balance at January 1, 2021 | $ 1,194,000 | $ 4,313,329 | $ 931,593 | $ 597,978 | $ 8,104 | $ 69,191 | $ 1,571,030 | $ - | $ 8,685,225 |
| Disposals | - | (921 ) | - | - | - | (3,743 ) | - | - | (4,664 ) |
| Depreciation expense | 14,720 | 69,506 | 4,749 | 3,979 | 341 | 1,138 | 14,465 | - | 108,898 |
| Effect of foreign currency exchange differences | 871 | 1,216 | - | - | 6 | 50 | - | - | 2,143 |
| Balance at March 31, 2021 | $ 1,209,591 | $ 4,383,130 | $ 936,342 | $ 601,957 | $ 8,451 | $ 66,636 | $ 1,585,495 | $ - | $ 8,791,602 |
| Carrying amounts at March 31, 2021 | $ 833,401 | $ 1,091,815 | $ 116,816 | $ 122,654 | $ 4,846 | $ 12,503 | $ 370,923 | $ 79,221 | $ 2,632,179 |

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

| | |
|---|---|
| Building | 10-50 years |
| Machinery and equipment | 3-10 years |
| Utility facilities | 6-25 years |
| Pollution prevention facilities | 5-20 years |
| Transportation equipment | 3-5 years |
| Office equipment | 3-7 years |
| Other equipment | 3-25 years |

## 15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Carrying amounts | | | |
| Land | $ 204,491 | $ 208,202 | $ 219,689 |
| Buildings | 1,738 | 2,318 | 4,056 |
| Transportation equipment | 4,041 | 3,838 | 4,769 |
| Office equipment | 1,812 | 2,090 | 2,293 |
| | $ 212,082 | $ 216,448 | $ 230,807 |

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Additions to right-of-use assets | $ 860 | $ - |
| Depreciation charge for right-of-use assets | | |
| Land | $ 3,829 | $ 3,829 |
| Buildings | 580 | 580 |
| Transportation equipment | 619 | 631 |
| Office equipment | 278 | 308 |
| | $ 5,306 | $ 5,348 |

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2022 and 2021.

b. Lease liabilities

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Carrying amounts | | | |
| Current | $ 18,663 | $ 19,103 | $ 19,543 |
| Non-current | $ 195,474 | $ 199,148 | $ 211,868 |

Range of discount rate for lease liabilities was as follows:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Land | 1.797% | 1.797% | 1.797% |
| Buildings | 1.797% | 1.797% | 1.797% |
| Transportation equipment | 0.785%-1.797% | 1.088%-1.797% | 1.088%-1.797% |
| Office equipment | 1.088%-1.797% | 1.088%-1.797% | 1.797% |

c. Other lease information

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Expenses relating to short-term leases | $ 1,416 | $ 2,390 |
| Total cash outflow for leases | $ (7,318) | $ (8,292) |

As lessee, the Group leases certain office equipment and transportation equipment which qualify as short-term leases. The Group has elected to apply the recognition exemption, and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. INVESTMENT PROPERTIES

| | Completed Investment Property |
|---|---|
| Cost | |
| Balance at January 1, 2022 and March 31, 2022 | $ 399,307 |
| Cost | |
| Balance at January 1, 2021 and March 31, 2021 | $ 399,307 |

On March 31, 2022 and 2021, the fair value of investment properties was $410,640, which based on the market evidence on transaction price of similar property and publicly announced present value.

## 17. INTANGIBLE ASSETS

| | Software |
|---|---|
| Cost | |
| Balance at January 1, 2022 | $ 31,902 |
| Additions | 6,306 |
| Disposals | (5,450) |
| Balance at March 31, 2022 | $ 32,758 |
| Accumulated amortization | |
| Balance at January 1, 2022 | $ 17,862 |
| Amortization expense | 4,212 |
| Disposals | (5,450) |
| Balance at March 31, 2022 | $ 16,624 |
| Carrying amount at March 31, 2022 | $ 16,134 |

(Continued)

| | Software |
|---|---|
| Cost | |
| Balance at January 1, 2021 | $ 40,624 |
| Additions | 4,584 |
| Disposals | (11,094) |
| Balance at March 31, 2021 | $ 34,114 |
| Accumulated amortization | |
| Balance at January 1, 2021 | $ 26,306 |
| Amortization expense | 4,498 |
| Disposals | (11,094) |
| Balance at March 31, 2021 | $ 19,710 |
| Carrying amount at March 31, 2021 | $ 14,404 |

(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Computer software | 1-10 years |

## 18. BORROWINGS

a. Short-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Unsecured borrowings | | | |
| Bank loans | $ 342,153 | $ 334,047 | $ 232,996 |

The range of weighted average effective interest rate on bank loans was 0.60%-5.00%, 0.60%-5.00% and 0.53%-5.00% per annum as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

b. Long-term borrowings

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Unsecured borrowings | | | |
| Bank loans | $ - | $ - | $ 787,238 |
| Less: Current portion | - | - | (787,238) |
| Bank loans | $ - | $ - | $ - |

The long-term borrowings maturing on February 20, 2022 were repaid in advance on October 21, 2021 due to the financial planning considerations. The range of effective interest rate on bank loans was 1.143%-1.797% per annum as of March 31, 2021.

## 19. OTHER LIABILITIES

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Payable for salaries and bonus | $ 126,605 | $ 272,930 | $ 180,502 |
| Payable for employees' compensation | 225,799 | 189,670 | 171,340 |
| Payable for remuneration of directors | 75,717 | 63,674 | 57,113 |
| Payable for dividends | - | - | 514,927 |
| Others | 226,924 | 239,434 | 260,782 |
| | $ 655,045 | $ 765,708 | $ 1,184,664 |

## 20. PROVISIONS

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Current | | | |
| Warranties | $ 4,506 | $ 6,831 | $ 6,260 |
| Non-current | | | |
| Warranties | $ 21,289 | $ 19,068 | $ 18,760 |

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under local sale of goods legislation. The estimate had been made on the basis of historical warranty trends and may vary as a result of other events affecting product quality.

## 21. RETIREMENT BENEFIT PLANS

a. Defined benefit plans

For the three months ended March 31, 2022 and 2021, the pension expenses of defined benefit plans were $2,199 thousand and $1,710 thousand, respectively, and these were calculated based on the pension cost rate determined by the actuarial calculation on December 31, 2021 and 2020, respectively.

b. Defined contribution plan

The Company, Ho Chung Investment, CSB, River Asset, Opto System, Wan Zun Guang, and ProAsia adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Note: Bright and Everyung have not set a employee retirement plan for their employees.

## 22. EQUITY

a. Share capital - ordinary shares

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Number of authorized shares (in thousands) | 1,000,000 | 1,000,000 | 1,000,000 |
| Amount of authorized shares | $ 10,000,000 | $ 10,000,000 | $ 10,000,000 |
| Number of issued and fully paid shares (in thousands) | 438,623 | 438,623 | 378,623 |
| Amounted of issued and fully paid shares | $ 4,386,228 | $ 4,386,228 | $ 3,786,228 |

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.

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 per share, totaling $1,375,800 thousand 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.

b. Capital surplus

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| May be used to offset a deficit, distributed, as cash dividends, or transferred to share capital (1) | | | |
| Arising from issuance of common share | $ 1,335,892 | $ 1,335,892 | $ 560,092 |
| Arising from treasury share transactions | 81,337 | 81,337 | 66,318 |
| May only be used to offset a deficit | | | |
| Changes in percentage of ownership interests in subsidiaries (2) | 72,593 | 72,593 | 76,698 |
| | $ 1,489,822 | $ 1,489,822 | $ 703,108 |

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

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy in the Company's Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside 10% of the remaining profit as a legal reserve, setting aside amounts to a special reserve in accordance with the laws and regulations, and then allowing for other special reserves and a distribution of dividends to be recommended by the board of directors. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "employees' compensation and remuneration of directors" in Note 24, g.

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.

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.

The appropriations of 2021 and 2020 earnings are as follows:

| | **For the Year Ended December 31** | |
|---|---|---|
| | **2021** | **2020** |
| Legal reserve | $ 85,435 | $ 57,584 |
| Reversal of special reverse | $ (2,423) | $ (1,320) |
| Cash dividends | $ 1,008,833 | $ 514,927 |
| Cash dividends per share (NT$) | $ 2.30 | $ 1.39 |

On May 12, 2022, the distribution of 2021 cash dividends was approved by the board of directors. The provisions of legal reserve and special reserve are pending for approval from the shareholders' in their meeting to be held on June 23, 2022.

On March 18, 2021, the distribution of 2020 cash dividends was approved by the board of directors. The provision of legal reserve and special reserve had been approved in the shareholders' meetings on July 1, 2021.

d. Treasury shares

| Purpose of Buy-back | Shares Transferred to Employees (In Thousands of Shares) | Shares Held by Subsidiaries (In Thousands of Shares) | Total (In Thousands of Shares) |
|---|---|---|---|
| Number of shares at January 1, 2022 and March 31, 2022 | 1,305 | 755 | 2,060 |
| Number of shares at January 1, 2021 | 2,327 | 755 | 3,082 |
| Increase during the period | 6,566 | - | 6,566 |
| Number of shares at March 31, 2021 | 8,893 | 755 | 9,648 |

Related information regarding shares of the Company held by its subsidiaries on the balance sheet date was as follows:

| Name of Subsidiary | Number of Shares Held (In Thousands of Shares) | Carrying Amount | Market Price |
|---|---|---|---|
| March 31, 2022 | | | |
| Ho Chung Investment | 755 | $ 23,172 | $ 38,708 |
| December 31, 2021 | | | |
| Ho Chung Investment | 755 | 23,172 | 53,648 |
| March 31, 2021 | | | |
| Ho Chung Investment | 755 | 23,172 | 20,146 |

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 23. REVENUE

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |
| Revenue from sale of goods | $ 1,282,285 | $ 1,583,411 |

a. Contract balances

| | March 31, 2022 | December 31, 2021 | March 31, 2021 | January 1, 2021 |
|---|---|---|---|---|
| Notes receivable | $ 6,438 | $ 4,883 | $ 1,798 | $ 8,873 |
| Trade receivables (Note 10) | 1,182,330 | 1,279,119 | 1,495,691 | 1,642,933 |
| Trade receivables from related parties | 42,579 | 15,015 | 35,996 | 16,880 |
| | $ 1,231,347 | $ 1,299,017 | $ 1,533,485 | $ 1,668,686 |
| Contract liabilities | | | | |
| Sale of goods | $ 69,119 | $ 83,611 | $ 46,099 | $ 44,086 |

b. The credit risk management of contract assets and trade receivables is the same, refer to Note 35.

## 24. NET PROFIT

a. Interest income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Bank deposits | $ 1,584 | $ 1,713 |
| Resale bonds | 90 | 257 |
| Financial assets at amortized cost | 639 | 32 |
| Others | 1 | 4 |
| | $ 2,314 | $ 2,006 |

b. Other income

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Rental income | $ 80 | $ 20 |
| Dividend income | 13,926 | 10,344 |
| Others | 3,710 | 6,408 |
| | $ 17,716 | $ 16,772 |

c. Other gains and losses

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | $ 6,873 | $ 502 |
| Gain (loss) on disposal of property, plant and equipment | 4,208 | (69) |
| Net foreign exchange gains | 20,818 | 419 |
| Gain on changes in lease term | 1 | - |
| Others | (52) | (372) |
| | $ 31,848 | $ 480 |

d. Finance costs

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Interest on bank loans | $ 1,608 | $ 4,235 |
| Interest on finance leases | 967 | 1,047 |
| | 2,575 | 5,282 |
| Less: Amounts included in the cost of qualifying assets | - | (103) |
| | 2,575 | 5,179 |
| Other finance costs | 20 | 469 |
| | $ 2,595 | $ 5,648 |

Information on capitalized interest is as follows:

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Capitalized interest amount | $ - | $ 103 |
| Capitalization rate | - | 0.43%-0.53% |

e. Depreciation and amortization

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| An analysis of depreciation by function | | |
| Operating costs | $ 86,040 | $ 103,196 |
| Operating expenses | 14,313 | 11,050 |
| | $ 100,353 | $ 114,246 |
| An analysis of amortization by function | | |
| Operating costs | $ 1,599 | $ 2,340 |
| Operating expenses | 2,613 | 2,158 |
| | $ 4,212 | $ 4,498 |

f. Employee benefits expense

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Wages and salaries | $ 270,426 | $ 314,376 |
| Labor and health insurance fees | 20,703 | 21,258 |
| Post-employment benefits | | |
| Defined contribution plans | 8,541 | 8,272 |
| Defined benefit plans | 2,199 | 1,710 |
| Other employee benefits | 5,428 | 6,278 |
| Total employee benefits expense | $ 307,297 | $ 351,894 |
| An analysis of employee benefits expense by function | | |
| Operating costs | $ 175,179 | $ 215,640 |
| Operating expenses | 132,118 | 136,254 |
| | $ 307,297 | $ 351,894 |

g. Employees' compensation and remuneration of directors

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%. The employees' compensation and remuneration of directors for the three months ended March 31, 2022 and 2021, were as follows:

Accrual rate

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Employees' compensation | 15% | 15% |
| Remuneration of directors | 5% | 5% |

Amount

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| | Cash | Cash |
| Employees' compensation | $ 33,952 | $ 56,165 |
| Remuneration of directors | 11,317 | 18,722 |

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2021 and 2020 that were resolved by the board of directors on February 23, 2022 and March 18, 2021, respectively, are as shown below:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2021 | 2020 |
| | Cash | Cash |
| Employees' compensation | $ 187,978 | $ 115,175 |
| Remuneration of directors and supervisors | 62,659 | 38,392 |

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the three months ended March 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gains or losses on foreign currency exchange

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Foreign exchange gains | $ 34,106 | $ 12,548 |
| Foreign exchange losses | (13,288) | (12,129) |
| | $ 20,818 | $ 419 |

## 25. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | $ 33,856 | $ 51,315 |
| Deferred tax | | |
| In respect of the current year | 17,458 | 3,000 |
| Income tax expense recognized in profit or loss | $ 51,314 | $ 54,315 |

b. Income tax assessments

The income tax returns of the Company, Ho Chung Investment, CSB and Dongzhen Asset through 2020 have been assessed by the tax authority.

The income tax returns of Opto System have not been assessed by the tax authorities, because Opto System was established in 2021.

Opto Plus has completed the income tax declaration by the local tax authority according to the deadline.

Note: Bright and Everyung are not subject to relevant income tax due to their establishment in the British Virgin Islands and Samoa, respectively.

## 26. EARNINGS PER SHARE

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

**Net Profit for the Year**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Earnings used in the computation of basic and diluted earnings per share | $ 132,116 | $ 245,059 |

**(Unit: NT$ Per Share)**

| | For the Three Months Ended March 31 | |
|---|---|---|
| | **2022** | **2021** |
| Weighted average number of ordinary shares outstanding in computation of basic earnings per share | 436,563 | 370,556 |
| Effect of potentially dilutive ordinary shares employees' compensation | 2,720 | 5,830 |
| Weighted average number of ordinary shares outstanding in computation of diluted earnings per share | 439,283 | 376,386 |

If the Company offered to settle compensation paid to employees in cash or shares, the Group shall assume that the entire amount of the compensation will be settled in shares, and the resulting potentially dilutive shares shall be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares shall be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 27. CAPITAL 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 in the consolidated balance sheets plus net debt. As of March 31, 2022, December 31, 2021 and March 31, 2021, the gearing ratios were (60.33%), (47.73%) and (36.38%), respectively.

## 28. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

March 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Listed shares | $ 52,355 | $ - | $ - | $ 52,355 |
| Unlisted shares | - | - | 112,528 | 112,528 |
| Mutual funds | 571,744 | - | - | 571,744 |
| | $ 624,099 | $ - | $ 112,528 | $ 736,627 |
| Financial assets at FVTOCI | | | | |
| Listed shares | $ 279,433 | $ - | $ - | $ 279,433 |
| Unlisted shares | - | - | 786,525 | 786,525 |
| | $ 279,433 | $ - | $ 786,525 | $ 1,065,958 |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Listed shares | $ 143,072 | $ - | $ - | $ 143,072 |
| Unlisted shares | - | - | 112,528 | 112,528 |
| Mutual funds | 571,389 | - | - | 571,389 |
| | $ 714,461 | $ - | $ 112,528 | $ 826,989 |
| Financial assets at FVTOCI | | | | |
| Listed shares | $ 250,693 | $ - | $ - | $ 250,693 |
| Unlisted shares | - | - | 786,525 | 786,525 |
| | $ 250,693 | $ - | $ 786,525 | $ 1,037,218 |

March 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative financial assets | $ - | $ 8 | $ - | $ 8 |
| Listed shares | 29,835 | - | - | 29,835 |
| Unlisted shares | - | - | 106,990 | 106,990 |
| Mutual funds | 570,506 | - | - | 570,506 |
| | $ 600,341 | $ 8 | $ 106,990 | $ 707,339 |
| Financial assets at FVTOCI | | | | |
| Listed shares | $ 85,071 | $ - | $ - | $ 85,071 |
| Unlisted shares | - | - | 698,209 | 698,209 |
| | $ 85,071 | $ - | $ 698,209 | $ 783,280 |
| Financial liabilities at FVTPL | | | | |
| Derivatives | $ - | $ 2,063 | $ - | $ 2,063 |

There were no transfers between Levels 1 and 2 in the current and prior period.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the three months ended March 31, 2022

| | Financial Assets at FVTPL | Financial Assets at FVTOCI | |
|---|---|---|---|
| **Equity Instruments** | **Equity Instruments** | **Equity Instruments** | **Total** |
| Balance at January 1 and March 31, 2022 | $ 112,528 | $ 786,525 | $ 899,053 |

For the three months ended March 31, 2021

| | Financial Assets at FVTPL | Financial Assets at FVTOCI | |
|---|---|---|---|
| **Equity Instruments** | **Equity Instruments** | **Equity Instruments** | **Total** |
| Balance at January 1 and March 31, 2021 | $ 106,990 | $ 698,209 | $ 805,199 |

3) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

| Financial Instruments | Valuation Techniques and Inputs |
|---|---|
| Derivatives - foreign exchange forward contracts | Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |

4) Valuation techniques and inputs applied in Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach and asset approach.

The market approach uses the value multiples of other similar enterprises in market transactions as a reference for evaluating the value of the target enterprise. The theoretical basis is that, if the target enterprise to be evaluated is similar to the similar enterprises that have already traded in the market in terms of operation, market, management, technology and products, then the value of the target enterprise to be evaluated should be similar to that of the analogous enterprise; The asset approach is for each asset and liability on the balance sheet, re-estimate the fair market value, replacement cost or liquidation value. The assets or liabilities out of the balance sheet, including contingent liabilities, should also be assessed. The total assets minus the total liabilities are the desired equity value.

The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | **Fair Value at March 31, 2022** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Range (Average Weighted)** | **The Relationship Between Inputs and Fair Value** |
|---|---|---|---|---|---|
| Non-derivative financial assets | | | | | |
| Unlisted shares | $ 786,525 | Market comparable companies | Price to earnings ratio multiple | 3,05 | The higher the multiple, the higher the fair value |
| | | | Price to earnings ratio multiple | 11.72-18.9 | The higher the multiple, the higher the fair value |
| | | | Enterprise value multiple | 13.22-15.71 | 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 | 112,528 | 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, 2021** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Range (Average Weighted)** | **The Relationship Between Inputs and Fair Value** |
|---|---|---|---|---|---|
| Non-derivative financial assets | | | | | |
| Unlisted shares | $ 786,525 | Market comparable companies | Price to earnings ratio multiple | 3,05 | The higher the multiple, the higher the fair value |
| | | | Price to earnings ratio multiple | 11.72-18.9 | The higher the multiple, the higher the fair value |
| | | | Enterprise value multiple | 13.22-15.71 | 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 | 112,528 | Net asset value | Discount for lack of volatility | 19.25% | The higher the discount for lack of marketability, the lower the fair value |

| | **Fair Value at March 31, 2021** | **Valuation Techniques** | **Significant Unobservable Inputs** | **Range (Average Weighted)** | **The Relationship Between Inputs and Fair Value** |
|---|---|---|---|---|---|
| Non-derivative financial assets | | | | | |
| Unlisted shares | $ 698,209 | Market comparable companies | Price to earnings ratio multiple | 1.22 | The higher the multiple, the higher the fair value |
| | | | Price to earnings ratio multiple | 18.63-22.76 | The higher the multiple, the higher the fair value |
| | | | Enterprise value multiple | 14.01-16.60 | 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 |

c. Categories of financial instruments

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Financial assets | | | |
| Financial assets at FVTPL | | | |
| Mandatorily classified as at FVTPL | $ 736,627 | $ 826,989 | $ 707,339 |
| Financial assets at amortized cost (1) | 5,684,901 | 5,612,737 | 4,817,710 |
| Financial assets at FVTOCI | 1,065,958 | 1,037,218 | 783,280 |
| Financial liabilities | | | |
| Financial liabilities at FVTPL | - | - | 2,063 |
| Held for trading | | | |
| Financial liabilities at amortized cost (2) | 1,672,783 | 1,946,359 | 2,933,428 |

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, trade receivables to related parties, other receivables, refundable deposits and other financial assets.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, trade payables to related parties, long-term borrowings, guarantee deposits received and other financial liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments included cash and cash equivalents, equity and debt investments, mutual funds, notes receivable, trade receivables, trade payables, lease liabilities and borrowings. The Group's finance division provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through the analysis of exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Notes 7 and 33.

Sensitivity analysis

The Group was mainly exposed to the USD, CNY and JPY.

The following table details the Group's sensitivity to a 1% increase and a 1% decrease in the functional currency against the relevant foreign currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period under the assumption of a 1% change in foreign currency rates. On the table below, if the amount is positive (negative), it indicates a decrease (increase) in pre-tax profit when functional currencies of the Group entities weakened (strengthened) by 1% against the relevant currency.

| | **USD Impact** | |
|---|---|---|
| | **For the Three Months Ended March 31** | |
| | **2022** | **2021** |
| Profit or loss | $ (5,820) | $ (2,086) |

| | **CNY Impact** | |
|---|---|---|
| | **For the Three Months Ended March 31** | |
| | **2022** | **2021** |
| Profit or loss | $ (637) | $ (1,049) |

| | **JPY Impact** | |
|---|---|---|
| | **For the Three Months Ended March 31** | |
| | **2022** | **2021** |
| Profit or loss | $ (255) | $ 407 |

This was mainly attributable to the exposure on outstanding USD, CNY and JPY receivables and payables which were not hedged at the end of the reporting period.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

| | **March 31, 2022** | **December 31, 2021** | **March 31, 2021** |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 2,542,248 | $ 3,160,245 | $ 2,358,044 |
| Financial liabilities | 572,968 | 567,194 | 1,267,660 |
| Cash flow interest rate risk | | | |
| Financial assets | 1,882,046 | 1,127,782 | 901,606 |
| Financial liabilities | 10,349 | 13,887 | 16,606 |

Sensitivity analysis

The sensitivity analyses below were determined based on the Group’s exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group’s pre-tax profit for the three months ended March 31, 2022 and 2021 would decrease/increase by $4,679 thousand and $2,213 thousand, respectively.

The Group’s sensitivity to interest rates increased during the current year mainly due to the increase in variable rate borrowings.

c) Other price risk

The Group was exposed to price risk through its investments in equity securities. The Group has appointed a special team to monitor the price risk and make plans to manage the price risk.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to the price risks of the aforementioned investments at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the three months ended March 31, 2022 and 2021 would have increased/decreased by $7,366 thousand and $7,073 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the three months ended March 31, 2022 and 2021 would have increased/decreased by $10,660 thousand and $7,833 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

b) The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The credit risk on liquid funds and derivatives was limited because the counterparties are reputable banks.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings are a significant source of liquidity. As of March 31, 2022, December 31, 2021 and March 31, 2021, the Group had available unutilized short-term bank loan facilities set out in (3) below.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

March 31, 2022

| | Less than 1 Year | 1-2 Year | 2-3 Year | 3-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | $ 1,327,651 | $ - | $ - | $ - | $ - |
| Lease liabilities | 22,043 | 18,900 | 18,214 | 35,513 | 146,144 |
| Variable interest rate liabilities | 10,349 | - | - | - | - |
| Fixed interest rate liabilities | 332,154 | - | - | - | - |
| | $ 1,692,197 | $ 18,900 | $ 18,214 | $ 35,513 | $ 146,144 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 22,043 | $ 72,627 | $ 146,144 | $ - | $ - | $ - |

December 31, 2021

| | Less than 1 Year | 1-2 Year | 2-3 Year | 3-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | $ 1,609,332 | $ - | $ - | $ - | $ - |
| Lease liabilities | 22,847 | 19,398 | 18,285 | 35,639 | 150,536 |
| Variable interest rate liabilities | 13,887 | - | - | - | - |
| Fixed interest rate liabilities | 320,489 | - | - | - | - |
| | $ 1,966,555 | $ 19,398 | $ 18,285 | $ 35,639 | $ 150,536 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 22,847 | $ 73,322 | $ 150,536 | $ - | $ - | $ - |

March 31, 2021

| | Less than 1 Year | 1-2 Year | 2-3 Year | 3-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | |
| Non-interest bearing | $ 1,912,317 | $ - | $ - | $ - | $ - |
| Lease liabilities | 23,543 | 21,498 | 18,435 | 35,702 | 163,711 |
| Variable interest rate liabilities | 16,606 | - | - | - | - |
| Fixed interest rate liabilities | 1,004,771 | - | - | - | - |
| | $ 2,957,237 | $ 21,498 | $ 18,435 | $ 35,702 | $ 163,711 |

Additional information about the maturity analysis for lease liabilities:

| | Less than 1 Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | 20+ Years |
|---|---|---|---|---|---|---|
| Lease liabilities | $ 23,543 | $ 75,635 | $ 163,711 | $ - | $ - | $ - |

b) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

March 31, 2021:

| | Less than 1 Year | 1-2 Year | 2-3 Year | 3-5 Years | 5+ Years |
|---|---|---|---|---|---|
| Foreign exchange forward contracts | $ (2,055) | $ - | $ - | $ - | $ - |

c) Financing facilities

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Unsecured bank overdraft facilities, reviewed annually and payable on demand: | | | |
| Amount used | $ 536,972 | $ 555,386 | $ 1,265,110 |
| Amount unused | 2,508,178 | 2,462,724 | 2,626,861 |
| | $ 3,045,150 | $ 3,018,110 | $ 3.891.971 |

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and relationships:

| Name of Related Party | Relationship with the Group |
|---|---|
| Nichia Taiwan Corp. | Investor that has significant influence over the Group (Note 1) |
| Nichia Corp. | Investor that has significant influence over the Group (Note 1) |
| Giga Epitaxy Technology Corp. | Other related party (Note 2) |
| VML TECHNOLOGIES B.V. | Associate (Note 3) |
| New Smart Technology Co., Ltd. | Associate |
| Opto Medical Public Welfare Foundation | Other related party |

Note 1: The shareholders of the Company during their meeting resolved to issue ordinary 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; Nichia Corp. is the parent company of Nichia Taiwan Corp.

Note 2: It was no longer a related party of the Company after the Company resigned as director on February 28, 2021.

Note 3: The subsidiary - Ho Chung Investment disposed of its ownership of VML TECHNOLOGIES B.V. on November 30, 2021. The Company is not a related party of the Company starting from the date.

b. Operating revenue

| Related Party Category/Name | For the Three Months Ended March 31 2022 | 2021 |
|---|---|---|
| Associates | $ - | $ 2,172 |
| Investor that has significant influence over the Group | 88,945 | - |
| Other related parties | - | 83,423 |
| | $ 88,945 | $ 85,595 |

The selling prices charged to the above related parties are not materially different from those charged to non-related parties.

c. Purchases of goods

| Related Party Category/Name | For the Three Months Ended March 31 2022 | 2021 |
|---|---|---|
| Investors that have significant influence over the Group | $ 37,671 | $ - |
| Other related parties | - | 41,243 |
| | $ 37,671 | $ 41,243 |

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties.

d. Receivables from related parties

| Line Item | Related Party Category/Name | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|---|
| Trade receivables to related parties | Investors that have significant influence over the Group | $ 42,579 | $ 15,015 | $ - |
| | Other related parties | - | - | 35,996 |
| | | $ 42,579 | $ 15,015 | $ 35,996 |

The outstanding trade receivables from related parties are unsecured. For the three months ended March 31, 2022 and 2021, no impairment losses were recognized for trade receivables from related parties.

e. Payables to related parties

| Line Item | Related Party Category/Name | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|---|
| Trade payables to related parties | Investors that have significant influence over the Group | $ 66,107 | $ 60,499 | $ - |
| | Other related parties | - | - | 52,561 |
| | | $ 66,107 | $ 60,499 | $ 52,561 |
| Other payables to related parties | Investors that have significant influence over the Group | $ 542 | $ 210 | $ - |
| | Other related parties | 560 | - | - |
| | | $ 1,102 | $ 210 | $ - |

The payment terms with the above related parties were not materially different from non-related parties, The outstanding trade payables to related parties are unsecured.

f. Prepayments (included in other current assets)

| Related Party Category/Name | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Related parties | | | |
| VML TECHNOLOGIES B.V. | $ - | $ - | $ 8,139 |

g. Acquisition of property, plant and equipment

| Related Party Category/Name | March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Related parties | $ 6,463 | $ - |

h. Lease arrangements

| Line Item | Related Party Category/Name | For the Three Months Ended March 31 | |
|---|---|---|---|
| | | 2022 | 2021 |
| Rental expenses | Investors that have significant influence over the Group | $ 600 | $ - |
| | Other related parties | - | 600 |
| | | $ 600 | $ 600 |
| Interest expenses | Investors that have significant influence over the Group | $ 9 | $ - |
| | Other related parties | - | 19 |
| | | $ 9 | $ 19 |

| Line Item | Related Party Category/Name | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|---|
| Lease liabilities | Investors that have significant influence over the Group | $ 1,589 | $ 2,180 | $ - |
| | Other related parties | - | - | 3,938 |
| | | $ 1,589 | $ 2,180 | $ 3,938 |

In the lease contract with related parties, the rent is negotiated with reference to market conditions, and paid in accordance with general conditions.

i. Other

| Line Item | Related Party Category/Name | For the Three Months Ended March 31 | |
|---|---|---|---|
| | | 2022 | 2021 |
| Rental revenue | Related parties | $ 60 | $ - |
| Donation expense | Opto Medical Public Welfare Foundation | $ 35,000 | $ - |

In the lease contract with related parties, the rent is negotiated with reference to market conditions, and received in accordance with general conditions.

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

j. Compensation of key management personnel

| | For the Three Months Ended March 31 | |
|---|---|---|
| | 2022 | 2021 |
| Short-term employee benefits | $ 34,482 | $ 37,284 |
| Post-employment benefits | 1,178 | 103 |
| | $ 35,660 | $ 37,387 |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been mortgaged as collateral for bank credit lines, performance guaranty, and a deposit for management and maintenance of public open space:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Demand deposits (included in financial assets at amortized cost - current) | $ 23,210 | $ 23,810 | $ 22,810 |

## 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of March 31, 2022 were as follows:

a. As of March 31, 2022, December 31, 2021 and March 31, 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $45,827 thousand, $50,560 thousand and $45,646 thousand, respectively.

b. Unrecognized commitments were as follows:

| | March 31, 2022 | December 31, 2021 | March 31, 2021 |
|---|---|---|---|
| Acquisition of property, plant and equipment | $ 115,726 | $ 124,460 | $ 14,426 |

c. As of March 31, 2022, December 31, 2021 and March 31, 2021, the guarantees provided by the Company through banks amounted to approximately $139,392 thousand, $142,591 thousand and $158,781 thousand, respectively.

## 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. The board of directors of the Company decided to acquire the land in Xinzhuang, Hsinchu City, with an estimated price of $90,538 thousand on April 1, 2022.

b. The board of directors of the Company decided to subscribe for 6,800 thousand ordinary shares at $43.52 per share, totaling $295,936 thousand by the private placement proposal of Singbao International Co., Ltd. on April 13, 2022.

c. The board of directors of the Company decided to provide financing to Opto Plus in the amount of US$3,150 thousand to repay the bank loan of Opus Company and release the Company's endorsement guarantee. During the equity transfer procedure of Opto Plus, after settling the trade payables and other accounts payable, if the Company confirmed that Opto Plus cannot repay the debt, the Company will give up the capital loan and its creditor's rights on May 12, 2022.

d. The board of directors of the Company approved the capital expenditure plan of the subsidiary - ProAsia. In response to operational needs, it is expected to purchase machinery and equipment and build clean rooms and other equipment in 2022. The capital expenditure in 2022 is estimated to be approximately $220,000 thousand to $240,000 thousand on May 12, 2022.

## 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

March 31, 2022

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 34,575 | 28.575 (USD:NTD) | $ 987,981 |
| JPY | 477,750 | 0.2333 (JPY:NTD) | 111,459 |
| CNY | 14,219 | 4.4810 (CNY:NTD) | 63,715 |
| USD | 335 | 6.3526 (USD:CNY) | 9,589 |
| JPY | 5,697 | 0.0522 (JPY:CNY) | 1,340 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 14,452 | 28.675 (USD:NTD) | 414,411 |
| JPY | 367,896 | 0.2373 (JPY:NTD) | 87,302 |
| USD | 40 | 6.3526 (USD:CNY) | 1,145 |

December 31, 2021

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 38,914 | 27.63 (USD:NTD) | $ 1,075,194 |
| JPY | 333,627 | 0.2385 (JPY:NTD) | 79,570 |
| CNY | 15,222 | 4.4319 (CNY:NTD) | 67,462 |
| USD | 477 | 6.3720 (USD:CNY) | 13,203 |
| JPY | 1,771 | 0.0553 (JPY:CNY) | 426 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 20,517 | 27.73 (USD:NTD) | 568,936 |
| JPY | 430,400 | 0.2425 (JPY:NTD) | 104,372 |
| USD | 738 | 6.3720 (USD:CNY) | 20,428 |

March 31, 2021

| | Foreign Currencies | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 40,194 | 28.49 (USD:NTD) | $ 1,144,926 |
| JPY | 400,751 | 0.256 (JPY:NTD) | 102,472 |
| CNY | 24,285 | 4.32 (CNY:NTD) | 104,887 |
| USD | 260 | 6.5688 (USD:CNY) | 7,419 |
| JPY | 3,206 | 0.0593 (JPY:CNY) | 826 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 1 | 28.49 (USD:NTD) | 8 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 32,247 | 28.59 (USD:NTD) | 921,780 |
| JPY | 554,438 | 0.2597 (JPY:NTD) | 143,988 |
| USD | 697 | 6.5688 (USD:CNY) | 19,889 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 72 | 28.59 (USD:NTD) | 2,063 |

The Group is mainly exposed to CNY. The following are the functional currencies of the entities in the Group, the exchange rates between the functional currencies and the presentation currency, and the significant realized and unrealized foreign exchange gains (losses).

| | For the Three Months Ended March 31 | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| **Foreign Currencies** | **Exchange Rate** | **Net Foreign Exchange Gains (Losses)** | **Exchange Rate** | **Net Foreign Exchange Gains (Losses)** |
| NTD | 1 (NTD:NTD) | $ 21,132 | 1 (NTD:NTD) | $ 189 |
| CNY | 4.41 (CNY:NTD) | (314) | 4.38 (CNY:NTD) | 230 |
| | | $ 20,818 | | $ 419 |

## 34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others: None.

2) Endorsements/guarantees provided: Table 1.

3) Marketable securities held (excluding investments in subsidiaries and associates): Table 2.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None.

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

9) Trading in derivative instruments: Refer to Note 7.

10) Intercompany relationships and significant intercompany transactions: None.

b. Information on investees (excluding investees in mainland China): Table 3.

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4.

2) Any of significant transactions with investee companies in mainland China, either directly or indirectly through a company in third area, and their prices, payment terms, and unrealized gains or losses: Table 1.

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

   c) The amount of property transactions and the amount of the resultant gains or losses

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

   e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds

   f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 5.

## 35. OPERATING SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were LED and silicon vendor chips group, displays and lighting group, and packaging business group.

a. Segment revenues and results:

The information of the Group's revenues and results by segment is as follows:

| | LED and Silicon Send or Chips Group | Displays and Lighting Group | Packaging Business Group | Other Segment | Consolidated |
|---|---|---|---|---|---|
| For the three months ended March 31, 2022 | | | | | |
| Revenue from external customers | $ 1,011,768 | $ 194,718 | $ 75,799 | $ - | $ 1,282,285 |
| Segment income | $ 134,996 | $ 20,144 | $ (3,309) | $ 31,599 | $ 183,430 |
| For the three months ended March 31, 2021 | | | | | |
| Revenue from external customers | $ 1,351,961 | $ 164,480 | $ 66,970 | $ - | $ 1,583,411 |
| Segment income | $ 310,569 | $ (26,816) | $ 3,997 | $ 11,626 | $ 299,376 |

The segment revenue reported above is generated from transactions with external customers. There were no inter-segment sales from January 1 to March 31, 2022 and 2021.

b. Total segment assets and liabilities

The amount of assets measured by the Group is not provided to the operating decision makers, so the amount of assets measured by the department is zero.

## OPTO TECH CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period | Outstanding Endorsement/ Guarantee at the End of the Period | Actual Borrowing Amount | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) | Aggregate Endorsement/ Guarantee Limit | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship | | | | | | | | | | | |
| 0 | Opto Tech Corporation | Opto System Technologies Inc. | Subsidiary | $ 1,971,754 (Note 1) | $ 7,141 | $ 6,641 | $ 6,641 | $ - | 0.07 | $ 4,929,384 (Note 1) | Y | N | N | |
| | | Opto Plus Technology Co., Ltd. | Subsidiary | 1,971,754 (Note 1) | 100,363 | 100,363 | 91,814 | - | 1.04 | 4,929,384 (Note 1) | Y | N | Y | |

Note 1: The calculation and amount of ceiling on providing endorsement/guarantee to others shall be disclosed. It 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:

a. $9,858,768 thousand × 20% = $1,971,754 thousand.
b. $9,858,768 thousand × 50% = $4,929,384 thousand.

# OPTO TECH CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)**
**MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2022 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Shares | Carrying Amount | Percentage of Ownership | Fair Value |
| Opto Tech Corporation | Shares | | | | | | |
| | AXT, Inc.(Note 3) | - | Financial assets at FVTPL - current | 124,100 | $ - | - | $ - |
| | Lu Zhu Development Co., Ltd. | - | Financial assets at FVTPL - non-current | 13,808,725 | 112,528 | 6.38 | 112,528 |
| | Top Increasing Technology Co., Ltd. | - | Financial assets at FVTPL - current | 10,000,000 | - | 16.67 | - |
| | Nichia Corp. | The Company is the parent company of Nichia Taiwan Corp. | Financial assets at FVTOCI - non-current | 10,000 | 545,143 | 0.45 | 545,143 |
| | Viking Tech Corporation. | - | Financial assets at FVTOCI - non-current | 2,873,994 | 264,408 | 2.45 | 264,408 |
| | Giga Epitaxy Technology Corp. | - | Financial assets at FVTOCI - non-current | 4,950,491 | 18,798 | 15.00 | 18,798 |
| | Shin-Etsu Opto Electronic Co., Ltd. | - | Financial assets at FVTOCI - non-current | 2,000,000 | 222,584 | 10.00 | 222,584 |
| | Fubon Financial Holding Co., Ltd. | - | Financial assets at FVTOCI - non-current | 250,000 | 15,025 | 0.00 | 15,025 |
| | Mutual funds | | | | | | |
| | Jih Sun Money Market fund | - | Financial assets at FVTPL - current | 5,391,133 | 80,848 | - | 80,848 |
| | Taishin 1699 Money Market fund | - | Financial assets at FVTPL - current | 4,477,862 | 61,293 | - | 61,293 |
| | TCB Taiwan Money Market fund | - | Financial assets at FVTPL - current | 4,885,150 | 50,125 | - | 50,125 |
| | FSITC Taiwan Money Market fund | - | Financial assets at FVTPL - current | 5,965,267 | 92,352 | - | 92,352 |
| | Franklin Templeton Sinoam Money Market fund | - | Financial assets at FVTPL - current | 9,247,290 | 96,729 | - | 96,729 |
| | Capital Money Market fund | - | Financial assets at FVTPL - current | 5,837,819 | 95,198 | - | 95,198 |
| | Union Money Market | - | Financial assets at FVTPL - current | 7,134,275 | 95,199 | - | 95,199 |
| Ho Chung Investment Co., Ltd. | Shares | | | | | | |
| | Opto Tech Corp. | Parent company | Financial assets at FVTPL - current | 754,543 | 38,708 | 0.17 | 38,708 |
| | Shares | | | | | | |
| River Asset Co., Ltd. | Leadtrend Tech. Corp. | - | Financial assets at FVTPL - current | 370,000 | 52,355 | 0.70 | 52,355 |

Note 1: The term “marketable securities” in this table refers to stocks, bonds, mutual funds and marketable securities derived from the above items that fall within the scope of IFRS No. 9 “Financial Instruments”.

Note 2: The information on investment in subsidiaries, please refer to Tables 3 and 4.

Note 3: The 124,000 shares of AXT, Inc. which are owned by the Company, are preferred stocks.

## OPTO TECH CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTEES (EXCLUDING INVESTMENTS IN MAINLAND CHINA)**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | As of March 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2022 | December 31, 2021 | Shares | % | Carrying Amount | | | |
| Opto Tech Corporation | Ho Chung Investment Co., Ltd. | Taiwan | Investment business | $ 645,360 | $ 258,348 | 40,000,000 | 100.00 | $ 408,305 | $ (14,934) | $ 6 | (Note 1) |
| | 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 | 149,267 | (310) | (310) | (Note 1) |
| | Bright Investment International Ltd. | British Virgin Islands | Investment business | 171,332 | 171,332 | 5,100,000 | 100.00 | 54,442 | (1,925) | (1,925) | (Note 1) |
| | Everyung Investment Ltd. | Samoa | Investment business | 42,343 | 42,343 | 5,000,000 | 50.00 | 53,292 | (3,879) | (1,939) | (Note 1) |
| | River Asset Co., Ltd. | Taiwan | Investment business | 400,000 | 400,000 | 40,000,000 | 100.00 | 426,243 | (935) | (935) | (Note 1) |
| | Opto System Technologies Inc. | Taiwan | Manufacture and sales of lighting equipment | 201,000 | 1,000 | 20,100,000 | 100.00 | 210,255 | 9,255 | 9,255 | (Note 1) |
| | New Smart Technology Co., Ltd. | Taiwan | Automatic control equipment engineering business | 14,000 | 14,000 | 1,000,000 | 5.00 | 12,041 | (4,072) | (1,094) | (Note 1) |
| | Wan Zun Guang Investment Co., Ltd. | Taiwan | Investment business | 310,000 | - | 31,000,000 | 100.00 | 309,837 | (163) | (163) | (Note 1) |
| River Asset Co., Ltd. | New Smart Technology Co., Ltd. | Taiwan | Automatic control equipment engineering business | 56,000 | 56,000 | 4,000,000 | 20.00 | 48,164 | (4,072) | (4,376) | (Note 1) |
| Bright Investment International Ltd. | Everyung Investment Ltd. | Samoa | Investment business | 168,421 | 168,421 | 5,000,000 | 50.00 | 53,995 | (3,879) | (1,939) | (Note 1) |
| Wan Zun Guang Investment Co., Ltd. | ProAsia Semiconductor Corporation | Taiwan | Development, manufacture and sales of silicon-based semiconductor power components and silicon carbide compound semiconductor power components | 300,000 | - | 30,000,000 | 100.00 | 299,925 | (75) | (75) | (Note 1) |

Note 1: The calculation is based on the financial statements of the investee company that have not been reviewed by an accountant during the same period and the Company’s shareholding ratio. The adjusted unrealized gross profit and realized gross profit consists of upstream, downstream and sidestream transactions.

Note 2: The amount was eliminated upon consolidation.

TABLE 4

# OPTO TECH CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA**
**FOR THE THREE MONTHS ENDED MARCH 31, 2022**
**(In Thousands of New Taiwan Dollars)**

| Investee Company in Mainland China | Main Businesses and Products | Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Income (Loss) | Carrying Amount as of March 31, 2022 | Accumulated Repatriation of Investment Income as of March 31, 2022 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Opto Plus Technology Co., Ltd. | Manufacture and sales of LED and electronic products | $ 317,341 | b | $ 317,341 | $ - | $ - | $ 317,341 | $ (3,879) | 100 | $ (3,879) (Note 2) | $ 107,990 | $ - | - |

| Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2022 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA |
|---|---|---|
| $317,341 | $317,849 | $5,917,441 |

Note 1: Three investing methods:

a. Direct investment in mainland China.
b. Investment made in mainland China through company in third area.
c. Other methods.

Note 2: The calculation is based on the financial statements of the investee company that have not been reviewed by an accountant during the same period and the Company’s shareholding ratio.

Note 3: The amount was eliminated upon consolidation.

**TABLE 5**

# OPTO TECH CORPORATION

## INFORMATION OF MAJOR SHAREHOLDERS
## MARCH 31, 2022

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Nichia Taiwan Corp. | 88,811,822 | 20.24 |