



正達國際光電股份有限公司
G-Tech Optoelectronics Corp.

2021 Annual General Meeting

Meeting Minutes

(Translation)

Date and Time: 9 a.m., July 15, 2021

Location: No. 99, Zhongxing Rd., Neighborhood 29, Zhongping Vil., Tongluo Township,
Miaoli County

G-TECH Optoelectronics Corporation

2021 Annual General Meeting Minutes

Date and Time: 9 a.m., Wednesday, July 15, 2021

Location: No. 99, Zhongxing Rd., Neighborhood 29, Zhongping Vil., Tongluo Township, Miaoli County

Attending Shareholders: Attending shareholders and proxy represented 111,347,509 shares (including 52,876,738 shares which attended through electronic voting) accounting for 53.94% of 206,393,604 shares, the Company's total outstanding shares

Attending Directors: Chairman Chih-Ming Chung, Independent Director Kuo-Shih Huang (Chairperson of the Audit Committee), Director Kuo-Hung Wang and Director Jen-Liang Hsiao.

Chairperson: Chih-Ming Chung, Chairman

Minute Recorder: Hsiu-Li Kao

I. Meeting called to Order: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairperson's Remarks: (Omitted)

III. Report Items

Agenda 1

Agenda: 2020 Business Report submitted for review.

Explanation: Please refer to "Attachment 1" for the 2020 Business Report.

Agenda 2

Agenda: 2020 Audit Committee's Review Report submitted for review.

Explanation: Please refer to "Attachment 2" for the Audit Committee's Review Report.

Agenda 3

Agenda: Proposal for the Company to not continue executing the common shares private placement report approved by the 2020 annual general meeting submitted for review.

Explanation:

1. Pursuant to Article 43-6 of the Securities and Exchange Act, private

placement of common shares may be carried out in installments within one year of the date of the resolution of the shareholder meeting.

2. The execution of the private placement for issuance of common shares of the Company has been approved by the 2020 annual general meeting. Since the execution deadline is due soon, the plan for the execution of private placement is not to be further carried out in the remaining period before the deadline.

Agenda 4

Agenda: Report on the status of the Company's third domestic issuance of secured convertible corporate bonds, submitted for review.

Explanation: To repay bank loans, on December 21, 2020, the Board of Directors of the Company has approved the third domestic issuance of secured convertible corporate bonds of NT\$500,000 thousand, at face value per bond of NT\$100 thousand, for a term of three years with a bond interest rate of 0%, issued according to the face value, and the total amount of current offering is NT\$500,000 thousand. The proposal has been approved in the Financial Supervisory Commission's Jin-Guan-Zheng-Fa-Zi No. 1090379949 Letter dated March 8, 2021, and has been officially offered at TPEX on March 26, 2021. The lock-up period is up to the date of June 26, 2021, and no conversion has been executed for the convertible bonds.

IV. Ratification Items

Agenda 1 (Proposed by the Board of Directors)

Agenda: 2020 Business Report and Financial Statements of the Company, proposed for ratification.

Explanation:

- I. The Company's 2020 Financial Statements have been duly audited by CPA Tsung-Che Chen and CPA Shu-Ying Chang of KPMG Taiwan with the issuance of an unqualified opinion report. The Financial Statements together with the Business Report have been approved by the Board of Directors through resolution thereof, and an audit report has also been issued by the supervisors.
- II. For relevant statements and reports, please refer to "Attachments 1 to 3" for details.

Resolution: The result is as follows:

Voting Results: Shares presented at the time of voting: 111,347,509.

Voting Results	% of the total represented share present
Votes in favor: 105,751,964 votes (including 47,281,213 shares voted via electronic transmission)	94.97%
Votes against: 28,847 votes (including 28,847 shares voted via electronic transmission)	0.03%
Votes invalid: 0 vote	0.00%
Votes abstained / Not Voted: 5,566,698 votes (including 5,566,678 shares voted via electronic transmission)	5.00%

It was resolved that the above proposal be approved as proposed.

Agenda 2 (Proposed by the Board of Directors)

Agenda: 2020 proposal for deficit compensation of the Company, proposed for ratification.

Explanation:

- I. The Company's deficit after tax for the fiscal year of 2020 is NT\$293,123,603, and the accumulated deficit is NT\$1,019,793,101. For the current year, after the Company compensates the deficit with the additional paid-in capital of NT\$15,958,046, the deficit to be compensated at the end of the period is NT\$1,003,835,055.
- II. The 2020 Deficit Compensation Statement is as follows:

G-TECH Optoelectronics Corporation 2020 Deficit Compensation Statement

Unit: NT\$

Deficit to be compensated at the beginning of the period		(726,669,498)
Less: Net loss of current year	(293,123,603)	
Deficit to be compensated of the current period		(1,019,793,101)
Items for compensating deficit:		

Additional paid-in capital:		
Lapsed stock option	15,958,046	
Deficit yet to be compensated		(1,003,835,055)

Responsible Person: Managerial Officer: Accounting Manager:
Chih-Ming Chung Chih-Ming Chung Tai-Chiou Wu

Resolution: The result is as follows:

Voting Results: Shares presented at the time of voting: 111,347,509

Voting Results	% of the total represented share present
Votes in favor: 105,710,747 votes (including 47,239,996 shares voted via electronic transmission)	94.94%
Votes against: 68,880 votes (including 68,880 shares voted via electronic transmission)	0.06%
Votes invalid: 0 vote	0.00%
Votes abstained / Not Voted: 5,567,882 votes (including 5,567,862 shares voted via electronic transmission)	5.00%

It was resolved that the above proposal be approved as proposed.

V. Discussions and Elections

Agenda 1 (Proposed by the Board of Directors)

Agenda: Proposal for the Company's issuance of new shares for cash capital increase, proposed for discussion.

Explanation:

For the next year, the Company plans to perform a capital market funding plan depending on the status of capital demand, and the number of shares planned to be issued is within the limit of 30,000,000 shares. It is proposed to the shareholder meeting to authorize the Board of Directors to execute the domestic issuance of new shares for cash capital increase according to the conditions of the market and based on the consideration of the Company's capital demand, and the content is as described in the following:

- I. Pursuant to Article 28-1 of the Securities and Exchange Act, regarding

the sales method for the portion of the shares requiring public offering, the Board of Directors is authorized to adopt the book building method, and the percentage of new shares for public offering shall be handled in accordance with the following method:

- (1) For the total amount of new shares issued, 10% to 15% of such new shares is to be subtracted from the total and reserved according to the provisions of Article 267 of the Company Act, and the remaining balance is submitted to the shareholder meeting for approval on the waiver of the right to subscribe new shares. Following this, the appointed underwriter is to deduct and reserve the portion for self-subscription in order to perform public offering on the entire amount according to the provisions of Article 28-1 of the Securities and Exchange Act via the book building method. If there is any deficiency in the employees' subscription or waiver of subscription of the Company, the Chairperson of the Board is authorized to arrange specific persons to perform subscription at the issue price.
 - (2) The issue price of the present issuance is determined in accordance with the regulations of the competent authority. For the actual issue price, after the end of the book building period, it is proposed to the shareholder meeting to authorize the Board of Directors and the handling underwriter to engage in joint discussion based on the consideration of the summarization of the book building status and the issue market condition, followed by reporting to the competent authority for recordation and executing the issuance accordingly.
 - (3) For the aforementioned public offering sales method, it is proposed to the shareholder meeting to authorize the Board of Directors to handle relevant matters according to the law.
- II. The material content of the present cash capital increase plan includes the underwriting method, issue price, actual number of shares issued, issuance criteria, plan items, funding amount, predefined schedule and relevant matters of expected possible benefits, and all other matters related to the present cash capital increase. In the future, if there is a need to make correction due to decision of the competent authority, operational evaluation or due to regulatory retirements and objective environmental needs, it is proposed to the shareholder meeting to

authorize the Board of Directors to handle such matters with full discretion.

III. The present proposal for cash capital increase is reported to the competent authority of securities for approval before issuance, and it is proposed to the shareholder meeting to authorize the Board of Directors to specify the subscription base date, payment period and capital increase base date and other matters related to the issuance of new shares.

IV. The rights and obligations for the present issuance of new shares are the same as those of the original shares, and no physical share issuance is to be performed.

Resolution: The result is as follows:

Voting Results: Shares presented at the time of voting: 111,347,509

Voting Results	% of the total represented share present
Votes in favor: 105,745,950votes (including 47,275,199 shares voted via electronic transmission)	94.97%
Votes against: 36,751votes (including 36,751 shares voted via electronic transmission)	0.03%
Votes invalid: 0 vote	0.00%
Votes abstained / Not Voted: 5,564,808votes (including 5,564,788 shares voted via electronic transmission)	5.00%

It was resolved that the above proposal be approved as proposed.

Agenda 2 (Proposed by the Board of Directors)

Agenda: Proposal for the Company's execution of private placement of common shares, proposed for discussion.

Explanation:

- I. Based on the consideration of sufficient working capital, repayment of bank loans and the timeliness, feasibility and cost of issuance of the Company, it is proposed that at the appropriate time and in accordance with Article 43-6 of the Company Act, the private placement method is to be adopted to execute the issuance of common shares for cash capital increase. It is

proposed to the shareholder meeting to authorize the Board of Directors to execute three installments in one year starting from the date of resolution on the private placement proposal resolution by the shareholder meeting.

II. Relevant information on the issuance of new shares for the cash capital increase via private placement of common shares is as follows:

(i) Issuance Criteria

1. Private placement shares type: Common shares.
2. Number of shares of private placement: No more than 30,000,000 shares.
3. Par value per share: NT\$10 per share.
4. Total private placement amount: The Board of Directors is authorized to determine the total amount based on the actual execution status.

(ii) Basis and Rational for Determination of Private Placement Price

1. The price determination of the common shares of the present private placement shall not be lower than 80% of the higher price of the prices calculated based on the standards described in the following two paragraphs on the price determination date of the Company:

(1) The simple average closing price of the common shares of the Company either 1, 3 or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends or capital reduction; or

(2) The simple average closing price of the common shares of the Company 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction.

However, for the actual price determination date and actual issue price, depending on the condition of the arrangements of specific persons, it is proposed to the shareholder meeting to authorize the Board of Directors to make the determination based on the aforementioned method.

2. For the determination of the actual issue price of the common shares of the present private placement, the operation status, future outlook, restriction on the freedom of transfer of such shares and the most recent stock price condition of the Company are to be considered, as well as the provisions of the "Directions for Public

Companies Conducting Private Placements of Securities” and the provisions of current laws and regulations; consequently, the determination of the price shall have a certain rationality.

(iii) Specific Persons Selection Method:

1. The subjects for the present private placement of common shares are limited to the specific persons specified in Article 43-6 of the Securities and Exchange Act and prescribed in Financial Supervisory Commission’s (2002) Tai-Cai-Zheng-Yi-Zi No. 0910003455 Decree dated June 13, 2002, and presently no places have been arranged.
2. List of insiders or related parties planning to participate in the private placement:

Subscriber	Selection Method and Purpose	Relationship with the Company
Hong Yuan International Investment Co., Ltd.	With extensive understanding on the business of the Company	Director of the Company
Hong Yang Capital Investment Co., Ltd.	With extensive understanding on the business of the Company	Related party of the Director
Hong Chi International Investment Co., Ltd.	With extensive understanding on the business of the Company	Related party of the Director
Bao Xin International Investment Co., Ltd.	With extensive understanding on the business of the Company	Related party of the Director
Chung, Jung-Hua	With extensive understanding on the business of the Company	Relative of first degree of kinship of the Chairman
Chung, Kuo Feng-Mei	With extensive understanding on the business of the Company	Relative of first degree of kinship of the Chairman
Chung, Chih-Ming	With extensive understanding on the business of the Company	Chairman
Yeh, Ching-Lan	With extensive understanding on the business of the Company	Spouse of the Chairman
Lai, Hsiu-Chi	With extensive understanding on the business of the Company	Relative of second degree of kinship of the Chairman
Chung, Yu-Hsin	With extensive understanding on the business of the Company	Relative of first degree of kinship of the Chairman
Chung, Li-Hsin	With extensive understanding on the business of the Company	Relative of first degree of kinship of the Chairman
Lin, Shih-Chang	With extensive understanding on the business of the Company	Director of the Company

Subscriber	Selection Method and Purpose	Relationship with the Company
Wang, Kuo-Hung	With extensive understanding on the business of the Company	Director of the Company
Hsiao, Jen-Liang	With extensive understanding on the business of the Company	Director of the Company
Chiu, Huo-Sheng	With extensive understanding on the business of the Company	Vice President of the Company
Wang, Yao-Chang	With extensive understanding on the business of the Company	Vice President of the Company
Hsu, Hsien-Yi	With extensive understanding on the business of the Company	Assistant Vice President of the Company
Huang, Yung-Cheng	With extensive understanding on the business of the Company	Assistant Vice President of the Company
Wu, Tai-Chiou	With extensive understanding on the business of the Company	Financial Officer of the Company
Tsai, Tsung-Tien	With extensive understanding on the business of the Company	R&D Supervisor of the Company
Hung, Yu-Te	With extensive understanding on the business of the Company	Assistant Vice President of the Company
Lin, Hsing-Chiao	With extensive understanding on the business of the Company	Assistant Vice President of the Company
Wang, Ju-Wen	With extensive understanding on the business of the Company	Assistant Vice President of the Company

3. Relationship between Shareholders of Corporate Subscribers with Top Ten Shareholding and the Company:

(1) Hong Yuan International Investment Co., Ltd.

Name of Shareholder	Shareholding Percentage	Relationship with the Company
Hon Hai Precision Industry Co., Ltd.	100%	Investment Company Using Indirect Equity Method on the Company

(2) Hong Yang Capital Investment Co., Ltd.

Name of Shareholder	Shareholding Percentage	Relationship with the Company
Hon Hai Precision Industry Co., Ltd.	97.95%	Investment Company Using Indirect Equity Method on the Company
Bao Xin International Investment Co., Ltd.	2.05%	Related Party of the Director

(3) Hong Chi International Investment Co., Ltd.

Name of Shareholder	Shareholding Percentage	Relationship with the Company
Hon Hai Precision Industry Co., Ltd.	100%	Investment Company Using Indirect Equity Method on the Company

(4) Bao Xin International Investment Co., Ltd.

Name of Shareholder	Shareholding Percentage	Relationship with the Company
Hon Hai Precision Industry Co., Ltd.	100%	Investment Company Using Indirect Equity Method on the Company

(iv) Reasons of Necessity for Execution of Private Placement

1. Reasons for not adopting public offering method: Based on the consideration of the timeliness, feasibility and issuance cost for the raising of capital and the consideration of the restriction on the freedom of transfer of private placement securities in three years, to ensure the long-term equity relationship between the Company and the places, the public offering method is not to be adopted but the private placement method is to be adopted for the issuance.
2. Limit of Private Placement: Within the limit of 30,000,000 shares, three installments are to be performed in one year starting from the resolution date of the shareholder meeting.
3. Purpose of capital raised through private placement of each installment and expected benefit to be achieved:
The capital raised through the three installments will be used to increase the working capital and to repay bank loans. The benefits expected to be generated are the strengthening of the financial structure and the saving of interest expenditures, etc., which will have a positive impact on the shareholders' equity.

(v) Rights and Obligations for Present Private Placement of Common Shares

1. For the common shares of the present private placement and subsequent distribution, the rights and obligations thereof are the same as those of the common shares already issued by the Company. However, according to the regulations, the common shares of the present private placement and subsequent distribution, unless in compliance with the provisions of Article 43-8 of the Securities and Exchange Act, such common shares shall not

be resold within three years from the delivery date of the common shares of the present private placement.

2. For the common shares of the present private placement and the common shares subsequently distributed, after the period of three years from the delivery date of the common shares of the present private placement, it is proposed to authorize the Board of Directors to file an application and obtain an approval letter complying with the listing standards with TWSE in accordance with the relevant provisions of the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers” and the “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings”, followed by reporting for retroactive review of public issuance. In addition, such common shares are to be delivered by book-entry transfer in scripless form for the application of listing and trading.

(vi) The independent directors held no dissenting or qualified opinions.

(vii) Whether there is any significant change in managerial control within one year period immediately preceding the day on which the Board of Directors resolves on the private placement, or whether there will be a significant change in managerial control after the introduction of strategic investors through private placement: When the Company assesses the selection of placees, the Company will consider and avoid the occurrence of any significant changes to the managerial control in principle.

- III. Regarding matters related to the issuance of new shares for cash capital increase via private placement, it is proposed to authorize the Board of Directors to execute three installments in one year starting from the resolution date of the shareholder meeting depending upon the actual condition of the raising of capital. In addition, within one year from the resolution date of the shareholder meeting, regardless of whether sufficient amount of capital is raised, it will be submitted to the shareholder meeting for authorizing the Board of Directors to reach a resolution. If the original plan is still determined to be feasible, then it is deemed to have raised sufficient capital through private placement for executing the issuance of new shares for cash capital increase, and the raising of capital through private placement of issuance of new shares for cash capital increase will be considered to be complete.

- IV. The Board of Directors is authorized to decide the price determination date, the actual issue price and the capital increase base date for the issuance of new shares for the cash capital increase of the present private placement.
- V. Regarding the issuance of new shares for the cash capital increase of the present private placement, the Board of Directors is authorized to handle the issue price, issuance criteria, plan items and other relevant matters such as changes to laws and regulations, opinions of the competent authority or changes in the market condition, etc., with full discretion.

Supplementary Note: In response to the Securities and Futures Investors Protection Center’s “Zheng-Bao-Fa-Zi No. 1100001376” Letter, dated on April 27,2021,please refer to “Attachment 4” for explanation.

Resolution: The result is as follows:

Voting Results: Shares presented at the time of voting: 111,347,509

Voting Results	% of the total represented share present
Votes in favor: 105,696,236 votes (including 47,225,485 shares voted via electronic transmission)	94.93%
Votes against: 80,279 votes (including 80,279 shares voted via electronic transmission)	0.07%
Votes invalid: 0 vote	0.00%
Votes abstained / Not Voted: 5,570,994 votes (including 5,570,974 shares voted via electronic transmission)	5.00%

It was resolved that the above proposal be approved as proposed.

VI. Extraordinary Motions:None.

VII. Meeting Adjourned:The meeting was adjourned at 9:20AM

Attachment 1

G-TECH Optoelectronics Corporation 2020 Business Report

I. Business Implementation Outcome

G-TECH Optoelectronics is a professional glass processing manufacturer with comprehensive glass processing technologies capable of satisfying the demands of different markets. The product lines and technology level keep up with the time. The Company faces competition in various individual technical fields such as glass cutting, thinning, reinforcement, coating, 3D formation and bonding and lamination; nevertheless, the Company owns integrated services and is also equipped with collaborative advantages for crossing the barriers of different markets of consumer electronics, industrial control, automotive appearance and smart building glass.

In recent years, consumer electronics have entered a late growth period. Once products lose innovativeness, revolutionary technologies or even remarkable application services, the smartphone market will face a plateau period within the next few years. Accordingly, it can be understood that the strong future demand and growth of glass processing will mainly come from industries other than smartphones, such as vehicles, green buildings and new coating applications and products, and this will be the direction of the Company's product development. Under the impact of the COVID-19 pandemic, the demand for antibacterial glass continues to increase. The Company will also invest in the development of antibacterial glass with the utilization of nanotechnology coating on glass in order to achieve antibacterial effects.

In 2020, the Company has completed 2 major BOT projects in New Taipei City, and such benchmark building targets have also established the strength of the Company in the international development of the construction industry. As for the electrochromic glass integrating optoelectronic technology and building glass processing techniques, its application in smart windows has been able to increase the coloration efficiency and significantly reduce the impact of color difference of large curtain wall coloration. In addition to increasing the outstanding quality of green buildings, its development has been further extended to the sunroofs of smart vehicles. Furthermore, in regards to the development of smart vehicle 3D glass technology, the 3D large-size full lamination manufacturing technology has advanced toward high curvature, glossy and matte joint surfaces and planar three-dimensional variations; these technologies can simultaneously be realized in a single sheet of 3D glass, so that full lamination injection processes can be performed on curved surfaces. Moreover, high-standard automotive certification has also been achieved through a quality system to jointly develop integrated non-planar glass vehicle interior products with customers, including central control systems, display

and touch control applications, and curved or multi-curved decorative panels. This can satisfy the design needs for durable protective glass and lightweight design for touch control applications due to the simplification of human-machine interfaces for vehicle electronization, thereby achieving integrated products that satisfy the demands for more innovative applications.

Under the impact of the COVID-19 pandemic and the trade war between the U.S. and China in 2020, the industry has faced great challenges and undergone a transformation. Nevertheless, the Company remains committed to the development of the core technologies related to glass processing and continues to focus on the observation and understanding of market information in order to enhance research and development with early investment in resources. In addition, the Company also engages in extensive collaboration with both upstream and downstream customers in order to adjust production lines, product development and company resource investments in accordance with market trends and dynamics. With the preparation and implementation of relevant responsive measures, the Company aims to properly understand market demands and to seize profitable business opportunities. Presently, the Company has successfully received the recognition from auto manufacturers in 3D formation glass applications, and in the future business opportunities from smart vehicles that are in the process of replacing traditional vehicles will certainly generate revenue for the Company. The Company expects to see significant growth in numerous automotive glass applications, including vehicle dashboards, central control consoles, multimedia panels and rear view mirrors, etc.

II. Financial Revenue and Expenditure and Profitability Analysis

The Company's earnings in 2020 were lower than expected. However, through continuous and rigorous cost control and the disposition of idle assets, and in conjunction with the adjustment of the financial structure in order to reduce the working capital pressure, a decrease of the debt ratio, significant growth of the current ratio and improvement of financial structure has been achieved.

Important Financial Ratio Table

Analysis Item		2020	2019
Financial structure	Ratio of liabilities to assets (%)	62.02	60.94
	Long-term funds to fixed assets (%)	202.13	104.44
Solvency	Current ratio (%)	113.66	99.65
	Quick ratio (%)	101.29	87.36
Profitability	Return on assets (%)	-6.7	-0.6
	Return on equity (%)	-19.19	-3.82
	Net profit margin (%)	-11.97	-2.11
	Earnings per share (after tax) (NT\$)	-1.42	-0.29

III. Research and Development Status

1. The Company is committed to the improvement of its own technologies and product quality, with the main research development outcomes as follows:
 - A. Development of low reflectance and multi-angle uniform color coating technology for automotive 3D glass AR coating.
 - B. Development of vehicle display multi-curved large glass >1000mm.
 - C. Development of electrochromic glass for G3 products in 3D glass applications.
 - D. Development of building optoelectronic bonding technology and thin glass physical reinforcement technology.
2. R&D of new product R&D projects in progress and expected investment in R&D budget:

R&D project	Current progress	Necessary R&D budget for further investment	Expected mass production completion time	Main factors affecting success of R&D in the future
Automotive 3D glass AR coating development	Development in progress	NT\$70,000 thousand	August 2021	<ul style="list-style-type: none"> • AR optical performance and color distribution • Coating process speed and cost control • 3D glass full coating technology
Development of vehicle display multi-curved large glass >1000mm	Development in progress	NT\$35,000 thousand	August 2021	<ul style="list-style-type: none"> • Glass curvature technology • Mold material durability and cost control • Machine stability
Development of electrochromic glass for G3 products	Development in progress	NT\$10,000 thousand	December 2021	<ul style="list-style-type: none"> • Preparation and production of electrolyte film • Electrochromic layer coating technique • Electrochromic layer coating technique
Development of building optoelectronic bonding technology and thin glass physical reinforcement technology	Development in progress	NT\$15,000 thousand	December 2021	<ul style="list-style-type: none"> • Development of multi-layer glass bonding and attachment • Development of thin glass physical reinforcement • Development of large glass size uniform temperature

Responsible Person:
Chih-Ming Chung

Managerial Officer:
Chih-Ming Chung

Accounting Manager:
Tai-Chiou Wu

G-TECH Optoelectronics Corporation

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Financial Statements, Business Report and the Deficit Compensation Statement, of which the Financial Statements have been audited completely by Certified Public Accountants of KPMG Taiwan, and an unqualified audit report has been issued. The above Business Report, Financial Statements and Deficient Compensation Statement have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To:

2021 Annual General Meeting

Chairperson of the Audit Committee

Kuo-Shih Huang

April 23, 2021

Attachment 3



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

The Board of Directors
G-TECH Optoelectronics Corporation

Opinion

We have audited the accompanying financial statements of G-TECH Optoelectronics Corporation (the "Company") which comprise the balance sheets for the years ended December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows and notes to unconsolidated financial statements, including a summary of significant accounting policies, for the years ended December 31, 2020 and 2019.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers of the R.O.C.

Basis for Opinion

We conducted our audits in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in R.O.C.. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the R.O.C. and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe to have obtained and sufficient audit evidences in order to be used as the basis for the opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the Company for the year ended December 31, 2020. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Company's financial statements are states as follows:

I. Revenue Recognition

Please refer to Note 4(16) of the unconsolidated financial statements for detailed accounting policy on income recognition. Please refer to Note 6(18) of the unconsolidated financial statements for detailed descriptions on the income recognition.

Description of Key Audit Matters:

The revenue of the Company mainly comes from product sales to customers, and the sales contract with customers involve different types of transaction terms. For the recognition of sales revenue, the product control transfer status is determined on the transaction terms of each individual sales contract. Accordingly, the test of the recognition of revenue is identified as a key audit matter for the execution of the audit of the financial statements of the Company.

Corresponding Audit Procedures:

The primary audit procedures adopted by our independent auditors with respect to the aforementioned key audit matters include evaluation of the appropriateness of the accounting policy for revenue recognition; understanding and testing the type, transaction model, contract clauses and transaction terms as well as relevant internal control design and execution effectiveness; sampling of the detailed test presently conducted to verify all forms and charts in order to confirm the authenticity of the transaction. Stop-point test is conducted at a certain period before and after the report date of the financial statements in order to obtain sample and verify relevant certificates, thereby ensuring the reasonableness of recognition time point for transactions. Furthermore, a certain period before and after the financial statement report date, the Group is inspected to determine whether allowance and deduction have been provided to customers according to sales contract requirements, whether there is any material sales return or allowance, in order to ensure the authenticity of transactions. Moreover, the accrued allowance amount specified by the management authority is obtained and is verified with relevant internal and external data, in order to evaluate the rationality of relevant parameters and primary assumptions. In addition, the accuracy of the accrued allowance estimation of the previous year is inspected in order to evaluate the appropriateness of the accrued allowance amount specified by the management authority.

II. Investment Property Fair Value Evaluation

Please refer to Note 4(10) Investment Property of the unconsolidated financial statements for detailed accounting policy on investment property fair value evaluation. Please refer to Note 5(3) of the consolidated financial statements for detailed accounting estimation and assumption uncertainty for the investment property fair value. Please refer to Note 6(6) Investment Property of the unconsolidated financial statements for details of the investment property.

Description of Key Audit Matters:

The investment property of the Company refers to important assets for operation, and its amount accounts for 28% of the total assets. For the investment property, the accounting procedure adopts the standard of IAS 40, and the fair value model is selected for the adoption. Subsequent fair value change is reorganized as current profit/loss. Since the Company uses the recommendation of external real estate appraiser report as the basis for the evaluation of the investment property fair value, the neighborhood rental market prices referenced and financial information related to the investment property rental provided by the Company for the execution of the appraisal procedure may involve to the material determination and estimation. Accordingly, in case of any inappropriate evaluation of the fair value change may result in misstatement of the financial statements. Accordingly, the investment property fair value evaluation is identified as a key audit matter for the execution of the audit of the financial statements of the Company.

Corresponding Audit Procedures:

- Assess the professionalism, objectiveness and experience of the real estate appraiser retained by the Company to be in charge of the fair value measurement.
- Verify the rationality of the material assumptions and critical termination adopted in its appraisal report, and review the lease agreements and comparison with relevant market

information, in order to determine whether the future cash flow, income and discount rate have been handled according to the requirements.

- Verify appraisal report and relevant accounting records in order to determine the accuracy of accounting procedures.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for necessary internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, the responsibilities of the management also include assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists in the unconsolidated financial statements. Misstatement can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the unconsolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

1. Identify and assess the risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidences in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. In case where we consider that such events or circumstances have a material uncertainty,

then relevant disclosure of the unconsolidated financial statements are required to be provided in our audit report to allow users of unconsolidated financial statements to be aware of such events or circumstances, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including relevant notes, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of investees under equity method, and expressing an opinion on unconsolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Company. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the R.O.C., and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Company's 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Zong Zhe, Chen and Shu Ying, Chang.

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2021

G-TECH Optoelectronics Corporation

Balance Sheets

For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

ASSETS	2020.12.31		2019.12.31			Liabilities and Equity	2020.12.31		2019.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (Note 6(1) and (20))	\$ 427,554	11	218,222	6	2100	Short-term borrowings (Note 6(8), (20) and 8)	\$ 569,777	15	774,453	20
1170 Notes and accounts receivable, net (Note 6(2) and (20))	488,469	12	596,988	15	2130	Contract liabilities - current (Note 6(18))	3,594	-	5,957	-
1180 Notes and accounts receivable - related party, net (Note 6(2), (18) and (20) and 7)	96,107	2	129,795	3	2170	Notes and accounts payable (Note 6(20))	70,360	2	59,798	2
1220 Current income tax assets	230	-	232	-	2180	Notes and accounts payable - related party (Note 6(20) and 7)	161,886	4	145,793	4
130X Inventories (Note 6(3))	156,699	4	175,525	5	2200	Other payables (Note 6(20) and 7)	98,249	2	91,052	2
1476 Other financial assets - current (Note 6(7), (20) and 8)	105,214	3	176,416	5	2213	Equipment payable (Note 6(20) and (23))	3,424	-	682	-
1479 Other current assets - others	<u>28,927</u>	<u>1</u>	<u>14,994</u>	<u>-</u>	2250	Liability reserve - current (Note 6(12))	15,931	-	15,045	-
	<u>1,303,200</u>	<u>33</u>	<u>1,312,172</u>	<u>34</u>	2280	Lease liabilities - current	50,877	1	50,256	1
					2322	Long-term borrowings due in one year or one business cycle (Note 6(9), (20) and 8)	232,993	6	321,060	9
Non-current assets:					2399	Other current liabilities - others	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
1551 Investment accounted for under the equity method (Note 6(4))	151,534	4	216,865	6			<u>1,207,091</u>	<u>30</u>	<u>1,464,099</u>	<u>38</u>
1600 Property, plant and equipment (Note 6(5), (23), 7 and 8)	1,345,882	34	2,250,744	59		Non-current liabilities				
1755 Right-of-use assets	50,877	1	50,256	1	2540	Long-term borrowings (Note 6(9), (20) and 8)	1,168,533	30	840,648	22
1760 Net investment property (Note 6(6) and 8)	1,115,068	28	-	-	2550	Liability reserve - non-current	18,300	-	17,386	-
1780 Intangible assets	6,946	-	1,113	-	2570	Deferred income tax liabilities	48,808	1	-	-
1840 Deferred income tax assets (Note 6(13))	-	-	2,604	-			<u>1,235,641</u>	<u>31</u>	<u>858,034</u>	<u>22</u>
1980 Other financial assets - Non-current (Note 6(7) and (20))	<u>6,518</u>	<u>-</u>	<u>5,860</u>	<u>-</u>		Total Liabilities	<u>2,442,732</u>	<u>61</u>	<u>2,322,133</u>	<u>60</u>
	<u>2,676,825</u>	<u>67</u>	<u>2,527,442</u>	<u>66</u>		Equity (Note 6(14)):				
					3100	Share capital	2,063,936	52	2,063,936	55
					3200	Capital surplus	16,711	-	40,528	1
					3300	Losses to be covered	(1,019,793)	(26)	(751,240)	(20)
					3400	Other equity	476,439	13	164,257	4
						Total equity	<u>1,537,293</u>	<u>39</u>	<u>1,517,481</u>	<u>40</u>
Total assets	<u>\$ 3,980,025</u>	<u>100</u>	<u>3,839,614</u>	<u>100</u>		Total Liabilities and Equity	<u>\$ 3,980,025</u>	<u>100</u>	<u>3,839,614</u>	<u>100</u>

(Please refer to the Notes to the Unconsolidated Financial Statements enclosed for detail)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(18) and 7)	\$ 2,322,138	100	2,697,547	100
5000	Operating costs (Note 6(3), (12) and 7)	2,334,819	101	2,722,199	101
	Gross loss	(12,681)	(1)	(24,652)	(1)
	Operating expenses (Notes 6(12), (15) and 7):				
6100	Selling and marketing expenses	24,470	1	23,663	1
6200	General and administrative expenses	119,179	5	118,457	4
6300	Research and development expenses	39,443	2	43,469	2
6450	Expected credit loss (gain) (Note 6(2))	170,427	7	(1,126)	-
6300	Total Operating Expenses	353,519	15	184,463	7
	Operating loss, net	(366,200)	(16)	(209,115)	(8)
	Non-operating income and expenses (Note 6(19)):				
7100	Interest income	331	-	2,364	-
7020	Other gains and losses (Note 6(11) and 7)	174,258	8	131,460	5
7050	Finance costs (Note 6(10))	(34,082)	(1)	(41,967)	(2)
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	(64,826)	(3)	57,442	2
	Total non-operating income and expenses	75,681	4	149,299	5
	Loss before tax from continuing operating segments, net	(290,519)	(12)	(59,816)	(3)
7950	Less: Income tax expenses (Note 6(13))	2,604	-	553	-
	Net loss	(293,123)	(12)	(60,369)	(3)
8300	Other comprehensive income (loss):				
8310	Items that will not be reclassified subsequently to profit or loss				
8312	Revalued amount of property (Note 6(5))	361,495	16	-	-
8349	Less: Income tax related to not recategorized items	48,808	2	-	-
	Total items that will not be reclassified subsequently to profit or loss	312,687	14	-	-
8360	Items possibly recategorized to profits and losses later				
8380	Share of other comprehensive income of associates & joint ventures accounted for using equity method - Items may be reclassified into profit or loss	(505)	-	(72,700)	(3)
8399	Less: Income tax related to items may be reclassified into profit or loss	-	-	(6,616)	-
	Total of items possibly recategorized to profits and losses later	(505)	-	(66,084)	(3)
8300	Other comprehensive income (loss), net of tax	312,182	14	(66,084)	(3)
	Total comprehensive income (loss) for the year	<u>\$ 19,059</u>	<u>2</u>	<u>(126,453)</u>	<u>(6)</u>
	Earnings per share (Note 6(16))				
	Basic loss per share (unit: in New Taiwan Dollars)	<u>\$ (1.42)</u>		<u>(0.29)</u>	

(Please refer to the Notes to the Unconsolidated Financial Statements enclosed for detail)

Chairman of the Board: Chung, Chih-Ming Managerial Officer: Chung, Chih-Ming Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation
Statements of Changes in Equity
For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

	Common share capital	Capital surplus	Losses to be covered	Other equity		Total	Total equity
				Difference in exchange from the conversion of financial statements of overseas operating entities	Revalued amount of property		
Balance at January 1, 2019	\$ 2,063,936	269,239	(919,582)	230,341	-	230,341	1,643,934
Net loss	-	-	(60,369)	-	-	-	(60,369)
Other comprehensive income (loss)	-	-	-	(66,084)	-	(66,084)	(66,084)
Total comprehensive income (loss) for the year	-	-	(60,369)	(66,084)	-	(66,084)	(126,453)
Covering loss from capital surplus	-	(228,711)	228,711	-	-	-	-
Balance at December 31, 2019	2,063,936	40,528	(751,240)	164,257	-	164,257	1,517,481
Net loss	-	-	(293,123)	-	-	-	(293,123)
Other comprehensive income (loss)	-	-	-	(505)	312,687	312,182	312,182
Total comprehensive income (loss) for the year	-	-	(293,123)	(505)	312,687	312,182	19,059
Covering loss from capital surplus	-	(24,570)	24,570	-	-	-	-
Share-based compensation	-	753	-	-	-	-	753
Balance at December 31, 2020	\$ 2,063,936	16,711	(1,019,793)	163,752	312,687	476,439	1,537,293

(Please refer to the Notes to the Unconsolidated Financial Statements enclosed for detail)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

	2020	2019
Cash Flows from Operating Activities:		
Profit (loss) before income tax, net	\$ (290,519)	(59,816)
Adjustments:		
Income/expenses items		
Depreciation expense	271,901	306,133
Amortization expense	4,095	1,560
Expected credit impairment loss (reversal gain) (including other expenses recognized)	170,427	(460)
Interest expense	34,082	41,967
Interest income	(331)	(2,364)
Share-based payments	753	-
Share of loss (gain) from subsidiaries, associated companies and joint ventures using the equity method	64,826	(57,442)
Loss (gain) on disposal and retirement of property, plant and equipment	7,056	(65,766)
Gain on reversal of impairment	(71,389)	-
Total adjustments to reconcile profit and loss	481,420	223,628
Change in assets/liabilities relating to operating activities:		
Net changes in assets related to operating activities:		
Increase in notes and accounts receivable	(62,306)	(36,801)
Increase in accounts receivable - related party	33,688	118,398
Decrease in inventories	18,826	73,332
Decrease (increase) in other current assets	(13,933)	549
Decrease in other financial assets	71,600	249,658
Total changes in operating assets relating to operating activities, net	47,875	405,136
Net changes in liabilities related to operations:		
Decrease in contract liabilities	(2,363)	(696)
Increase (decrease) in notes and accounts payable	10,562	(151,495)
Increase (decrease) in accounts payable - related party	16,093	(20,984)
Increase (decrease) in other payables	7,420	(41,836)
Increase (decrease) in provision for liabilities	886	(5,213)
Decrease in other current liabilities	(3)	(9)
Total changes in operating liabilities relating to operating activities, net	32,595	(220,233)
Total changes in operating assets and liabilities relating to operating activities, net	80,470	184,903
Total adjustments	561,890	408,531
Cash provided by operating activities	271,371	348,715
Interest received	331	2,364
Interest paid	(32,892)	(49,742)
Income tax (returned) paid	2	(1,501)
Net cash provided by operating activities	238,812	299,836
Cash flow from investing activities:		
Property, plant and equipment acquired	(4,104)	(2,990)
Disposal of property, plant and equipment	1,450	151,930
Acquisition of Intangible assets	(9,928)	(1,340)
Other financial assets - non-current	(658)	3,240
Net cash generated from (used in) investment activities	(13,240)	150,840
Cash flows from financing activities:		
Increase in short-term borrowings	2,108,310	3,121,582
Decrease in short-term borrowings	(2,312,986)	(3,504,581)
Repayment of company's debt	-	(480,000)
Proceeds from long-term borrowings	730,000	774,390
Repayments of long-term borrowings	(490,182)	(319,010)
Lease principle repayment	(51,382)	(56,493)
Net cash used in financing activities	(16,240)	(464,112)
Increase (decrease) of cash and cash equivalents in current period	209,332	(13,436)
Balance of cash and cash equivalents at beginning of period	218,222	231,658
Balance of cash and cash equivalents at end of period	\$ 427,554	218,222

(Please refer to the Notes to the Unconsolidated Financial Statements enclosed for detail)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou



安侯建業聯合會計師事務所

KPMG

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
G-TECH Optoelectronics Corporation

Opinion

We have audited the accompanying consolidated financial statements of G-TECH Optoelectronics Corporation and its subsidiaries (the "Group") which comprise the consolidated balance sheets for the years ended December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and notes to consolidated financial statements, including a summary of significant accounting policies, for the years ended December 31, 2020 and 2019.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRS Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effects by the Financial Supervisory Commission of the R.O.C.

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C.. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the R.O.C. and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements are states as follows:

I. Revenue Recognition

Please refer to Note 4(15) of the consolidated financial statements for detailed accounting policy on income recognition. Please refer to Note 6(18) of the consolidated financial statements for detailed descriptions on the income recognition.

Description of Key Audit Matters:

The revenue of the Group mainly comes from product sales to customers, and the sales contract with customers involve different types of transaction terms. For the recognition of sales revenue, the product control transfer status is determined on the transaction terms of each individual sales contract. Accordingly, the test of the recognition of revenue is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

The primary audit procedures adopted by our independent auditors with respect to the aforementioned key audit matters include evaluation of the appropriateness of the accounting policy for revenue recognition; understanding and testing the type, transaction model, contract clauses and transaction terms as well as relevant internal control design and execution effectiveness; sampling of the detailed test presently conducted to verify all forms and charts in order to confirm the authenticity of the transaction. Stop-point test is conducted at a certain period before and after the report date of the financial statements in order to obtain sample and verify relevant certificates, thereby ensuring the reasonableness of recognition time point for transactions. Furthermore, a certain period before and after the financial statement report date, the Group is inspected to determine whether allowance and deduction have been provided to customers according to sales contract requirements, whether there is any material sales return or allowance, in order to ensure the authenticity of transactions. Moreover, the accrued allowance amount specified by the management authority is obtained and is verified with relevant internal and external data, in order to evaluate the rationality of relevant parameters and primary assumptions. In addition, the accuracy of the accrued allowance estimation of the previous year is inspected in order to evaluate the appropriateness of the accrued allowance amount specified by the management authority.

II. Investment Property Fair Value Evaluation

Please refer to Note 4(10) Investment Property of the consolidated financial statements for detailed accounting policy on investment property fair value evaluation. Please refer to Note 5(3) of the consolidated financial statements for detailed accounting estimation and assumption uncertainty for the investment property fair value. Please refer to Note 6(7) Investment Property of the consolidated financial statements for details of the investment property.

Description of Key Audit Matters:

The investment property of the Group refers to important assets for operation, and its amount accounts for 28% of the total assets. For the investment property, the accounting procedure adopts the standard of IAS 40, and the fair value model is selected for the adoption. Subsequent fair value change is reorganized as current profit/loss. Since the Group uses the recommendation of external real estate appraiser report as the basis for the evaluation of the investment property fair value, the neighborhood rental market prices referenced and financial information related to the investment property rental provided by the Group for the execution of the appraisal procedure may involve to the material determination and estimation. Accordingly, in case of any inappropriate evaluation of the fair value change may result in misstatement of the financial statements. Accordingly, the investment property fair value evaluation is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

- Assess the professionalism, objectiveness and experience of the real estate appraiser retained by the Group to be in charge of the fair value measurement.
- Verify the rationality of the material assumptions and critical termination adopted in its appraisal report, and review the lease agreements and comparison with relevant market information, in order to determine whether the future cash flow, income and discount rate have been handled according to the requirements.

- Verify appraisal report and relevant accounting records in order to determine the accuracy of accounting procedures.

Other Matters

G-TECH Optoelectronics Corporation has prepared the standalone financial statements for 2020 and 2019, to which we have issued an independent auditor's report with unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the R.O.C., and for necessary internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the responsibilities of the management include assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. The term of "reasonable assurance" refers to high level of assurance. Nevertheless, the audit performed according to the Generally Accepted Auditing Standards cannot guarantee the discovery of material misstatement in the financial statements. Misstatement can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement of the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidences in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidences for the financial information of individual entity of the Group and provide opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion for the Group.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics of the R.O.C., and communicated with the governance body on all matters that may affect the auditor's independence (including protection measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Group's 2020 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Zong Zhe, Chen and Shu Ying, Chang.

KPMG

Taipei, Taiwan (Republic of China)

March 24, 2021

G-TECH Optoelectronics Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

ASSETS		2020.12.31		2019.12.31		Liabilities and Equity		2020.12.31		2019.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1) and (21))	\$ 499,504	12	320,203	8	2100	Short-term borrowings (Note 6(9) and (21))	\$ 569,777	14	774,453	20
1170	Notes and accounts receivable, net (Note 6(2), (19) and (21))	520,341	13	659,111	17	2130	Contract liabilities - current (Note 6(19))	7,592	-	5,957	-
1180	Notes and accounts receivable - related party, net (Note 6(2), (19) and (21) and 7)	129,163	3	155,412	4	2170	Notes and accounts payable (Note 6(21))	107,547	3	87,056	2
1220	Current income tax assets	230	-	232	-	2180	Notes and accounts payable - related party (Note 6(21) and 7)	179,447	4	153,978	4
130X	Inventories (Note 6(3))	156,699	4	175,525	5	2200	Other payables (Note 6(21) and 7)	106,724	3	99,473	3
1476	Other financial assets - current (Note 6(8), (21), 7 and 8)	105,527	3	176,416	5	2213	Payables on equipment (Note 6(2) and (24))	3,424	-	682	-
1479	Other current assets - others	37,025	1	15,769	-	2250	Liability reserve - current (Note 6(13))	15,931	-	15,045	-
		<u>1,448,489</u>	<u>36</u>	<u>1,502,668</u>	<u>39</u>	2280	Lease liabilities - current (Note 6(21) and 7)	50,877	1	50,256	1
Non-current assets:						2322	Long-term borrowings due in one year or one business cycle (Note 6(10), (21) and 8)	232,993	6	321,060	9
1551	Investment accounted for under the equity method (Note 6(4))	47,473	1	46,437	1	2399	Other current liabilities - others	45	-	48	-
1600	Property, plant and equipment (Note 6(6), (24), 7 and 8)	1,371,860	34	2,275,669	59			<u>1,274,357</u>	<u>31</u>	<u>1,508,008</u>	<u>39</u>
1755	Right-of-use assets	50,877	1	50,256	1	Non-current liabilities:					
1760	Net investment property (Note 6(7), (12) and 8)	1,115,068	28	-	-	2540	Long-term borrowings (Note 6(10), (21) and 8)	1,168,533	30	840,648	22
1780	Intangible assets	6,946	-	1,113	-	2550	Liability reserve - non-current	18,300	-	17,386	-
1840	Deferred income tax assets	-	-	2,604	-	2570	Deferred income tax liabilities (Note 6(14))	48,808	1	-	-
1980	Other financial assets - Non-current (Note 6(8) and (20))	6,578	-	5,869	-	2670	Other non-current liabilities - others	-	-	1,093	-
		<u>2,598,802</u>	<u>64</u>	<u>2,381,948</u>	<u>61</u>			<u>1,235,641</u>	<u>31</u>	<u>859,127</u>	<u>22</u>
Total assets		<u>\$ 4,047,291</u>	<u>100</u>	<u>3,884,616</u>	<u>100</u>	Total Liabilities		<u>2,509,998</u>	<u>62</u>	<u>2,367,135</u>	<u>61</u>
						Equity attributable to shareholders of the parent (Note 6(15)):					
						3100	Share capital	2,063,936	51	2,063,936	53
						3200	Capital surplus	16,711	-	40,528	1
						3300	Losses to be covered	(1,019,793)	(25)	(751,240)	(19)
						3400	Other equity	476,439	12	164,257	4
						Total equity		<u>1,537,293</u>	<u>38</u>	<u>1,517,481</u>	<u>39</u>
						Total Liabilities and Equity		<u>\$ 4,047,291</u>	<u>100</u>	<u>3,884,616</u>	<u>100</u>

(Please refer to the notes of the Consolidated Financial Statements enclosed for details)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenues (Note 6(19) and 7)	\$ 2,448,536	100	2,866,074	100
5000 Operating costs (Note 6(3), (21) and 7)	2,457,634	100	2,883,233	101
Gross profit (loss)	(9,098)	-	(17,159)	(1)
Operating expenses (Notes 6(13) and 7):				
6100 Selling and marketing expenses	31,187	1	24,396	1
6200 General and administrative expenses	134,746	6	128,210	4
6300 Research and development expenses	39,442	2	43,469	2
6450 Expected credit impairment losses	222,153	9	682	-
Total Operating Expenses	427,528	18	196,757	7
Operating loss, net	(436,626)	(18)	(213,916)	(8)
Non-operating revenue and expenses:				
7100 Interest income (Note 6(20))	3,030	-	2,638	-
7020 Other gains and losses (Note 6(5), (20) and 7)	174,571	7	191,170	7
7050 Finance costs (Note 6(20) and 7)	(34,082)	(1)	(41,967)	(1)
7060 Share of profits/losses on equity-accounted associated companies and joint ventures (Note 6(4))	2,588	-	2,259	-
Total non-operating income and expenses	146,107	6	154,100	6
Loss before tax from continuing operating segments, net	(290,519)	(12)	(59,816)	(2)
7950 Less: Income tax expenses (Note 6(14))	2,604	-	553	-
Net loss	(293,123)	(12)	(60,369)	(2)
8300 Other comprehensive income (loss):				
8310 Items that will not be reclassified subsequently to profit or loss				
8312 Revalued amount of property	361,495	15	-	-
8349 Less: Income tax related to not recategorized items	48,808	2	-	-
Total items that will not be reclassified subsequently to profit or loss	312,687	13	-	-
8360 Items possibly recategorized to profits and losses later (Note 6(15))				
8361 Difference in exchange from the conversion of financial statements of overseas operating entities	(1,401)	-	(72,517)	(3)
8370 Share of other comprehensive income or loss on associated companies and joint ventures accounted for using equity method	896	-	(183)	-
8399 Less: Income tax related to items may be reclassified into profit or loss	-	-	(6,616)	-
Total of items possibly recategorized to profits and losses later	(505)	-	(66,084)	(3)
8300 Other comprehensive income (loss)	312,182	13	(66,084)	(3)
8500 Total comprehensive income (loss) for the year	\$ 19,059	1	(126,453)	(5)
Net loss attributable to:				
8610 Owners of the parent	\$ (293,123)	(12)	(60,369)	(2)
Total comprehensive income attributable to:				
8710 Owners of the parent	\$ 19,059	1	(126,453)	(5)
Earnings per share (Note 6(17))				
9710 Basic loss per share (unit: in New Taiwan Dollars)	\$ (1.42)		(0.29)	

(Please refer to the notes of the Consolidated Financial Statements enclosed for details)

Chairman of the Board: Chung, Chih-Ming Managerial Officer: Chung, Chih-Ming Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

	Common share capital	Capital surplus	Losses to be covered	Other equity		Total	Total equity
				Foreign financial statements Exchange differences translated	Revalued amount of property		
Balance at January 1, 2019	\$ 2,063,936	269,239	(919,582)	230,341	-	230,341	1,643,934
Net loss	-	-	(60,369)	-	-	-	(60,369)
Other comprehensive income (loss)	-	-	-	(66,084)	-	(66,084)	(66,084)
Total comprehensive income (loss) for the year	-	-	(60,369)	(66,084)	-	(66,084)	(126,453)
Covering loss from capital surplus	-	(228,711)	228,711	-	-	-	-
Balance at December 31, 2019	2,063,936	40,528	(751,240)	164,257	-	164,257	1,517,481
Net loss	-	-	(293,123)	-	-	-	(293,123)
Other comprehensive income (loss)	-	-	-	(505)	312,687	312,182	312,182
Total comprehensive income (loss) for the year	-	-	(293,123)	(505)	312,687	312,182	19,059
Covering loss from capital surplus	-	(24,570)	24,570	-	-	-	-
Share-based compensation	-	753	-	-	-	-	753
Balance at December 31, 2020	\$ 2,063,936	16,711	(1,019,793)	163,752	312,687	476,439	1,537,293

(Please refer to the notes of the Consolidated Financial Statements enclosed for details)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

Unit: In thousands of New Taiwan Dollars

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Profit (loss) before income tax, net	\$ (290,519)	(59,816)
Adjustments:		
Income/expenses items		
Depreciation expense	274,319	308,025
Amortizations	4,095	1,560
Expected credit loss (gain)	222,153	(682)
Investment income recognized under equity method	(2,588)	(2,259)
Loss (gain) on disposal and retirement of property, plant and equipment	7,056	(65,766)
Interest expense	34,082	41,967
Interest income	(3,030)	(2,638)
Share-based payments	753	-
Gain on disposal of investment	-	(60,952)
Gain on reversal of impairment in financial assets	(71,389)	-
Total adjustments to reconcile profit and loss	<u>465,451</u>	<u>219,255</u>
Change in assets/liabilities relating to operating activities:		
Net changes in assets related to operating activities:		
Decrease (increase) in notes and accounts receivable (including related party)	(83,431)	24,527
Increase in accounts receivable - related party	25,528	-
Decrease in inventories	18,826	73,347
Decrease in other current assets	71,294	289,140
Increase in other financial assets	(21,082)	(3,537)
Total changes in operating assets relating to operating activities, net	<u>11,135</u>	<u>383,477</u>
Net changes in liabilities related to operations:		
Increase (decrease) in contract liabilities - current	1,547	(696)
Increase (decrease) in notes and accounts payable (including related party)	20,839	(162,208)
Increase in accounts payable - related party	25,205	-
Increase (decrease) in other payables	7,335	(43,282)
Increase (decrease) in provision for liabilities - current	886	(5,213)
Decrease in other current liabilities - others	(4)	(1,538)
Decrease in other current liabilities - others	(1,077)	-
Total changes in operating liabilities relating to operating activities, net	<u>54,731</u>	<u>(212,937)</u>
Total changes in operating assets and liabilities relating to operating activities, net	<u>65,866</u>	<u>170,540</u>
Total adjustments	<u>531,317</u>	<u>389,795</u>
Cash provided by operating activities	240,798	329,979
Interest received	3,030	2,638
Interest paid	(32,892)	(49,742)
Income tax (returned) paid	2	(1,501)
Net cash provided by operating activities	<u>210,938</u>	<u>281,374</u>
Cash flow from investing activities:		
Property, plant and equipment acquired	(7,143)	(30,744)
Disposal of property, plant and equipment	1,450	151,930
Acquisition of Intangible assets	(9,928)	(1,340)
Decrease in other financial assets	(708)	3,332
Cash effect losing controlling power over subsidiaries	-	(89,316)
Net cash generated from (used in) investment activities	<u>(16,329)</u>	<u>33,862</u>
Cash flows from financing activities:		
Increase in short-term borrowings	2,108,310	3,121,582
Decrease in short-term borrowings	(2,312,986)	(3,504,581)
Repayment of company's debt	-	(480,000)
Proceeds from long-term borrowings	730,000	774,390
Repayments of long-term borrowings	(490,182)	(319,010)
Lease principle repayment	(51,382)	(56,493)
Net cash used in financing activities	<u>(16,240)</u>	<u>(464,112)</u>
Effect of exchange rate changes on cash and cash equivalents	932	(3,987)
Increase (decrease) of cash and cash equivalents in current period	179,301	(152,863)
Balance of cash and cash equivalents at beginning of period	320,203	473,066
Balance of cash and cash equivalents at end of period	<u>\$ 499,504</u>	<u>320,203</u>

(Please refer to the Notes to the Consolidated Financial Statements enclosed for details)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

Attachment 4

In response to the Securities and Futures Investors Protection Center's "Zheng-Bao-Fa-Zi No. 1100001376" Letter, explanation for the private placement of common shares is provided in the following:

- I. The purpose of the capital from the present execution of private placement is to increase the operating capital and repay bank borrowings, etc. Nevertheless, in view of the 2020 unconsolidated financial statements of your company, the amount of "Cash and cash equivalents" on the Balance Sheet approximately reaches 18.41% of the "Operating revenue" on the Income Statement for that year, and the Statements of Cash Flows also indicate a net cash inflow. Accordingly, please explain the necessity and reasonableness of raising the capital through private placement.

Explanation: The primary objectives of the present private placement are to increase the operating capital and repay the bank borrowings. The secondary consideration factors include the timeliness, feasibility and issue cost for the raising of capital. In addition, since securities of private placement are restricted from arbitrary transfer within three years according to the regulations, the private placement is able to ensure the long-term equity relationship between the Company and the subscribers. Furthermore, the capital raised is expected to complete the capital utilization within one year after the completion of the private placement, such that it is able to strengthen the financial structure immediately and to save interest expense and to achieve the effect of satisfying the operating capital demand from the expected expansion of production. Consequently, such private placement will have positive benefit on the shareholders' equity.

- II. For the present private placement, the number of common shares is planned to not exceed the quota of 30,000,000 shares for the execution of the private placement. However, the aforementioned private placement amount exceeds above 14.54% of the paid-in capital of your company. Please carefully evaluate the purpose of the private placement, and its impact on the management rights (factors of the equity ratio of the total shares for the present private placement, characteristics of subscribers and purpose of execution of private placement, etc. shall be comprehensively considered) and the impacts on the shareholders' equity. In case where the evaluation indicates that the management right may have material change after the private placement, it is necessary to request the securities underwriter to issue a detailed and specific evaluation opinion (including the impacts on the company's business, finance and shareholders' equity after the transfer of management right, selection of subscribers and its feasibility and necessity, and expected benefit from execution of the private placement, etc.) on the transfer of management right due to the private placement, and shall also make supplemental public announcement related matters. In addition, the evaluation opinion shall also be described in the Notice for Shareholders' Meeting.

Explanation: The subjects for the private placement to be executed in the future will be limited to the specific persons specified in Article 43-6 of the Securities and Exchange Act and prescribed in Financial Supervisory Commission's (2002) Tai-Cai-Zheng-Yi-Zi No. 0910003455 Decree dated June 13, 2002, and it is also planned to include insiders and related parties. When the Company evaluates the selection of subscribers, it is determined based on the principle of investment-oriented purpose and prevention of occurrence of material change in the management right. Presently, there are no predefined subscribers, and in the future, relevant operations will be handled in accordance with the laws and regulations.