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

2020 Annual Report

Printed on May 28, 2021

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<http://mops.twse.com.tw>

Market Observation Post System

Notice to readers

The English version annual report is a summary translation of the Chinese version and is not an official document of the shareholder's meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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None.**

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I. Letter to Shareholders

Passion, Confidence

Under the impact of the trade war between the U.S. and China and the COVID-19 pandemic, 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.

In recent years, consumer electronics have entered a late growth period. Once products lose innovativeness, revolutionary technologies or remarkable application services, the smartphone market will face a plateau period within the next few years. Accordingly, it can be understood that the 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 this will be the direction of the Company's product development.

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. 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 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. G-TECH Optoelectronics is deep rooted in the main business of glass processing, and based on the Company's core technologies in glass surface treatment of glass cutting, trimming, polishing,

reinforcement, coating, 3D formation and smart building glass, etc., the Company actively integrates its various core technologies for the development of product-integrated applications, thereby satisfying the demands for highly customized end products. Development of new technologies and products include:

- 1、Development of automotive 3D glass full surface coating technology.
- 2、Development of vehicle display multi-curved large glass.
- 3、Development of electrochromic glass for G3-size products.
- 4、Development of building optoelectronic bonding technology and thin glass physical reinforcement technology.

For the past few years, due to the rapid changes of the industry, the Company has been operating at a loss; nevertheless, after active strategic adjustment of the Company's products and financial structure, the outcome of such efforts has started to show positive results. 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. Accordingly, the Company aims to overcome all obstacles and crises with great passion and commitment. On behalf of the management team and all employees, I express sincere appreciation for the great support and confidence of all shareholders in the Company. The continuous support of shareholders is indeed the greatest encouragement for the Company's management team. Thank you!

Responsible Person

Chih-Ming Chung

Two. Company Introduction

I. Date of establishment: June 27, 1996

II. Company history

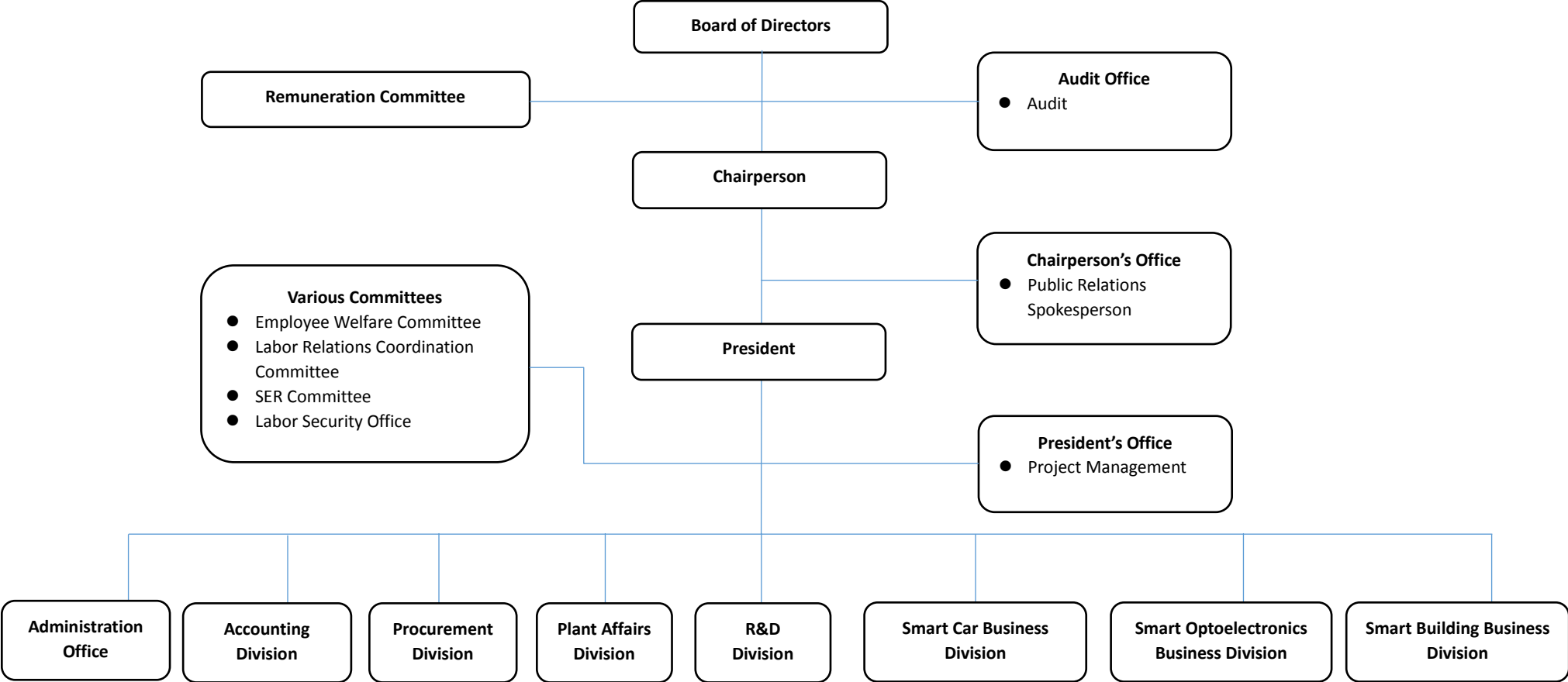
June 1996	Established G-TECH Glass Co., Ltd. with the capital of NT\$26 million. Chung, Jung-Hua served as the 1st chairman of the board, and the company engaged in traditional architectural glass processing.
April 1998	Led the industry to introduce physical strengthening furnaces from Germany and chemical strengthening furnaces from Italy to engage in optical glass strengthening operations.
December 1999	Established a glass cutting production line in response to the booming development of the flat panel display market.
March 2000	Reached a joint venture agreement with RITEK CORPORATION with each party holding 50% of the shares.
June 2000	Installed a grinding machine and started trial production of STN-grade glass substrates.
July 2000	Changed the name to G-TECH Technology Glass Co., Ltd., implemented a factory expansion project, and completed the new factory in October.
May 2001	Changed the name to G-TECH Optoelectronics Corporation, implemented a factory expansion project, and completed the grinding and polishing capacity expansion.
August 2001	Cooperated with foreign companies on the R&D of large-scale thin-plate glass polishing technology. Planned to develop TFT-LCD photoelectric glass cutting and grinding production technology.
November 2001	Obtained the ISO-9001 2000 International Quality Assurance certification.
January 2002	Participated in supplemental public offering.
July 2002	Obtained the TFT-LCD photoelectric glass cutting product/technology certification.
November 2002	Started mass production and shipment of TV-LCD protective glass.
December 2002	Obtained the TFT-LCD photoelectric glass grinding product/technical certification.
May 2004	Registered on the emerging stock market.
May 2007	Successfully developed thin TFT PANEL products.
August 2007	Passed the industry development technology plan: Commissioning the Material and Chemical Research Laboratories of ITRI to develop LCD panel thinning and toughening reinforcement technology.
October 2007	Implemented private placement of NT\$700 million in common stocks, and introduced strategic investor Hon Hai Technology Group.
December 2007	Completed the new TFT glass thinning plant.
January 2008	Established the subsidiary Win World Opto-Glass(Dongguan)co., Ltd. in mainland China.
March 2008	Introduced the TFT-LCD physical thinning process.
May 2008	Introduced the reinforced glass manufacturing process. Obtained the polishing pad dressing work ring patent.
September 2008	Introduced the 5th generation TFT-LCD panel polishing, ultra-speed glass cutting, and edging processes.
February 2009	Completed the new ITO glass coating plant.
December 2009	Established the first factory in Southern Taiwan Science Park (STSP) and formed Gtoc STSP subsidiary.

October 2010	Obtained ISO 14001 Environmental Management System certification and OHSAS 18001 Occupational Health and Safety Assessment Series certification.
December 2010	Established operation headquarters for the Miaoli plant. Established China subsidiary GTOC Shenzhen.
November 2011	Stock IPO.
February 2012	3D molded glass production line trial production. Established China subsidiary GTOC Chengdu.
March 2012	Installed the new anti-reflective (AR) coating production line for trial production.
October 2012	Announced to enter the automotive market with 3D molded glass.
March 2013	Established the green architecture business, entering architectural energy-efficient glass market.
July 2013	Start construction of the Miaoli Plant 3 (green building processing plant).
January 2014	Entered into a strategic alliance with Corning to produce 3D molded glass.
August 2014	Green Building Glass Processing Plant mass production.
December 2014	Mobile phone 3D molded glass screen protector mass production.
February 2017	G-TECH partnered with Kinestral Technologies Inc. to develop smart energy-saving color-changing glass for advanced smart home applications.
November 2018	The smart energy-saving color-changing glass developed with Kinestral Technologies Inc. officially went into mass production and entered the European and American markets.
April 2019	The Green Building Business Office obtained a large-scale BOT development project in Xinzhuang Fuduxin of New Taipei City for HonWell Plaza, HonWell i-Tower, to provide energy-conserving curtain wall glass.

Three. Corporate Governance Report

I. Organization System (I) Organization Structure

March 2021



(II) Business Operations of Key Segments

Segment	Main Responsibilities
Chairperson's Office	Implement the resolutions of the shareholders meeting/board of directors and supervise the Company's operating policies.
Audit Office	Auditing the implementation of various rules and regulations, and providing suggestions for improvement to the board of directors, supervisors, and management.
Labor Security Office	Environmental safety supervision, labor safety audit, and project implementation supervision.
President's Office	Set the Company's operating policy; comprehensively manage the Company's overall business planning, control, and execution; and coordinate the organization's internal coordination, management, and other operations.
Accounting Division	Establish a good financial structure as well as effectively implement the planning and management of group funds and foreign exchange; comprehensive management of group accounting and taxation related matters; budget planning, preparation, and control for the group; various management related analysis; import and export, customs, and bonded operations; stock affairs operations, declarations and announcements in accordance with the law; as well as planning and convening the relevant board of directors and shareholders meetings.
Administration Office	<ol style="list-style-type: none"> 1. Human resource development and general affairs management, promote corporate culture and employee service systems, and coordinate company strategy development for the organizational planning and allocation of appropriate human resources. 2. Establishing, maintaining, and managing the Company's global information system while establishing security control, firewalls, and other related mechanisms. In charge of the Company's global network communication system connection as well as ERP, EIP, CIM, etc.
Procurement Division	In charge of the Company's procurement management and adjusting the procurement strategy according to the industry conditions, selecting appropriate suppliers and outsourcing vendors, procuring materials and outsourced products at reasonable prices, and maintaining appropriate quality standards.
Plant Affairs Division	In charge of plant equipment operation and maintenance, plant air conditioning, power and fire protection system maintenance, plant room inspections, executing repair orders from various units, project implementation and execution, implementation of environmental protection related matters, and improving energy-conservation systems for the plants.
R&D Division	Establishing new product development strategies and directions, and studying the application and development of related emerging technologies and materials.

Segment	Main Responsibilities
Smart Car Business Division	<ol style="list-style-type: none"> 1. Global production capacity as well as product process control and management; production quality control and improvement as well as production plan execution and progress control; and improving production efficiency, formulating production operation standards, mastering production conditions, reducing anomalies, and seeking improvement methods for poor quality. 2. In charge of marketing, formulating market price strategies and product direction plans; promoting domestic and foreign product sales; and conducting market surveys on product quality services, prices, delivery opinions, and other feedback. Collecting and integrating global market information and development, and implementing product sales and market promotion plans to meet the goals set by the annual operation plan. 3. Establishing a quality management system for the Company and implementing quality assurance control operations, advocating continuous improvement efforts, and promoting and managing the creation and execution of various quality systems.
Smart Building Business Division	<p>Architectural glass product market development, manufacturing, process management, and quality control as well as production plan implementation and progress control, formulating production operation standards, improving production efficiency, mastering the production status, reducing anomalies, remedying quality defects, providing post-sales services, and maintaining customer relations.</p>
Smart Optoelectronics Business Division	<ol style="list-style-type: none"> 1. Responsible for raw materials and consumables related commerce. 2. Responsible for optoelectronic products related commerce. 3. Responsible for project operations related commerce.

II. Background information of directors, supervisors, president, vice president, assistant manager, and heads of various segments and branches

(I) Directors and supervisors

April 18, 2021; Unit: Share

Position (Note 1)	Nationality or Registration Area	Name	Gender	Date Elected (Appointed)	Tenure	Date First Elected (Note 2)	Shareholding at the time of election		Current shareholding		Current shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background (Note 3)	Concurrent positions in the Company or other companies	Other heads, directors, or supervisors who are spouses or relatives of second degree			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Position	Name	Relations	
Chairman and President	Republic of China	Chih-Ming Chung	Male	2020-06-18	3 years	1996-06-24	7,140,062	3.46%	4,428,464	2.15%	1,072,879	0.52%	—	—	Department of Optoelectronics, National United University President of Chin Ming Glass Co., Ltd. Legal representative of the chairman of Win World Opto-Glass(Dongguan)co., Ltd. Director of Well State Optoelectronics Limited Legal representative of the chairman of Brave Advance International Corp.	Chairman of G Tech Optoelectronics Chairman of Fast Achievement Global Ltd.	—	—	—	Note 4
Director	Republic of China	Hongyuan International Investment Co., Ltd.	-				15,728,165	7.62%	15,728,165	7.62%	—	—	—	—	—	—	—	—	—	
Representative	Republic of China	Shih-Chang Lin	Male	2020-06-18	3 years	2007-10-05	—	—	—	—	—	—	—	—	Department of Civil Engineering, National Chung Kung University Chief Engineering Director of Taiwan High Speed Rail Corporation Vice president of Continental Engineering Corporation	Special Assistant to the President of Hon Hai Precision Inc. Co., Ltd.	—	—	—	
Director	Republic of China	Jen-Liang Hsiao	Male	2020-06-18	3 years	2005-06-22	1,011,784	0.49%	1,011,784	0.49%	—	—	—	—	Bachelor of International Business, Tunghai	Supervisor of Teh Tai Steel Co., Ltd. Chairman of Guang	—	—	—	

Position (Note 1)	Nationality or Registration Area	Name	Gender	Date Elected (Appointed)	Tenure	Date First Elected (Note 2)	Shareholding at the time of election		Current shareholding		Current shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background (Note 3)	Concurrent positions in the Company or other companies	Other heads, directors, or supervisors who are spouses or relatives of second degree			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Position	Name	Relations	
															University	Liang Metals Industrial Co., Ltd. Director of Kuang Liang Paper Co., Ltd.				
Director	Republic of China	Kuo-Hung Wang	Male	2020-06-18	3 years	2012-06-12	240,000	0.12%	240,000	0.12%	—	—	—	—	William Rainey Harper College (Business School)	Chairman of Chen Pang Blind Industrial Corporation Legal representative of the director of Sinbon Electronics Co., Ltd. Supervisor of Tang Silk Co., Ltd.	—	—	—	
Independent director	Republic of China	Kuo-Shih Huang	Male	2020-06-18	3 years	2007-12-19	—	—	—	—	—	—	—	Passed the CPA exam from the Department of Accounting, National Taiwan University Committee member of CPA Associations R.O.C. (Taiwan) Partner CPA of PwC Taiwan Supervisor of HOLA	Chairman of Come Tree International Co., Ltd. Chairman of Honey Lohas Co., Ltd. & independent director of Shuttle Ltd. Independent director of Better Life Independent director of Chimei Materials Technology Corp.	—	—	—		
Independent director	Republic of China	Chun-Feng Wu	Male	2020-06-18	3 years	2017-06-14	—	—	—	—	—	—	—	Graduated from the Department of Communication Management, Shih-Hsin University. Manager of The Liberty Times (Taoyuan Hsinchu Miaoli Districts) Vice President of Winbond Advertising Co., Ltd.	Vice President of Winbond Advertising Co., Ltd.	—	—	—		
Independent director	Republic of China	Ming-Szu Yang	Male	2020-06-18	3 years	2020-06-18	—	—	—	—	—	—	—	Secretary-General /Deputy Secretary-General of Shanghai University of Finance and Economics, Taiwan Alumni Association Director & Deputy	Part-time lecturer for Chihlee University of Technology Remuneration committee member of Leader Electronics Inc. Remuneration committee member					

Position (Note 1)	National ity or Registrat ion Area	Name	Gender	Date Elected (Appointed)	Tenure	Date First Elected (Note 2)	Shareholding at the time of election		Current shareholding		Current shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background (Note 3)	Concurrent positions in the Company or other companies	Other heads, directors, or supervisors who are spouses or relatives of second degree			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Positi on	Name	Relati ons	
														Secretary-General of Shanghai University of Finance and Economics, Shanghai Alumni Association Academic Advisor of New Taipei City Industrial Elite Consultant Free Clinic Advanced Service Team Executive Secretary of Cross-Strait Financial Securities Summit Forum Project Head of Information Service Department and manager of Data Application Department and Project Management Department for Fubon Financial Holdings Special lecturer for National Taipei University of Business, Shih Chien University, and China University of Technology	of Huang Hsiang Construction Executive Director/Project Chief Executive of Chinese Elite Club					

Note 1: For corporate shareholders, list the names of corporate shareholders and their representatives separately (for corporate shareholder representatives, the corporate shareholder's name must be specified), and fill-in the following table.

Note 2: Fill-in the time when serving as a director or supervisor of the Company for the first time. In case of an interruption, explain why in a note.

Note 3: For experience related to the current position, if the person has worked in a CPA firm or affiliated company during the previous disclosure period, please state the job title and responsible position.

Note 4: If the Company chairman, president, or equivalent title holder (top manager) is the same person or a spouse or relative within the first degree of kinship, please explain information related to the reason, rationality, necessity, and corresponding measures (for example, increasing the number of independent directors whereby over half of the directors have never concurrently served as employees or managers):

After the Company's president retired on July 31, 2018, the chairman of the board of directors was appointed after careful evaluation by the board of directors to concurrently serve as the president. This resolution has not only strengthened operating efficiency in recent years, it has also improved the policy decision and decision-making execution efficiency for the Company's board of directors. However, to implement corporate governance, the Company has planned to increase the number of independent directors in the future and to ensure over half of the members of the board of directors are not employees or managers in order to enhance the functions of the board of directors and strengthen the effectiveness of supervision.

At present, the Company has formulated the following specific measures:

- (1) At present, independent directors comprised of financial accounting and industry specialists who can provide industry outlook related advice and effectively perform accounting supervision functions.
- (2) In addition to cooperating with the requirements for continuous education for directors and supervisors every year, directors are also arranged to participate in the annual corporate governance forum in order to enhance the board of directors' performance.

1. Major shareholders of corporate shareholders:

April 18, 2021

Names of corporate shareholders	Major shareholders of corporate shareholders
Hongyuan International Investment Co., Ltd.	Hon Hai Precision Inc. Co., Ltd. (100%)

2. Major shareholders of major corporate shareholders:

Names of corporate shareholders	Major shareholders of corporate shareholders
Hon Hai Precision Inc. Co., Ltd. (Note)	Terry Gou 10%
	China Trust Commercial Bank is entrusted with Terry Gou's special trust property account 3%
	Citibank in custody for Singapore Government Investment Account 2%
	Citibank in custody for Hon Hai Precision Overseas Depository Receipts 1%
	Citibank in custody for Norges Bank Investment Account 1%
	New Labor Retirement Fund 1%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody Vanguard Emerging Markets Stock Index Fund 1%
	JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds 1%

Note: Shareholder register data of Hon Hai Precision Industry Co., Ltd. on the closing date of April 25, 2021.

3. Professional knowledge and independence based on information provided for directors and supervisors

Condition	Has over 5 years of work experience and the following professional qualification			Status of independence compliance (Note 2)												Number of listed companies where the person concurrently serves as independent director
	Public or private college and university lecturer or higher positions as required by the business affairs, legal affairs, finance, accounting, or corporate business-related departments	A professional or technician who has passed the national examination for professionals such as court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion	Work experience required for business, legal affairs, finance, accounting, or corporate business	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Chih-Ming Chung			✓					✓	✓		✓	✓	✓	✓	✓	None
Hongyuan International Investment Co., Ltd. Representative: Shih-Chang Lin			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		None
Jen-Liang Hsiao			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Kuo-Hung Wang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Kuo-Shih Huang		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chun-Feng Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ming-Szu Yang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1: Respective directors and supervisors who meet the following qualifications 2 years before assumption of office and at the time of office must put a “✓” in the appropriate space.

- (1) Not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliates (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (3) Not one of the top 10 natural person shareholders or one who holds over 1% of the Company’s total shares under the name of another or their spouse or minor children.
- (4) Not a manager listed in (1) or a spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company or among the top-5 corporate shareholders of the Company, or a corporate shareholder representative appointed to serve as a company director or supervisor pursuant to Paragraph 1 or 2 of Article 27 of the Company Act (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (6) Not a director, supervisor, or employee of another company controlled by the same person who is part of the Company’s board of directors or holds over half of the Company’s voting rights (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (7) Not a director (trustee), supervisor (auditor), or employee of another company or organization who is the same person or a spouse of the Company’s chairman of the board, president, or equivalent (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (8) Not a director (trustee), supervisor (auditor), manager, or shareholder holding over 5% of shares from a specific company or organization with financial or business dealings with this Company (this restriction does not apply if the specific company or organization holds over 20% and no more than 50% of the Company’s shares and the mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company are established in accordance with local laws or laws of the registered country).
- (9) Not a business, legal affairs, finance, accounting, other related service professional, or an owner, partner, director (trustee), supervisor (auditor), or manager (or their spouse) of a sole proprietorship, partnership, company, or organization that has audited the Company or its affiliates or received a

cumulative amount of remuneration of no more than NT\$500,000 in the past two years. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for mergers and acquisitions, who exercises powers pursuant to the "Securities and Exchange Act," the "Business Mergers and Acquisition Act," or the relevant laws and regulations.

- (10) Not a spouse or relative of second degree of other directors.
- (11) None of the conditions listed in Article 30 of Company Act.
- (12) Not elected by the government, legal person, or their representative pursuant to Article 27 of the Company Act.

(II) Information on the president, vice president, assistant manager, and supervisor of the various units and branches

April 18, 2021

Position (Note 1)	Nationality	Name	Gender	Inauguration date	Shareholding		Shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background (Note 2)	Current employment with other companies	Managers who are spouses or relatives of second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Position	Name	Relations	
Chairman and President	Republic of China	Chih-Ming Chung	Male	2018-08-10	4,428,464	2.15%	1,072,879	0.52%	—	—	Department of Optoelectronics, National United University President of Chin Ming Glass Co., Ltd. Legal representative of the chairman of Win World Opto-Glass(Dongguan)co., Ltd Director of Well State Optoelectronics Limited Legal representative of the chairman of Brave Advance International Corp.	Chairman of G Tech Optoelectronics Chairman of Fast Achievement Global Ltd.				Note 3
Vice president/ spokesperson	Republic of China	Huo-Sheng Chiu	Male	2011-05-01	83,692	0.04%	—	—	—	—	Completed MBA credit class at Tamkang University Syntek Semiconductor Co., Ltd. Plant Director/Business Department Assistant Manager/Spokesperson Winbond Electronics Section Chief	Head of G Tech Optoelectronics, Southern Taiwan Science Park Branch Legal representative of the chairman of Golden Start Global Corp Legal representative of the chairman of Charmtex Global Corp	—	—	—	
Vice president	Republic of China	Yao-Chang Wang	Male	2018-08-01	62,696	0.03%	—	—	—	—	Vanung University Hon Hai CCPBG Senior Manager Deputy Manager of Hedi Optoelectronics Deputy Manager of Prodisc Technology Inc. Section chief of PENTAX	G-TECH Optoelectronics (Chengdu) Co., Ltd. Chairperson and President				
Assistant Manager	Republic of China	Yung-Cheng Huang	Male	2013-02-01	129,524	0.06%	—	—	—	—	College of Engineering, National Central University Deputy Project Manager of Genesis Technology, Inc. Project Manager of Sky Glory Consultants Limited	—	—	—	—	
Assistant Manager	Republic of China	Hsien-Yi Hsu	Male	2008-03-07	23,873	0.01%	1,145	0.00%	—	—	Department of Electrical Engineering, Yuan Ze University Manager of Production, R&D, and Technology departments for Merck KGaA	—	—	—	—	

Position (Note 1)	Nationality	Name	Gender	Inauguration date	Shareholding		Shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background (Note 2)	Current employment with other companies	Managers who are spouses or relatives of second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Position	Name	Relations	
Assistant Manager	Republic of China	Ju-Wen Wang	Male	2021-03-01	59,200	0.03%	—	—			Department of Printing, Chinese Culture University Manager of Hitto International INC.	—	—	—	—	
Assistant Manager	Republic of China	Yu-Te Hung	Male	2021-03-01	25,000	0.01%	—	—			Department of Mechanical Engineering, National Kaohsiung University of Science and Technology Section Chief of Epson Taiwan Technology & Trading Ltd. Section Chief of Powertip Technology Corporation	—	—	—	—	
Assistant Manager	Republic of China	Hsing-Chiao Lin	Male	2021-03-01	15,000	0.01%	—	—			Department of Mechanical Engineering, Yuan Ze University Director of Chen Yu Optoelectronic Deputy Director of Henghao Technology	—	—	—	—	
Assistant Manager (R&D Director)	Republic of China	Tsung-Tien Tsai	Male	2019-12-23	73,000	0.04%	—	—	—	—	Master of Optoelectronics, National Central University Merck Optoelectronics Limited	—	—	—	—	
Accounting/Finance Supervisor	Republic of China	Tai-Chiou Wu	Male	2018-02-26	12,539	0.01%	—	—	—	—	MBA, Hawaii Pacific University Chang Chun Plastics Co., Ltd. Foreign risk management team, internal audit	G-TECH Optoelectronics (Chengdu) Co., Ltd. Supervisor	—	—	—	
Audit Supervisor	Republic of China	Hsiu-Li Kao	Female	2018-02-26	58,000	0.03%	140,189	0.07%	—	—	Business Management Institute, Yu Da University Financial Supervisor of Chin Ming Glass Co., Ltd.	—	—	—	—	

Note 1: Information for president, vice president, assistant managers, and supervisors of the various departments and branches must be included; and information for any position equivalent to president, vice president, or assistant manager (regardless of title) must be disclosed.

Note 2: For experience related to the current position, if the person has worked in a CPA firm or affiliated company during the previous disclosure period, please state the job title and responsible position.

Note 3: If the Company chairman, president, or equivalent title holder (top manager) is the same person or a spouse or relative within the first degree of kinship, please explain information related to the reason, rationality, necessity, and corresponding measures (for example, increasing the number of independent directors whereby over half of the directors have never concurrently served as employees or managers):

After the Company's president retired on July 31, 2018, the chairman of the board of directors was appointed after careful evaluation by the board of directors to concurrently serve as the president. This resolution has not only strengthened operating efficiency in recent years, it has also improved the policy decision and decision-making execution efficiency for the Company's board of directors. However, to implement corporate governance, the Company has planned to increase the number of independent directors in the future and to ensure over half of the members of the board of directors are not employees or managers in order to enhance the functions of the board of directors and strengthen the effectiveness of supervision.

At present, the Company has formulated the following specific measures:

- (1) At present, independent directors comprised of financial accounting and industry specialists who can provide industry outlook related advice and effectively perform accounting supervision functions.
- (2) In addition to cooperating with the requirements for continuous education for directors and supervisors every year, directors are also arranged to participate in the annual corporate governance forum in order to enhance the board of directors' performance.

III Remunerations paid to directors, supervisors, president, and deputy general manager during the most recent year

1. Remuneration for directors (including independent directors)

Unit: NT\$ thousand

Position	Name	Remuneration for Directors								The ratio accounted for by the total amount of A, B, C, and D to the net profit after tax		Related remuneration received by part-time employees								The ratio accounted for by the total amount of A, B, C, D, E, F, and G to the net profit after tax		Has remuneration been received from invested companies other than the subsidiaries and the parent company?
		Remuneration (A) (Note 2)		Severance payment and pension (B)		Remuneration to directors (C) (Note 3)		Business execution expenses (D) (Note 4)				Salaries, bonuses, special expenses, etc. (E) (Note 5)		Severance payment pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	Cash amount	Stock amount	Cash amount	Stock amount	The Company	All companies in the financial report	
Chairperson	Chih-Ming Chung	240	240	0	0	0	0	0	0	-0.082%	-0.082%	7,793	7,793	0	0	0	0	0	0	-2.740%	-2.740%	None
Director	Hongyuan International Investment Co., Ltd.	0	0	0	0	0	0	0	0	0.000%	0.000%	0	0	0	0	0	0	0	0	0.000%	0.000%	None
Representative	Shih-Chang Lin	240	240	0	0	0	0	35	35	-0.082%	-0.082%	0	0	0	0	0	0	0	0	-0.082%	-0.082%	None
Director	Jen-Liang Hsiao	120	120	0	0	0	0	30	30	-0.051%	-0.051%	0	0	0	0	0	0	0	0	-0.051%	-0.051%	None
Director	Kuo-Hung Wang	120	120	0	0	0	0	30	30	-0.051%	-0.051%	0	0	0	0	0	0	0	0	-0.051%	-0.051%	None
Independent director	Kuo-Shih Huang	240	240	0	0	0	0	75	75	-0.082%	-0.082%	0	0	0	0	0	0	0	0	-0.082%	-0.082%	None
Independent director	Chun-Feng Wu	240	240	0	0	0	0	75	75	-0.082%	-0.082%	0	0	0	0	0	0	0	0	-0.082%	-0.082%	None
Independent director	Ming-Szu Yang	120	120	0	0	0	0	60	60	-0.041%	-0.041%	0	0	0	0	0	0	0	0	-0.041%	-0.041%	None

- The remuneration payment policies, systems, standards, and structure for independent directors as well as the relationship between the remuneration amounts and their duties, risks, and tenure:
The remuneration to the Company's independent directors is in accordance with the Company's Articles of Incorporation. In terms of the remuneration to directors and supervisors such as transportation fees, business execution expenses, and surplus distribution, after the Company's remuneration for directors and supervisors has been reviewed by the Salary and Remuneration Committee according to the Company's Articles of Incorporation, the board of directors is authorized to set the salaries for the directors and supervisors based on their participation in the Company's operations, contribution value, and industry standards. The remuneration distribution standard for surplus distribution to directors and supervisors is based on the Company's Articles of Incorporation, which shall be submitted to the board of directors for review and issued after it has passed the shareholders meeting resolution. Since 2020, in order to collaborate with the Financial Supervisory Commission to implement the new version of the corporate governance blueprint, the board of directors conducts self (or peer) evaluation, and has formulated the "Board of Directors Self-/Peer-Evaluation Methods" pursuant to Article 37 of the Corporate Social Responsibility Best Practice Principles for TWSE or TPEX Listed Companies during the 17th session of the 10th board of directors meeting on November 11, 2019, in order to justify the high rewards.
- In addition to the disclosure listed in the table above, the remuneration received by the Company directors for services provided to all companies mentioned in the financial report (as a non-employee consultant, etc.) in the most recent year: None.

Note 1: The names of the directors must separately list (for corporate shareholders, the names of corporate shareholders and representatives should be listed respectively) the various payment amounts using the summary disclosure method.

Note 2: Refers to the remuneration paid to directors in 2020.

Note 3: Not applicable because as of the end of 2020, the Company has accumulated losses of NT\$1,003,835 thousand.

Note 4: Refers to directors' related business execution expenses for 2020.

Note 5: Refers to the salary, bonus, and special expenses for directors also serving as employees in 2020.

Note 6: As of the end of 2020, the Company has accumulated losses of NT\$1,003,835 thousand, and no employee compensation is expected to be allocated.

2. Remuneration for supervisors:

Unit: NT\$ thousand

Position	Name	Supervisor remuneration						The ratio of total from A, B, and C items to net profit after tax (%)		Has remuneration been received from invested companies other than the subsidiaries and the parent company?
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Business execution expenses (C) (Note 4)		The Company	All companies in the financial report	
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report			
Supervisor	Jen-Liang Hsiao	120	120	0	0	10	10	-0.044%	-0.044%	None
Supervisor	Kuo-Hung Wang	120	120	0	0	10	10	-0.044%	-0.044%	None

Note 1: The names of the supervisors must separately list (for corporate shareholders, the names of corporate shareholders and representatives should be listed respectively) the various amounts paid using the summarized disclosure method.

Note 2: Refers to the remuneration paid to supervisors in 2020.

Note 3: Not applicable because the Company has accumulated losses of NT\$1,003,835 thousand as of the end of 2020.

Note 4: Refers to supervisor' related business execution expenses for 2020.

3. remuneration for president and vice president:

Unit: NT\$ thousand / share

Position	Name	Salary (A)		Severance payment and pension (B) (Note 1)		Bonuses, special expenses, etc. (C)		Remuneration to employees (D) (Note 2)				The ratio accounted for by the total amount of A, B, C, and D to the net profit after tax (%)		Has remuneration been received from invested companies other than the subsidiaries and the parent company?
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
President	Chih-Ming Chung	7,140	7,140	0	0	652	652	0	0	0	0	-2.658%	-2.658%	None
Vice president	Huo-Sheng Chiu	1,576	1,576	97	97	142	142	0	0	0	0	-0.619%	-0.619%	None
Vice president	Yao-Chang Wang	1,589	1,589	98	98	145	145	0	0	0	0	-0.624%	-0.624%	None

Note 1: Refers to the amount allocated to government agencies in 2020.

Note 2: As of the end of 2020, the Company has accumulated losses of NT\$1,003,835 thousand, and no employee compensation allocated is expected.

(III) The remunerations for the top five highest paid executives of a TWSE/GTSM listed company

Position	Name	Salary (A)		Severance payment and pension (B) (Note 1)		Bonuses, special expenses, etc. (C)		Remuneration to employees (D) (Note 2)				The ratio accounted for by the total amount of A, B, C, and D to the net profit after tax (%)		Has remuneration been received from invested companies other than the subsidiaries and the parent company?
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash bonus amount	Stock bonus amount	Cash bonus amount	Stock bonus amount			
President	Chih-Ming Chung	7,140	7,140	0	0	652	652	0	0	0	0	-2.658%	-2.658%	None
Vice president	Huo-Sheng Chiu	1,576	1,576	97	97	142	142	0	0	0	0	-0.619%	-0.619%	None
Vice president	Yao-Chang Wang	1,589	1,589	98	98	145	145	0	0	0	0	-0.624%	-0.624%	None
Senior Assistant Manager	Hsien-Yi Hsu	2,148	2,148	108	108	195	195	0	0	0	0	-0.836%	-0.836%	None
Senior Assistant Manager	Hsing-Chiao Lin	1,557	1,557	94	94	147	147	0	0	0	0	-0.613%	-0.613%	None

Note 1: Refers to the amount allocated to government agencies in 2020.

Note 2: As of the end of 2020, the Company has accumulated losses of NT\$1,003,835 thousand, and no employee compensation allocated is expected.

1. The name of the manager who distributes the employee compensation in the most recent year and the distribution status:

As of the end of 2020, the Company has accumulated losses of NT\$1,003,835 thousand, and no employee compensation was allocated.

(IV) Respectively compare and explain the ratio of after-tax net profit accounted for by the total amount of remuneration paid to the directors, supervisors, president, and vice president of the Company in the last 2 years by the Company and all companies in the consolidated statement; and specify the relevance between the payment remuneration policies, standards and combinations, remuneration setting procedures, operating performances, and future risks.

1. The ratio of after-tax net profit accounted for by the total remuneration amount to the company directors, supervisors, president, and vice president in the last 2 years.

	2019		2020	
	The Company	All companies in the financial report	The Company	All companies in the financial report
Total remuneration to directors	1,065	1,065	1,625	1,625
The ratio of after-tax net profit accounted for by the total remuneration amount paid to directors	-1.7641%	-1.7641%	-0.5543%	-0.5543%
Total supervisor remuneration	560	560	260	260
The ratio of after-tax net profit accounted for by the total remuneration amount paid to supervisors	-0.9276%	-0.9276%	-0.0886%	-0.0886%
Total remuneration for president and vice president	10,205	10,205	15,688	15,688
The ratio of after-tax net profit accounted for by the total remuneration amount paid to president and vice president.	-16.904%	-16.904%	-5.352%	-5.352%

2. Correlation between remuneration payment policies, standards, and combinations; remuneration setting procedures; business performance; and future risks:

(1) Directors and supervisors

In terms of the remuneration to directors and supervisors such as transportation fees, business operation expenses, and surplus distribution: after the Company's remuneration for directors and supervisors has been reviewed by the Salary and Remuneration Committee according to the Company's Articles of Incorporation, the board of directors is authorized to set the salaries for the directors and supervisors based on their participation in the Company's operations, contribution value, as well as the industry standards. The remuneration distribution standard for surplus distribution to directors and supervisors is based on the Company's Articles of Incorporation, which shall be submitted to the board of directors for review and be issued after it has passed the shareholders meeting resolution.

(2) President and vice president

The remuneration of the president and vice president includes salary, employee dividends, employee stock options, and new restricted shares for subscription. Salary standards are based on contributions to the Company and reference to peer standards. The employee dividend distribution standard shall be based on the Company's Articles of Incorporation, be submitted to the Remuneration Committee for deliberation, and then issued after the proposal has passed the board of directors or shareholders meeting resolution. employee stock options, and new restricted shares for subscription issuance standards shall be evaluated based on contributions to the Company and its future development. The total remuneration paid to the president and vice president in 2019 and 2020 was NT\$10,205 thousand and NT\$15,688 thousand, respectively. They accounted for -16.904% of the after-tax net loss of NT\$-60,369,071 in 2019 as well as -5.352% of the after-tax net loss of NT\$-293,123,603 in 2020.

In sum, the Company's policy for the remuneration of directors, supervisors, president, and vice president as well as the remuneration setting procedures are reasonable.

IV. Corporate governance operation status

(1) Board of directors' operation status

In the most recent year (2020), the board of directors met 8 times (A), and the attendance status of directors and supervisors is as follows:

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
Chairperson	Chih-Ming Chung	8	0	100%	Elected or reelected on 2020.6.18
Director	Representative of Hongyuan International Investment Co., Ltd.: Shih-Chang Lin	7	1	87.5%	Elected or reelected on 2020.6.18
Director	Jen-Liang Hsiao	6	0	100%	Director newly appointed on 2020.6.18 Expected attendance No.: 6 Actual attendance%: 100%
Director	Kuo-Hung Wang	6	0	100%	Director newly appointed on 2020.6.18 Expected attendance No.: 6 Actual attendance%: 100%
Independent director	Kuo-Shih Huang	8	0	100%	Independent director elected or reelected on 2020.6.18
Independent director	Chun-Feng Wu	8	0	100%	Independent director elected or reelected on 2020.6.18
Independent director	Ming-Szu Yang	6	0	100%	Independent director newly appointed on 2020.6.18 Expected attendance No.: 6 Actual attendance%: 100%

Other matters that must be recorded:

i. If the board of directors' operations involve any of the following; the date, period, proposal content, all independent directors' opinions, and how the Company handled the independent directors' opinions must be noted:

(1) Issues listed in Article 14-3 of the Securities Exchange Act:

Board of directors meeting date & period	Agenda	All independent director opinions	Handling of Independent Directors' Opinions by the Company
2020.03. 26 10th 19th Session	The Company intends not to proceed with the private placement of ordinary shares approved by the 2019 shareholders meeting.	Passed by all independent directors without objection	Not applicable
	Proposal to amend some articles of the Company's "Assets Acquisition or Disposal Handling Procedures."	Passed by all independent directors without objection	Not applicable
	Proposal to amend some articles of the Company's "Third-party Fund Lending Operating Procedures."	Passed by all independent directors without objection	Not applicable
	Proposal to amend some articles of the Company's "Endorsement Guarantee Operating Procedures."	Passed by all independent directors without objection	Not applicable
2020.05.08 10th 20th Session	Proposal on the Company's issuance of new shares for cash capital increase.	Passed by all independent directors without objection	Not applicable
	Proposal on the Company's execution of private placement of common shares.	Passed by all independent directors without objection	Not applicable
2020.08. 07 11th 2nd Session	The Company's surplus in the first half of 2019 does not make up for accumulated losses.	Passed by all independent directors without objection	Not applicable
	Proposal to amend the Company's "Internal Control System Design Instructions FP55-0010-G."	Passed by all independent directors without objection	Not applicable

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
		Proposal to amend the Company's "Internal Control Audit Implementation Rules FP55-0011-G."	Passed by all independent directors without objection		Not applicable
		Proposal to amend the Company's "Self-assessment Operation Procedure FP55-0012-G."	Passed by all independent directors without objection		Not applicable
		Proposal to amend the Company's "Procurement and Payment Cycle CP-1000-G."	Passed by all independent directors without objection		Not applicable
		Proposal to amend the Company's "Sales and Collection Cycle CS-1000-G."	Passed by all independent directors without objection		Not applicable
2020.08. 21 11th 3rd Session		Issued the Company's 2020 employee stock option certificate.	Passed by all independent directors without objection		Not applicable
		The Company expects to dispose of idle production equipment.	Passed by all independent directors without objection		Not applicable
2020.09.17 11th 4th Session		Set the 2020 employee stock option issuance related matters.	Passed by all independent directors without objection		Not applicable
2020.11.09 11th 5th Session		Proposal to amend some articles of the Company's "Subsidiary Supervision and Management Method."	Passed by all independent directors without objection		Not applicable
		Proposal to amend some articles of the Company's "Insider Trading Prevention and Important Internal Information Processing Management Method."	Passed by all independent directors without objection		Not applicable
		Proposal to amend some articles of the Company's "Derivative Commodity Transaction Engagement Management Method."	Passed by all independent directors without objection		Not applicable
2020.12.21 11th 6th Session		Proposal to convert the Company's 3A/3B factory buildings into investment real estate.	Passed by all independent directors without objection		Not applicable
		The Company plans to undertake the 3rd domestic secured corporate bond conversion.	Passed by all independent directors without objection		Not applicable
		Proposal to amend some articles of the Company's "Financial Statements Preparation Process Management Method."	Passed by all independent directors without objection		Not applicable
		Proposal to amend some articles of the Company's "Performance Bonus Issuance Management Method."	Passed by all independent directors without objection		Not applicable
		The Company's "2020 Year-end Bonus Expected to be Distributed."	Passed by all independent directors without objection		Not applicable

(II) In addition to the preceding matters, other board of directors resolution items with dissenting or qualified opinions from independent directors that have been recorded or declared in writing: None.

II. During recusal of directors due to conflict of interest; the directors names, the content of the proposals, the reasons for the recusal, and the circumstances of their participation in voting:

1. The 3rd Session of the 11th board of directors meeting dated August 21, 2020

Cause of action: Issue the Company's 2020 employee stock option certificate, submitted for discussion.

Explanation:

- To attract and retain important talents needed for the Company's development, motivate and enhance employee cohesion, and jointly create benefits for the Company and shareholders; the Company has issue employee stock option certificates pursuant to Article 28-3 of the Securities and Exchange Act as well as the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers."
- During the period, if the Company's issuance and subscription methods are revised in response to the reviews and requirements of the competent authority, the board of directors shall be requested to authorize the chairman of the board to deal with the issue.
- Please refer to [Attachment II; omitted] for the Company's 2020 Employee Stock Option Issuance and Subscription Method.

Discussion process: Because Chairman Chih-Ming Chung concurrently serves as the president, he recused himself to waive discussion and exercise of voting rights due to conflict of interest according to the regulations.

Chairman Chung appointed Independent Director Kuo-Shih Huang as the acting chairman for this proposal and preside over the proceedings.

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
<p>Resolution: Except for the director(s) who must be recused from the discussion due to conflict of interest, the remaining directors present unanimously have no objection after consultation by the chairman, and the proposal is passed.</p> <p>2. The 4th session of the 11th board of directors meeting dated September 17, 2020 Cause of action: Set the 2020 employee stock option issuance related matters, submitted for discussion. Explanation:</p> <ol style="list-style-type: none"> 1. On August 21, 2020, the 3rd session of the 11th board of directors meeting passed a resolution for 3,000 units of employee stock options for the year 2020 (each unit of stock option is able to subscribe 1,000 common shares). The resolution went in to effect after approval by the Financial Supervisory Commission's approval letter Jin-Guan-Zheng-Fa-Zi No. 1090358192 dated September 16, 2020. Please refer to [Attachment II; Omitted] for the Issuance and Subscription Method amendment comparison table for revisions in accordance with the recommendations from the Securities and Futures Bureau. 2. The list of current subscribers and the number of subscriptions is detailed in [Attachment III; omitted]. The number of shares granted to the aforesaid managers has been reviewed and approved by the 4th Session of the 1st Salary and Remuneration Committee meeting. The rights and obligations of the new subscribable shares are the same as the issued ordinary shares. 3. The issuance period shall be within one year pursuant to Article 2 of the Method and from the date the competent authority's effective declaration notification has been served. The issuance may be one lump sum or in installments according to actual needs, and the actual date of issuance shall be authorized by the chairman of the board. <p>Discussion process: Because Chairman Chih-Ming Chung concurrently serves as the president, he recused himself to waive discussion and exercise of voting rights due to conflict of interest according to the regulations. Chairman Chung appointed Independent Director Kuo-Shih Huang as the acting chairman for this proposal and preside over the proceedings.</p> <p>Resolution: Except for the director(s) who must be recused from the discussion due to conflict of interest, the remaining directors present in proxy unanimously have no objection after consultation by the chairman, and the proposal is passed.</p> <p>3. The 6th Session of the 11th board of directors meeting dated December 21, 2020 Cause of action: Proposed to amend some articles of the Company's "Performance Bonus Issuance Management Method," submitted for discussion. Explanation:</p> <ol style="list-style-type: none"> 1. The original "Performance Bonus Issuance Management Method" was deliberated and approved by the Remuneration Committee and the board of directors on January 25, 2019. 2. For the key points of the amendments proposed, please refer to [Attachment IX; Omitted]. <ol style="list-style-type: none"> (1) [Fixed Performance Bonus] allocation ratio: The original method was "allocate 2.5% of the company employees' full monthly salary as a fixed performance bonus budget every month." It is proposed to be amended to "allocate 8.33% of the company employees' full monthly salary as a fixed performance bonus budget every month." (2) [Business Performance Bonus] calculation standard: The method's original bonus calculation standard was "Actual Loss Management Gross Profit > BP Loss Management Gross Profit." It is proposed to be amended to "Actual Loss Management Gross Profit > Interest on Capital Occupation." 3. This case has been reviewed and approved by the 2nd Session of the 4th Salary and Remuneration Committee, and submitted to the board of directors for resolution. <p>Discussion process: Because Chairman Chih-Ming Chung concurrently serves as the president, he recused himself to waive discussion and exercise of voting rights due to conflict of interest according to the regulations. Chairman Chung appointed Independent Director Kuo-Shih Huang as the acting chairman for this proposal and preside over the proceedings.</p> <p>Resolution: Except for the director(s) who must be recused from the discussion due to conflict of interest, the remaining directors present in proxy unanimously have no objection after consultation by the chairman, and the proposal is passed.</p>					

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
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4. The 6th Session of the 11th board of directors meeting dated December 21, 2020

Cause of action: The Company's "2020 Year-end Bonus Expected to be Distributed," submitted for discussion.

Explanation:

1. Handled according to the "New Year Bonus Distribution Measures" formulated by the Company.
2. The Company's 2020 year-end bonus is estimated to be NT\$18,650,586. There are 7 managers, and the total issuance amount is expected to be NT\$1,421,350; which accounts for 7.6% of the total amount. Please refer to [Attachment 10; omitted] for details.
3. This case has been reviewed and approved by the 2nd Session of the 4th Salary and Remuneration Committee, and submitted to the board of directors for resolution.

Discussion process: Because Chairman Chih-Ming Chung concurrently serves as the president, he recused himself to waive discussion and exercise of voting rights due to conflict of interest according to the regulations.

Chairman Chung appointed Independent Director Kuo-Shih Huang as the acting chairman for this proposal and preside over the proceedings.

Resolution: Except for the director(s) who must be recused from the discussion due to conflict of interest, the remaining directors present in proxy unanimously have no objection after consultation by the chairman, and the proposal is passed.

III. The board of directors' evaluation and implementation status:

To collaborate with the Financial Supervisory Commission in the implementation of the new version of the corporate governance blueprint, the Company's board of directors must conduct self (or peer) evaluation, and has formulated the "Board of Directors Self-/Peer-Evaluation Methods" during the 17 Session of the 10th board of directors meeting dated November 11, 2019 for compliance pursuant to Article 37 of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. The aforesaid Methods has entered into force in 2020.

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Content
Implement once per year	Evaluate the performance from January 1, 2020 to December 31, 2020. (The Audit Committee was established after the re-election of directors on June 18, 2020, and the evaluation period is from	Performance evaluation of the board of directors, individual directors, Audit Committee, and Remuneration Committee	Internal board self-evaluation and board member self-evaluation	<p>The evaluation indicators of board of directors' performance include five aspects:</p> <p>A. Degree of participation in the Company's operations</p> <p>B. Improvement of the quality of the board of directors' decision making</p> <p>C. Composition and structure of the board of directors</p> <p>D. Selection and continuing education of directors</p> <p>E. Internal control</p> <p>The performance evaluation indicators for the board of directors members include 5 major aspects:</p> <p>A. Degree of participation in the Company's operations</p> <p>B. Improvement of the quality of the board of directors' decision making</p> <p>C. Composition and structure of the board of directors</p> <p>D. Selection and continuing education of directors</p> <p>E. Internal control</p> <p>The performance evaluation indicators for Audit Committee operations include 5 major aspects:</p> <p>A. Degree of participation in the Company's</p>

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
	June 18, 2020 to December 31, 2020.)				operations B. Recognition of the Audit Committee's responsibilities C. Improve the decision-making quality of the Audit Committee D. Audit Committee's composition and member selection E. Internal control The performance evaluation indicators for Salary and Remuneration Committee operations include 4 major aspects: A. Degree of participation in the Company's operations B. Recognition of the Salary and Remuneration Committee's responsibilities C. Improve the decision-making quality of the Salary and Remuneration Committee D. Salary and Remuneration Committee's composition and member selection

The Company has completed the 2020 self-evaluation on the board of directors' performance. The evaluation results were submitted to the 7th Session of the 11th board of directors meeting on March 24 ,2021 as the basis for review and improvement. The self-evaluation results on the performance of the board of directors scored "extremely excellent (5)" with 31 items and "excellent (4)" with 14 items, indicating that the board of directors has fulfilled the responsibility of guiding and supervising the Company's strategy, major business and risk management, and can establish appropriate internal control system. Its overall operation status is good and in compliance with corporate governance requirements. The self-evaluation results on the performance of the board of director members scored "extremely excellent (4)" with 4 items and "excellent (4)" with 19 items, indicating that the directors have positive comments on the efficiency and effectiveness of the various indicator operations. The self-evaluation results on the performance of the Audit Committee scored "extremely excellent (4)" with 17 items and "excellent (4)" with 5 items, indicating that the overall operation of the Audit Committee is good, in conformance with corporate governance requirement, and can effectively enhance the functions of the board of directors. The self-evaluation results on the performance of the Salary and Remuneration Committee scored "extremely excellent (4)" with 17 items and "excellent (4)" with 2 items, indicating that the overall operation of the Salary and Remuneration Committee is good, in conformance with corporate governance requirement, and can effectively enhance the functions of the board of directors.

- IV. The objectives of strengthening the board of directors' functions in the current and most recent year (i.e., establishing an audit committee, improving information transparency, etc.), and implementation status evaluation:
 The Company has fully re-elected the board of directors at the 2020 shareholders meeting, and established an Audit Committee on June 18, 2020 in accordance with regulations to replace the supervisory authority and strengthen the functions of the board of directors.

(2) Supervisor's participation in the board of directors' operations:

In the most recent year (2020), the board of directors met 8 times (A), and the attendance status of supervisors is as follows:

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Jen-Liang Hsiao	2	0	100%	2020.06.18 reelection; Expected attendance No.: 2
Supervisor	Kuo-Hung Wang	2	0	100%	2020.06.18 reelection; Expected attendance No.: 2

Other matters that must be recorded:

I. The composition and responsibilities of the supervisor:

- (1) Communication between supervisors as well as company employees and shareholders
Supervisors irregularly inspect the business status of each unit, and communicate with employees as well as shareholders through regular shareholder meetings.
- (2) Communication between supervisors as well as internal audit supervisors and accountants
Internal auditors submit audit reports to the supervisor on a regular and irregular basis, and the CPA also regularly communicates with the supervisor regarding the audit results and make recommendations every year.

II. If the supervisor has attended a board of directors meeting and made a statement of opinion; the date of the board of directors meeting, the period, the proposal content, the results of the board of directors' resolutions, and how the Company handled the supervisor's opinion must be noted:
None.

(3) Audit Committee Operation Status

In the most recent year (2020) the Audit Committee met 4 times (A), and the attendance of independent directors is as follows:

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
Independent director	Kuo-Shih Huang	4	0	100%	None
Independent director	Chun-Feng Wu	4	0	100%	None
Independent director	Ming-Szu Yang	4	0	100%	None

Other matters that must be recorded:

- I. If the Audit Committee members' operations involve any of the following; the date, period, proposal content, the Audit Committee's resolutions, and how the Company handled the Audit Committee's opinions must be noted:

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
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(I) Issues listed in Article 14-5 of the Securities Exchange Act:

Board of directors meeting date & period	Agenda	Audit Committee Resolution Results and the Company's Handling of Audit Committee Opinions
2020.08. 07 11th 2nd Session	The Company passed its 2nd quarter consolidated financial report for 2020.	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
	Proposal to amend the Company's "Internal Control System Design Instructions FP55-0010-G."	
	Proposal to amend the Company's "Internal Control Audit Implementation Rules FP55-0011-G."	
	Proposal to amend the Company's "Self-assessment Operation Procedure FP55-0012-G."	
	Proposal to amend the Company's "Procurement and Payment Cycle CP-1000-G."	
	Proposal to amend the Company's "Sales and Collection Cycle CS-1000-G."	
2020.08. 21 11th 3rd Session	Issued the Company's 2020 employee stock option certificate.	
	The Company expects to dispose of idle production equipment.	
2020.11.09 11th 5th Session	Proposal to amend some articles of the Company's "Subsidiary Supervision and Management Method."	
	Proposal to amend some articles of the Company's "Insider Trading Prevention and Important Internal Information Processing Management Method."	
	Proposal to amend some articles of the Company's "Derivative Commodity Transaction Engagement Management Method."	
2020.12.21 11th 6th Session	2021 annual operating plan and capital expenditure proposal.	
	Proposal to convert the Company's 3A/3B factory buildings into investment real estate.	
	The Company plans to undertake the 3rd domestic secured corporate bond conversion.	
	Proposal to amend some articles of the Company's "Financial Statements Preparation Process Management Method."	
	Proposal to amend some articles of the Company's "Performance Bonus Issuance Management Method."	
	The Company's "2020 Year-end Bonus Expected to be Distributed."	

(II) In addition to the aforesaid matter, other matters that have not been approved by the Audit Committee but approved by over two-thirds of all directors: None.

II. During recusal of independent directors due to conflict of interest; the content of the proposals, the reasons for the recusal, and the circumstances of their participation in voting must be noted: None.

III. The communication between independent directors, internal audit supervisors, and CPA is summarized as follows: (including information on Company finances, communication on major matters related to business conditions, methods and results, etc.):

- In general, the audit supervisor and CPA may directly contact the independent directors as needed, and the communication status is good.
- The communication status is shown in the table below:

Audit Committee Date, Period	Communication with internal control supervisor on major issues	Communication with CPA on major issues
2020.08. 07 1st 1st Session	Amended the Company's "Internal Control System Design Instructions." Amended the Company's "Internal Control Audit Implementation Rules." Amended the Company's "Self-assessment Operation Procedure."	Review the Company's 2nd quarter consolidated financial report for 2020.

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A)	Remarks
		Amended the Company's "Procurement and Payment Cycle." Amended the Company's "Sales and Collection Cycle."			
2020.11.09 1st 3rd Session		Review the 2020 Internal Audit Plan. Amended the Company's "Subsidiary Supervision and Management Method." Amended the Company's "Insider Trading Prevention and Important Internal Information Processing Management Method." Amended the Company's "Derivative Commodity Transaction Engagement Management Method." Review the 3rd quarter audit implementation status report for 2020.		Review the Company's 3rd quarter consolidated financial report for 2020.	
Method and results: The preceding matters have been reviewed or approved by the Audit committee, and independent directors did not object.					

(4) The Company's corporate governance operation status, deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," and the reasons

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons.
	Yes	No	Summary Description	
I. Has the Company established and disclosed a code of practice on corporate governance pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies"?	√		The Company's board of directors has passed a resolution on March 26, 2015 to formulate the "Code of Practice for Corporate Governance" and submitted a report to the 2015 general shareholders meeting. The relevant content can be found in the corporate governance area of the Market Observation Post System.	No difference.
II. Company Shareholding Structure and Shareholders' Equity				No difference.
(I) Has the Company established internal operating procedures to handle shareholder suggestions, doubts, disputes, litigation matters, and implement them in accordance with the procedures?	√		(I) The Company has established the Stock Affairs Management Method and appointed dedicated personnel (spokesperson, proxy spokesperson, stock affairs, etc.) to deal with shareholder suggestions, doubts, disputes and other issues. Moreover, if legal issues are involved, the legal affairs unit shall be requested to provide assistance.	
(II) Does the Company have a list of the major shareholders who actually control the Company as well as the final controller of the major shareholders?	√		(II) The Company has a good grasp of the list of major shareholders and the controllers of the major shareholders according to the shareholders register list on the closing date.	
(III) Has the Company established and implemented risk control and firewall mechanisms between related companies?	√		(III) The Company has formulated the "Affiliate and Group Enterprise Transaction Handling Method" and "Subsidiary Monitoring Operation Method," which are controlled in accordance with the Company's internal control system.	
(IV) Has the Company established internal regulations to prohibit insiders from using undisclosed information on the market to buy and sell securities?	√		(IV) The Company has established the "Important Internal Information Handling and Insider Trading Prevention Procedure" to prevent the occurrence of insider trading.	

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.
	Yes	No	Summary Description	
<p>III Composition and Responsibilities of the Board of Directors</p> <p>(I) Has the board of directors formulate and implement a members composition diversification policy?</p> <p>(II) Has the company voluntarily established various other functional committees in addition to the Salary and Remuneration Committee and the Audit Committee according to the law?</p> <p>(III) Has the Company established a board performance assessment measure and evaluation method, implemented performance evaluation annually and regularly, reported the results of the performance evaluation to the board of directors, and applied the results to individual directors' salary and nomination renewal?</p> <p>(IV) Has the Company regularly assesses the independence of CPAs?</p>	<p>v</p> <p>v</p> <p>v</p> <p>v</p>		<p>(I) The directors of the Company all have experience in business, legal affairs, finance, accounting or corporate business, and can provide diverse opinions to the board of directors and enhance operational development.</p> <p>(II) In addition to setting up a Salary and Remuneration Committee in accordance with the law, the Company will establish a comprehensive supervision mechanism, strengthen management functions, and consider the competent authority's recommendations to add additional functional committees in the future based on the Company's operational needs.</p> <p>(III) The Company has formulated the "Board of Directors Self-/Peer-Evaluation Methods" on November 11, 2019 at the 17th Session of the 10th board of directors meeting for compliance and to review the performance evaluation of the board of directors within the prescribed period. Internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, appointment of external experts or other appropriate performance evaluation methods may be adopted for the evaluation. The appraisal items of the board's performance evaluation include the following 5 major aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the company; 2. Improvement of the quality of the board of directors' decision making; 3. Composition and structure of the board of directors; 4. Selection and continuing education of directors. 5. Internal control. <p>The Company has completed the 2020 self-evaluation on the board of directors' performance. The evaluation results were submitted to the board of directors meeting as the references for future director selection or nomination as well as salary and remuneration for individual directors. For the evaluation results, please refer to the "Board Evaluation Implementation Status" (page 27) of the "Board of Directors Operation Status" in this annual report.</p> <p>(IV) The Company's board of directors has assessed the independence and competence of the CPA when appointing the CPA, and confirmed the CPA's independence regularly during the appointment. In addition, when CPAs have direct or indirect interest in the commissioned matters, they must also be recused and comply with the internal rotation regulations in accordance with the law. Therefore, declarations of independence and professional ethics have been signed by CPA Jacky Chen and CPA Shu-Yin Chang. March 24, 2021, appraisal of the independence of the board of directors' CPAs:</p>	No difference.

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.																											
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			<table border="1"> <thead> <tr> <th>Appraisal Item</th> <th>Appraisal Results</th> <th>Status of Independence Compliance</th> </tr> </thead> <tbody> <tr> <td>1. Does the CPA have a direct or significantly indirect financial interest relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Does the CPA have any loan or guarantee behavior with the Company or the directors of the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Does the CPA have a close business relationship and potential employment relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Has the CPA or his/her audit team members served as directors or managers of the Company or have a significant impact on the audit work presently or in the last two years?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. Has the CPA every provided the Company with non-audit service items that may directly affect the audit work?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>6. Has the CPA ever broker stocks or other securities issued by the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. Has the CPA served as the defender of the Company or represented the Company to arbitrate conflicts with other third parties?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>8. Is the CPA related to the Company's directors, managers, or persons who have significant influence on the audit case?</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Appraisal Item	Appraisal Results	Status of Independence Compliance	1. Does the CPA have a direct or significantly indirect financial interest relationship with the Company?	No	Yes	2. Does the CPA have any loan or guarantee behavior with the Company or the directors of the Company?	No	Yes	3. Does the CPA have a close business relationship and potential employment relationship with the Company?	No	Yes	4. Has the CPA or his/her audit team members served as directors or managers of the Company or have a significant impact on the audit work presently or in the last two years?	No	Yes	5. Has the CPA every provided the Company with non-audit service items that may directly affect the audit work?	No	Yes	6. Has the CPA ever broker stocks or other securities issued by the Company?	No	Yes	7. Has the CPA served as the defender of the Company or represented the Company to arbitrate conflicts with other third parties?	No	Yes	8. Is the CPA related to the Company's directors, managers, or persons who have significant influence on the audit case?	No	Yes	
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IV. Has the Company deployed competent and appropriate number of corporate governance personnel, and designated a head of corporate governance to take charge of corporate governance related matters (including, but not limited to, providing information required by directors and supervisors to perform operations, assisting directors and supervisors with legal compliance issues, handle board of directors and shareholders meeting related matters in accordance with the law, making board of directors and shareholders meeting minutes)?	√		The Company has established a full-time Corporate Governance Unit. The Stock Affairs Unit is responsible for corporate governance related affairs, and the financial and accounting supervisor is also the corporate governance supervisor who is responsible for providing the directors and supervisors with the information needed to perform business operations, assisting the directors and supervisors to comply with laws and regulations, handling the board of directors and shareholders meeting related matters in accordance with the law, and preparing board of directors and shareholders meeting minutes.	No significant difference.																											
V. Has the Company established communications with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up a special area for the stakeholders in the company website to appropriately respond to the key corporate social responsibility issues that are of concern to the stakeholders?	√		The Company has established communications with stakeholders and set up a special area for the stakeholders in the company website to appropriately respond to the key corporate social responsibility issues that are of concern to the stakeholders.	No difference.																											
VI. Has the Company commissioned a professional stock affairs agency to handle the shareholders meeting affairs?	√		The Company has commissioned the Grand Fortune Securities Stock Agency Department to handle the shareholders meeting related affairs.	No difference.																											
VII. Information Disclosure (I) Has the Company's established a website to disclose its financial business and corporate governance information?	√		(I) The Company's website at: www.gtoc.com.tw has clearly disclosed the financial business and corporate governance related information for reference by the shareholders and the general public.	No significant difference.																											
(II) Has the Company adopted other information disclosure methods (such as setting up an English website, appointing a special person to take charge of company information collection and disclosure, implementing a	√		(II) The Company has established its website in Chinese and English, appointed a special person to take charge of company information collection and disclosure, implemented a spokesperson system (one spokesperson and one proxy spokesperson), and																												

Assessment Items	Operating Status			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons.
	Yes	No	Summary Description	
<p>spokesperson system, or place the corporate briefing process in the Company’s website)?</p> <p>(III) Has the Company announced and declared the annual financial report within two months after the end of the fiscal year; and published the 1st, 2nd, and 3rd quarter financial reports as well as the monthly operating status within the prescribed deadline?</p>		√	<p>placed its corporate briefing processes in the Company’s website.</p> <p>(III) The Company did not publish its annual financial report within 2 months after the end of the fiscal year, but did publish its 1st, 2nd, and 3rd quarter operating status reports prior to the specified deadlines. In the future, the Company will publish its annual financial report within 2 months after the end of the fiscal year in order to strengthen corporate governance.</p>	
<p>VIII. Is there any further information that may help to understand the Company’s corporate governance status better (including, but not limited to, employees’ rights, employee care, investor relation, supplier relation, stakeholders’ rights, the continuing education of the directors and supervisors, risk management policy and risk assessment in action, the pursuit of customer policy, and the protection of the directors and supervisors via professional liability insurance)?</p>	√		<p>(I) Employee rights and care:</p> <ol style="list-style-type: none"> 1. In addition to providing employee labor insurance, national health insurance, and regular monthly retirement pensions in accordance with the law; the Company has also planned and purchased comprehensive group insurance for its employees. 2. Provides abundant education and training resources such as regular internal and external training as well as learning courses. 3. Provides subsidies for leisure travel activities to help employees properly plan leisure and entertainment activities. 4. Provides marriage, childbirth, birthday, and other gifts as well as funeral condolences. 5. To help employees satisfy their food, clothing, housing, and transportation needs; the Company provides staff dormitories, lounges, restaurants, breastfeeding rooms, transportation vehicles, motorcycle parking lot, and other facilities. 6. The physical and mental health of employees are important. So, the Company provides employees with regular annual health checkups, irregular health lectures and forums, as well as full-time nursing staff and health management centers with resident physicians to offer health diagnosis and consultation to employees. 7. Encourages employees to study and enrich themselves during their spare time, and provide scholarships to the children of employees. 8. The Company regularly purchases various types of books for employees to borrow in order to strengthen the reading atmosphere. 9. The Company cares for employees and their family life, and provides appropriate assistance solutions on an individual cases to help employees solve their problems. If an employee encounters a major accident or emergency, the employee can apply to the Company for emergency relief to help solve his/her urgent needs. 10. The Welfare Committee of the Company attaches importance for the employees to reach a balance between work and family life, and has planned diverse activities each year such as employee family days suitable for the whole family to increase opportunities for employees to interact with their families. The Company has also organized theme activities during festivals to encourage employees to actively participate and relieve pressures from work. <p>(II) Investor relations: The Company has established a</p>	No significant difference.

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.																														
	Yes	No	Summary Description																															
	v		comprehensive spokesperson system to handle shareholder suggestions, doubts, and disputes; and disclosed Company information according to the relevant laws and regulations in order to protect the rights and interests of investors and maintain good relations.																															
	v		(III) Supplier relations: The Company has established a stably supply chain under the principle of equality and mutual benefit, and formulated the "Safe Supply Chain Partnership Evaluation Standard Management Method" to ensure that the supplier quality, specifications, and risk assessment can meet the high-quality corporate safety review and verification standards; and the parties can jointly pursue sustainable operations.																															
	v		(IV) Rights of stakeholders: The Company has maintained smooth notification and communication channels with correspondent banks, employees, customers, and suppliers. The Company also respects and safeguards their rights and interests, and can quickly and properly respond to stakeholder-concern related issues.																															
	v		(V) 2020 director and supervisor in-service training status:																															
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		2020/8/11	The Effects of New Company Act on Directors, Supervisors, and Shareholders																															
Director	Chih-Ming Chung	2020/11/12	2020 Corporate Governance v Corporate Integrity Promotion Conference for Directors and Supervisors																															
	v		(VI) Risk management policies and risk measurement standards implementation status: The Company has focused on its core industry as well as complied with relevant laws and regulations in order to execute different policies to reduce and prevent any possible risks.																															
	v		(VII) Customer policy implementation status: The Company has designated personnel to maintain regular communication channels between the Company and its customers. The goals are to grasp customer dynamics at all times and ensure the best interests of all parties via a good negotiation mechanism. In																															

Assessment Items	Operating Status			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies” and the reasons.												
	Yes	No	Summary Description													
	√		<p>addition, the Company also uses annual customer satisfaction surveys to obtain feedbacks from customers and conduct self-review in 4 aspects: quality, delivery deadline, services, and processing capability.</p> <p>(VIII) Circumstances in which the company purchases liability insurance for directors and supervisors:</p> <table border="1"> <thead> <tr> <th>The Insured</th> <th>Insurance Company</th> <th>Insurance Amount</th> <th>Insurance Period</th> </tr> </thead> <tbody> <tr> <td>All Directors and Supervisors</td> <td>Cathay Century Insurance</td> <td>USD5,000,000</td> <td>From 2020/01/01 To 2011/01/01</td> </tr> <tr> <td>All Directors and Supervisors</td> <td>Cathay Century Insurance</td> <td>USD5,000,000</td> <td>From 2021/01/01 To 2011/01/01</td> </tr> </tbody> </table> <p>The Company’s board of directors reported dated March 24, 2021: Liability Insurance for Directors, Supervisors, and Managers.</p> <p>Explanation: According to the Company's Articles of Incorporation and Corporate Social Responsibility Best Practice Principles, the Company has purchased the “Cathay Directors and Officers Liability Insurance” effective from January 1, 2021 to January 1, 2022 in order to reduce and disperse the risk of major damages to the Company and shareholders due to errors or negligence from directors, supervisors, and managers. Important contents such as insurance evaluation comparison, insured amount, coverage, and insurance premium rate are listed in this report.</p>	The Insured	Insurance Company	Insurance Amount	Insurance Period	All Directors and Supervisors	Cathay Century Insurance	USD5,000,000	From 2020/01/01 To 2011/01/01	All Directors and Supervisors	Cathay Century Insurance	USD5,000,000	From 2021/01/01 To 2011/01/01	
The Insured	Insurance Company	Insurance Amount	Insurance Period													
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All Directors and Supervisors	Cathay Century Insurance	USD5,000,000	From 2021/01/01 To 2011/01/01													

IX. Please explain the improvement status regarding the corporate governance evaluation results from the TWSE Corporate Governance Center, and propose priority improvement items and measures for items that have not improved:

Question Number	Indicators	Improvement Status/Priority Enhancement Items and Measures
1.6	Does the Company hold a regular shareholder meeting before the end of May?	The matter is handled according to the business plan for the current year. In the future, it can be convened in advance to improve corporate governance.
1.9	Does the Company also upload the English version of the meeting notice 30 days prior to the shareholders meeting?	At present, no English meeting notice has been created. It will be planned in the future to increase the foreign shareholding ratio.
1.10	Does the Company upload the English version of the meeting handbook and supplementary materials 30 days prior to a shareholders meeting?	Will be implemented starting 2021 according to provisions.
1.11	Does the Company upload the English version of the annual report 7 days prior to the shareholders meeting?	English annual report will be formulated starting 2021 according to provisions.
1.15	Have the Company established internal rules and disclosed them on the Company’s website to prohibit insiders such as Company directors or employees from using information that is not available in the market for profit?	This matter is planned for the future to improve corporate governance.
2.2	Has the Company formulated a board member diversification policy, and disclose the specific management objectives and implementation status of the diversification policy on the Company's website and annual report?	This matter is planned for the future to improve corporate governance.
2.3	Are the Company’s chairman, president, or other persons of equivalent rank (top executives) the same person or each other's spouse or relatives of first degree?	At present, these positions are held by the chairman. This matter is planned for the future to improve corporate governance.
2.6	Does the company's board of directors include at least one female director?	This matter is planned for the future to improve corporate governance.
2.7	Has the Company voluntarily established more independent director seats than that required by law?	The Company plans to voluntarily establish more independent director seats than that required by law during the next director and supervisor reelection.
2.9	Has the Company formulated succession plans for board members and important management executives, and disclose such operations on the Company’s website or annual report?	This matter is planned for the future to improve corporate governance.
2.11	Has the Company disclosed the discussion matters and resolutions of the Salary and Remuneration Committee as well as how the Company handled the members’ opinions in its annual report?	This matter is planned for the future to improve corporate governance.

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.
	Yes	No	Summary Description	
2.13			Has the Company's Salary and Remuneration Committee members attended at least twice a year and disclosed the regular performance review information for directors, supervisors, and managers as well as the remuneration policies, systems, standards, and structures?	This matter is planned for the future to improve corporate governance.
2.14			Has the Company established a functional committee other than that required by the law with no less than 3 members, over half of the members are independent directors, one or more members possessing the professional capabilities required by the committee, and disclosed the committee's composition, responsibilities, and operations?	This matter is planned for the future to improve corporate governance.
2.15			Has the Company disclosed its communication status between independent directors, internal audit supervisors, and CPAs (such as the methods, matters, and results of communicating the Company's financial report and financial business status) on the Company's website?	This matter is planned for the future to improve corporate governance.
2.21			Has the Company established a corporate governance director to take charge of corporate governance related matters, and explained its scope of authority, operation execution focus for the current year, continual training status in the Company's website and annual report?	These matters are planned for June 2021.
2.22			Has the Company formulated risk management policies and procedures approved by the board of directors as well as disclosed the scope of risk management, organizational structure, and operating conditions?	This matter is planned for the future to improve corporate governance.
2.23			Has the Company's board of directors' performance evaluation measures been approved by the board of directors, clearly stipulated that external evaluations must be implemented at least once every 3 years and within the deadlines set by the measures, and disclosed the performance evaluation results on the Company's website or annual report?	This matter is planned for the future to improve corporate governance.
2.24			Has the Company established an information security risk management framework, formulated information security policies and specific management plans, and disclosed them on the Company's website or annual report?	This matter is planned for the future to improve corporate governance.
2.27			Has the Company formulated an intellectual property management plan linked to its operational goals, disclosed its implementation status on the Company's website or annual report, and reported to the board of directors at least once a year?	This matter is planned for the future to improve corporate governance.
2.28			Has the Company established provisions for the appointment, dismissal, evaluation, and salary and remuneration of internal auditors; reported the provisions to the board of directors or submitted the provisions to the audit supervisor for the chairman of the board of directors to sign-off after review by the board of directors; and disclosed the provisions on the Company's website?	This matter is planned for the future to improve corporate governance.
2.30			Has at least one of the Company's internal auditors obtained an international internal auditor, international computer auditor, or CPA certification license?	This matter is planned for the future to improve corporate governance.
3.2			Has the Company published important messages in English simultaneously?	This matter is planned for the future to improve the foreign holding ratio.
3.3			Has the Company complied with the Taipei Exchange Rules Governing Information Reporting by Companies with TPEx Listed Securities without receiving any penalties?	The Company will reference the latest Taipei Exchange Rules Governing Information Reporting by Companies with TPEx Listed Securities to make the relevant announcements, and actively participate in declaration promotion meetings to prevent violations and enhance corporate governance.
3.4			Has the Company published its annual financial report within 2 months after the end of each fiscal year?	This matter is planned for the future to improve corporate governance.
3.5			Has the Company uploaded the English version of the financial report to the Market Observation Post System 7 days prior to the general shareholders meeting?	Will be implemented starting 2021 according to provisions.
3.6			Has the Company disclosed the interim financial report in English within 2 months after the reporting period for the Chinese version of the interim financial report expired?	The Company has planned to disclose full financial reports in English in the future to increase the foreign shareholding ratio.
3.8			Has the Company voluntarily published its 4-quarter financial forecast reports and related operations without been corrected by the competent authority or disciplined by the Taiwan Stock Exchange or the Taipei Exchange?	This matter is planned for the future to improve corporate governance.
3.10			Has the Company's financial report been approved by the board of directors or been submitted to the board of directors 7 days prior to the announcement deadline, and published the financial report within 1 day after the approval date or the reporting date?	This matter is planned for the future to improve corporate governance.
3.13			Has the Company's annual report voluntarily disclosed the individual remuneration information on directors and supervisors?	This matter is planned for the future to improve corporate governance.
3.18			Has the Company establish an English company website that contains finance, business, and corporate governance related information?	The Company has established an English company website, but some information is not yet complete. The Company plans to handle the matter in the future in order to increase the foreign shareholding ratio.

Assessment Items	Operating Status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.
	Yes	No	Summary Description	
3.20				In the future, the Company plans to be invited (or on its own) to hold 2 corporate briefings in order to enhance company information transparency and exposure as well as corporate governance.
3.21				This matter is planned for the future to improve corporate governance.
4.1				This matter is planned for the future to improve corporate governance.
4.2				The Company has formulated a corporate social responsibility vision and strategic policy, and disclosed them in the company website. The specific promotion plan will be established in the future and disclosed in the annual report and company website.
4.4				The Company has formulated a Corporate Social Responsibility Code of Conduct and compiled a corporate social report, but they have not yet been published. In the future, such publications will be scheduled in order to enhance disclosure for the Company's non-financial information.
4.5				In the future, corporate social responsibility reports will be formulated according to the Company's operational scale and needs, and the Company plans to obtain third-party verification in order to improve corporate governance.
4.6				This matter is planned for the future to improve corporate governance.
4.7				This matter is planned for the future to improve corporate governance.
4.11				This matter is planned for the future to improve corporate governance.
4.12				This matter is planned for the future to improve corporate governance.
4.15				This matter is planned for the future to improve corporate governance.
4.17				This matter is planned for the future to improve corporate governance.

(5) If the Company has established a remuneration committee, please disclose its composition, responsibilities, and operating status:

The Company's board of directors has passed a resolution to set up a Salary and Remuneration Committee on May 10, 2011. and appointed the 4th Salary and Compensation Committee members on June 18, 2020. The member positions are currently held by 3 independent directors: Huang, Kuo-Shih, Wu, Chun-Feng, and Yang, Ming-Szu. The Salary and Remuneration Committee performs the following functions and powers, and submits the recommendations to the board of directors for discussion:

- I. Evaluate and supervise the Company's overall supervision policy.
- II. Evaluate and approve the salary levels of directors/supervisors.
- III. Evaluate and approve the salary levels of company managers.
- IV. Review the remuneration of directors/supervisors and senior managers on an irregular basis according to factors such as company objectives, operating performance, and

competitive environment.

- V. The remuneration of directors, supervisors and managers of the Company's subsidiaries: If the decision-making matters are subject to the approval of the Company's board of directors according to the subsidiary's hierarchical responsibility, this committee must make the recommendations and submit them to the board of directors for discussion.
- VI. The salary and remuneration referred to in the Organizational Regulations include cash remuneration, stock options, dividends, retirement benefits or severance payments, various allowances, and other substantial incentive measures. The scope must comply with the guidelines for items that must be recorded in annual reports published by listed companies regarding director, supervisor, and manager remuneration.
- VII. Salary and Remuneration Committee operating status: (1) The Salary and Remuneration Committee of the company was established on May 10, 2011 with 3 members. The term of office of the current members: June 18, 2020 to June 17, 2023. The most recent (2020) annual Salary and Remuneration Committee has met 3 times.

(1) Information on the members of the Salary and Remuneration Committee:

Identity Type	Name	Condition	Has over 5 years of work experience and the following professional qualification	Independence Compliance Status (note 1)										Number of members who are concurrently serving as the Salary and Remuneration Committees Members of other publicly issued companies.	Remarks (Note 2)	
			Public or private college and university lecturer or higher positions as required by the business affairs, legal affairs, finance, accounting, or corporate business-related departments	A professional or technician who has passed the national examination for professionals such as court judge, prosecutor, lawyer, certified public accountant, or any other expertise required for the business operation of the Company with the issuance of a certificate of completion	Has work experience required for business, legal affairs, finance, accounting, or corporate business.	1	2	3	4	5	6	7	8			9
Independent director	Kuo-Shih Huang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Not applicable
Independent director	Chun-Feng Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable
Independent director	Ming-Szu Yang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Not applicable

Note 1: Members who meet the following qualifications 2 years before assumption of office and at the time of office must put a "✓" in the appropriate space.

- (1) Not an employee of the Company or its affiliate.
- (2) Not a director or supervisor of the Company or its affiliates (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (3) Not one of the top 10 natural person shareholders or one who holds over 1% of the Company's total shares under the name of another or their spouse or minor children.
- (4) Not a manager listed in (1) or a spouse, a relative within the second degree of kinship, or a direct blood relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company or among the top-5 corporate shareholders of the Company, or a corporate shareholder representative appointed to serve as a company director or supervisor pursuant to Paragraph 1 or 2 of Article 27 of the Company Act (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (6) Not a director, supervisor, or employee of another company controlled by the same person who is part of the Company's board of directors or holds over half of the Company's voting rights (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).
- (7) Not a director (trustee), supervisor (auditor), or employee of another company or organization who is the same person or a spouse of the Company's

chairman of the board, president, or equivalent (this restriction does not apply to mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company that are established in accordance with local laws or laws of the registered country).

- (8) Not a director (trustee), supervisor (auditor), manager, or shareholder holding over 5% of shares from a specific company or organization with financial or business dealings with this Company (this restriction does not apply if the specific company or organization holds over 20% and no more than 50% of the Company's shares and the mutual concurrent independent director positions in the Company, its parent company or subsidiary, or subsidiaries belonging to the same parent company are established in accordance with local laws or laws of the registered country).
- (9) Not a business, legal affairs, finance, accounting, other related service professional, or an owner, partner, director (trustee), supervisor (auditor), or manager (or their spouse) of a sole proprietorship, partnership, company, or organization that has audited the Company or its affiliates or received a cumulative amount of remuneration of no more than NT\$500,000 in the past two years. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for mergers and acquisitions, who exercises powers pursuant to the "Securities and Exchange Act," the "Business Mergers and Acquisition Act," or the relevant laws and regulations.
- (10) With no condition listed by Article 30 of Company Act.

Note 2: If the members are directors, please indicate if they meet Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange."

(2) Information on the Salary and Remuneration Committee operations:

I. The Company's Salary and Remuneration Committee has 3 members.

II. Term of office for current members: June 18, 2020 to June 17, 2023. The Salary and Remuneration Committee met 3 times in the most recent year (A), and the qualifications and attendance of the members are as follows:

Position	Name	Actual attendance No. (B)	Attendance by proxy No.	Actual attendance rate (%) (B/A) (Note)	Remarks
Committee member	Kuo-Shih Huang	3	0	100%	Convener
Committee member	Chun-Feng Wu	3	0	100%	
Committee member	Ming-Szu Yang	3	0	100%	

Other matters that must be recorded:

- I. If the board of directors does not adopt or amend the Salary and Remuneration Committee's recommendations; the date of the board of directors meeting, the period, the content of the proposal, the results of the board of directors' resolutions, and the Company's handling of the Remuneration Committee's opinions must be noted (such as the remuneration approved by the board of directors is better than the recommendation of the remuneration committee, the difference, and the reason): None.
- II. For Salary and Remuneration Committee's resolutions, if members have objections or reservations and made records or written statements; the Salary and Remuneration Committee's meeting date, period, proposal content, all members' opinions, and the Company's handling of the Salary and Remuneration Committee's opinions must be noted: None.

(V) Social responsibility fulfillment status as well as deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:

Assessment Items	Operating Status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:
	Yes	No	Summary Description	
I. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the principle of materiality; and formulated the relevant	√		The Company has conducted regular assessment and effective management on labor practices and professional ethics risks in order to prevent and reduce any such existing and potential risks in labor practices and professional ethics. The goal is to enable personnel management to	No significant difference.

Assessment Items	Operating Status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:
	Yes	No	Summary Description	
risk management policies or strategies?			achieve risk prevention as well as legal and efficient operations; meet the corporate social responsibility (CSR) standards; and formulate CSR risk assessment and management, environmental consideration, and hazard identification related procedures.	
II. Has the Company established a full (part) time unit to promote CSR, and has the board of directors authorized the senior management to handle the matters and report the handling status to the board of directors?	√		The Company has established the Social and Environmental Responsibility (SER) Committee on November 30, 2015. The chairman of the SER Committee is the president, and the committee's director general and executive members were also established. The SER Committee is responsible for promoting social and environmental responsibility policies, establishing targets and plans, providing supervision, as well as improvement and implementation. It operates under the spirit of P-D-C-A to achieve a balance of interests among shareholders, employees, society, and all stakeholders; review the performances; and propose improvement measures. It also reviews the execution and operation effectiveness of key related items such as corporate governance, sustainable environment development, social welfare maintenance, and corporate social information disclosure as well as the shareholders related issues; which must be reported to the chairman of the SER Committee and be included in follow-up reviews.	No significant difference.
III. Environmental Issues (I) Has the Company established an appropriate environmental management system according to its industrial characteristics? (II) Is the Company committed to improving resources utilization efficiency and using recycled materials that can lower the impact on environmental?	√ √		(I) The Company has established the Occupational Safety, Health, and Environmental Protection Department; and is committed to complying with the green environmental competition policies by passing the ISO14001 certification, establishing the hazardous substance free (HSF) policy, complying with the relevant laws and international conventions, continuing to reduce process waste and ban the use of environmentally hazardous substances, and implementing pollution prevention in order to create a sustainable development environment. (II) The Company is committed to improving resource utilization via e-document sign-off through the legal document review system and SPM electronic process. This effort can effectively reduce paper consumption, enable the Company to comply with the environmental protection laws, and meet	No significant difference.

Assessment Items	Operating Status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:
	Yes	No	Summary Description	
(III) Has the Company assessed the potential risks and opportunities of climate change for the present and in the future, and taken measures to address climate-related issues?	√		resource recycling and classification requirements. (III) In light of the global climate change, the Company's Green Building Business Division has actively promoted the Low-E energy-saving glass, plug-in-free defogging mirrors, and chemical-free easy-clean glass to effectively promote the environmental protection concept.	
(IV) Has the Company calculated its greenhouse gas emissions, water consumption, and total weight of waste for the past two years; and has the Company formulated any energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management related policies?	√		(IV) The Company has regularly conducted greenhouse gas inventories, and cultivated seed staff to handle the relevant operations, and disclosed the greenhouse gas management status to stakeholders.	
4. Social Issues				No significant difference.
(I) Has the Company formulated the relevant management policies and procedures according to the relevant regulations and international human rights conventions?	√		(I) The Company has formulated the relevant management policies and procedures in accordance with labor laws and international human rights conventions in order to protect the legal rights of employees and adopt discrimination-free employment policies.	
(II) Has the Company formulated and implemented reasonable employee welfare measures (including compensation, vacations, and other benefits), and appropriately reflected its operating performances or results in employee compensation?	√		(II) The Company has established the appropriate "Salary Management Method," "Performance Bonus Issuance Management Method," "Annual Bonus Issuance Management Method," and adopted reasonable employee welfare measures to adequately reflect operating performances or results in employee remuneration.	
(III) Has the Company provided a safe and healthy work environment, and regularly implemented safety and health education for employees?	√		(III) The Company provides employees with a clean and tidy work environment as well as safety and protection equipment needed to ensure the safety and health of employees, and the supervisors and industrial safety units have conducted work environment and hazard prevention inspections on an irregular basis. The Company also attaches great importance to the health of its employees, offers employee health examinations that are superior than those required by the laws and regulations, and spares no effort in providing care and promoting employees' health.	
(IV) Has the Company establish an effective career development training program for employees?	√		(IV) The Company has established an effective career development training plan for employees, and provides training according	

Assessment Items	Operating Status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:
	Yes	No	Summary Description	
(V) With regard to customer health and safety, customer privacy, or marketing and labeling of products and services; has the Company followed the relevant regulations and international standards as well as formulated related consumer protection policies and appeal procedures?	v		<p>to work position and function in 4 major categories: management, professionalism, general education, and labor safety regulations. The Company also provides internal and external training according to actual needs in order to enhance the professionalism of employees in the workplace.</p> <p>(V) The Company has passed the IECQ QC 080000 hazardous substance management standard, referenced the EU RoHS Directive 2015/863, monitored the compliance of its products and services, encouraged suppliers to establish an effective GP management system and pass third-party system certification, and complied with the relevant social and environmental codes of conduct. The Company's efforts include continual reduction of process waste and banning the use of environmentally harmful substances, strict pollution prevention implementation, and promote the Company's environmentally hazardous substance management philosophy to relevant groups. The Company has established the "Customer Complaint / Return / Satisfaction Survey Management Process" because most of the Company's customers are not end consumers. Green building defogging mirror and easy-cleaning glass consumers can directly contact a dedicated personnel via the building glass mailbox at the homepage of the company website, which is designed to ensure the rights and interests of customers. Moreover, the Company has also purchased product liability insurance to protect the rights and interests of product users.</p>	
(VI) Has the Company formulated supplier management policies that require suppliers to follow the relevant regulations on environmental protection, occupational safety and health or labor human rights, and implement accordingly?	v		<p>(VI) The Company has established the "Supplier Management Procedure," which covers the relevant regulations on issues such as environmental protection, occupational safety and health, and labor human rights that the suppliers must follow. To comply with certification specifications, suppliers are required to provide non-hazardous raw materials in order to jointly comply with CSR and ensure that the final products to the customers are safe and harmless. To comply with the SA8000 standard, the</p>	

Assessment Items	Operating Status			Deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and the reasons:															
	Yes	No	Summary Description																
			Company has also established the "Supplier Implementation Guidelines" to require all products and services provided by qualified suppliers to meet the CSR requirements. They must also provide a signed/sealed declaration in order to become a supplier for the Company.																
V. Has the Company referenced the international report preparation standards or guidelines on the preparation of CSR reports and other reports that disclose the Company's non-financial information? Have the aforesaid reports been confirmed or verified by a third-party certification unit?		√	Pursuant to Article 2 of the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies," it is currently not mandatory for the Company to issue a CSR report, and the Company has not drafted a CSR report to disclose its non-financial information. Based on the Company's operating scale and operating projects in the future, the Company will comply with the regulations of the competent authority to meet the sustainable development objectives. After referencing international report template standards or guidelines to prepare reports, the Company will also obtain assurance or guarantee opinions from third-party verification units.	Not applicable															
VI. If the Company has established its own CSR code in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please state the difference between its operations and the code established: The Company has passed its Code of Practice for Corporate Social Responsibility during the 4th session of the 9th board of directors meeting on December 17, 2014 pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," which was included in the 2015 general shareholders meeting report. The content is disclosed on the Market Observation Post System and the company website. There is no major difference between the code and the Company's current operations.																			
VII. Other important information helpful to understand the CSR operations:																			
1. At present, the Company's corporate social responsibility investments mainly involve small charitable donations and gifts to public welfare organizations and school units.																			
<table border="1"> <thead> <tr> <th>Category</th> <th>Unit</th> <th>Events</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Material Donations</td> <td>St. Frances Xavier Home for Girls</td> <td>Donated 10 boxes of materials (cookies and beverages)</td> </tr> <tr> <td>Love of Life Cultural and Educational Foundation</td> <td>Donated 10 boxes of materials (cookies and beverages)</td> </tr> <tr> <td>Miaoli County Tongluo Township Jungshing Elementary School Celebration Event</td> <td>Donated 10 boxes of materials (mineral water)</td> </tr> <tr> <td rowspan="2">Care Donations</td> <td>Taiwan Action Bodhisattva Education Association</td> <td>Care donation of NT\$15,000 even.</td> </tr> <tr> <td>Miaoli County Tongluo Township Chung Ping District Development Association</td> <td>Care donation of NT\$5,000 even.</td> </tr> </tbody> </table>					Category	Unit	Events	Material Donations	St. Frances Xavier Home for Girls	Donated 10 boxes of materials (cookies and beverages)	Love of Life Cultural and Educational Foundation	Donated 10 boxes of materials (cookies and beverages)	Miaoli County Tongluo Township Jungshing Elementary School Celebration Event	Donated 10 boxes of materials (mineral water)	Care Donations	Taiwan Action Bodhisattva Education Association	Care donation of NT\$15,000 even.	Miaoli County Tongluo Township Chung Ping District Development Association	Care donation of NT\$5,000 even.
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	Miaoli County Tongluo Township Chung Ping District Development Association	Care donation of NT\$5,000 even.																	
2. The Company has applied for and obtained the SA8000 international certification. SA8000 is a specification formulated in accordance with the International Labour Organization Convention, Universal Declaration of Human Rights, and various United Nations conventions regarding human rights and interests. Its goal is to ensure that the products provided by organizations can meet the CSR requirements; comply with laws and regulations; respect human rights; provide guidelines for employee rights; and create a win-win for enterprises, employees, and consumers.																			

(VI) Integrity policies and practices implementation status as well as the deviation and cause of deviation in practice differences compared to that of TWSE/GTSM listed companies:

Assessment Items	Operating Status			Deviation and cause of deviation in practice differences compared to that of TWSE/GTSM listed companies:
	Yes	No	Summary Description	
<p>I. Integrity Management Policy and Plan Formulation</p> <p>(I) Has the Company formulated an integrity management policy approved by the board of directors, expressed the integrity management policy and practices in regulations or external documents, and have the board of directors and senior management actively implemented the management policy?</p> <p>(II) Has the Company established a dishonesty risk assessment mechanism, regularly analyzed and evaluated business activities with a high risk of dishonesty, and formulated a plan to prevent dishonesty that at least covers the preventive measures provided by Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p>	<p>√</p> <p>√</p>		<p>(I) The Company's board of directors has passed the “Code of Integrity Management” on December 17, 2014 and published it on the Company's official website and intranet for review by stakeholders. The Company's board of directors and senior management have actively fulfilled the commitment policy for integrity management.</p> <p>(II) The Company has referenced the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” to formulate its own guidelines, and the following measures are provided to prevent dishonest behaviors:</p> <p>(1) Provide and Receiving Bribes.</p> <p>(2) Provide illegal political donations.</p> <p>(3) Improper charitable donation or sponsorship.</p> <p>(4) Offer or accept improper gifts, entertainment, or other unreasonable benefits.</p> <p>(5) Infringement of trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights.</p> <p>(6) Engage in unfair competitions.</p> <p>(7) Provide products or services that directly or indirectly damage the rights, health and</p>	<p>No significant difference.</p>

Assessment Items	Operating Status			Deviation and cause of deviation in practice differences compared to that of TWSE/GTSM listed companies:
	Yes	No	Summary Description	
(III) Has the Company expressly formulated the operating procedure, behavior guideline, as well as disciplinary penalty and grievance system plans; and implemented them accordingly to prevent dishonesty behaviors or reviewed and revised them on a regular basis?	√		<p>safety of consumers, or other interested parties during the R&D, procurement, manufacturing, provision, or sales phase.</p> <p>(III) The Company has expressly formulated the operating procedure, behavior guideline, as well as disciplinary penalty and grievance systems and implemented them accordingly to prevent dishonesty behaviors. The Company has also established an honesty Email box (honesty@gtoc.com.tw) and assigned management level personnel to handle the reports and complaints, and the results are reported to independent directors.</p>	
<p>II. Integrity Management Practice</p> <p>(I) Has the Company assessed the integrity records of counterparts and specified the terms of integrity in the contract signed with the counterparts?</p>	√		<p>(I) When the Company engages in business activities, it must avoid dealing with people with dishonest behavior records, and shall specify the honest behavior clauses in the commercial contracts.</p> <p>To ensure that the trading counterparts are ethical business operators, penalty clauses must be stipulated in procurement contracts to set the liability that the manufacturer must bear should it fails to faithfully perform the contract, and that the contract shall be terminated or rescinded if any dishonest behavior occurs.</p>	No significant difference.
(II) Has the Company established a special unit under the board of directors to promote corporate integrity management, and	√		(II) The Company's Administrative	

Assessment Items	Operating Status			Deviation and cause of deviation in practice differences compared to that of TWSE/GTSM listed companies:
	Yes	No	Summary Description	
<p>regularly (at least once a year) reported the dishonesty prevention integrity management policies and plans to the board of directors in order to supervise the implementation status?</p> <p>(III) Has the Company formulated a policy to prevent conflicts of interest as well as provide appropriate presentation channels, and implement them accordingly?</p> <p>(IV) Has the Company established an effective accounting system and internal control system to implement integrity management, formulated the relevant audit plans based on the dishonesty risk evaluation results of the internal audit unit, and inspected or commissioned a CPA to inspect and ensure compliance with the dishonesty prevention plans?</p> <p>(V) Has the Company conducted internal and external education and training on integrity management regularly?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>Management Unit shall be responsible for the promotion and operation of the Company's integrity management, and shall regularly report the case acceptance and implementation status to the board of directors.</p> <p>(III) The Company has formulated a conflicts of interest prevention policy, and provided appropriate report channels and handling procedures.</p> <p>(IV) The Company has formulated an internal control system to ensure ethical operations and incorporated it into the audit plan. Auditors shall perform inspections and issue reports regularly to ensure the effectiveness of implementation.</p> <p>(V) The directors, supervisors, and managers of the Company shall take the relevant training courses on an irregular basis each year. the Company must also provide the relevant publicity via staff meetings, company websites, and announcement boards occasionally.</p>	
<p>III. Company Whistleblowing System Operation Status</p> <p>(I) Has the Company established a specific reporting and reward system, a convenient reporting channel, and assigned appropriate personnel to handle the subjects reported?</p>	<p>√</p>		<p>(I) 1. The Company has standardized the whistleblower report handling and management procedures. The subject matter of the report shall be accepted, investigated, or appealed by a dedicated personnel from the Administration Department.</p>	<p>No significant difference.</p>

Assessment Items	Operating Status			Deviation and cause of deviation in practice differences compared to that of TWSE/GTSM listed companies:
	Yes	No	Summary Description	
<p>(II) Has the company established standard operating procedures for accepting complaint reports, and adopted the follow-up measures and related confidentiality mechanisms after the investigation is completed?</p> <p>(III) Has the Company taken measures to protect the whistleblowers from improper treatment due to the complaint report?</p>	<p>√</p> <p>√</p>		<p>2. If the reported case has been verified, a reward shall be issued to the whistleblower depending on the seriousness of the case.</p> <p>(II) The Company has established detailed processing procedures and control mechanisms for the classification, investigation, and appeal of a complaint case after it has been accepted; and confidential measures shall be adopted for the relevant information.</p> <p>(III) The Company shall keep the identity of the whistleblower and the content of the report strictly confidential. If the whistleblower is harassed, intimidated, or threatened by other harmful behaviors due to reporting the case; the case shall be handled according to the law upon notification from the whistleblower. If necessary, please contact the local police agency for protection.</p>	
<p>IV. Strengthen Information Disclosure Has the Company disclosed the contents and implementation results of its integrity management code in its website or the Market Observation Post System?</p>	<p>√</p>		<p>The Company shall disclose the content and the implementation status of the "Code of Integrity Management" on the Company's website and annual report.</p>	<p>No significant difference.</p>
<p>V. If the Company has established its own Ethical Corporate Management Best Practice Principles pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please note the difference between its operations and the code established: No significant difference.</p>				
<p>VI. Other important information that helps to understand the Company's integrity management operations: (such as amendment of the Company's Code of Integrity Management). To establish the corporate culture of integrity management and establish good corporate governance for the Company, the board of directors has approved the formulation of the Company's "Code of Integrity Management" on December 17, 2014 for compliance; submitted the report to the general shareholders meeting on June 26, 2015; and disclosed the matter in the company website and the Market Observation Post System.</p>				

(VII) If the Company has established an inquiry method for the Code of Corporate Governance and related provisions, please disclose the inquiry method:

<http://mops.twse.com.tw/mops/web/index>

The relevant provisions and regulations of corporate governance / corporate governance establishment can be queried via market type: listed company code 3149.

(VIII) Other important information that is sufficient to enhance the understanding of corporate governance and operation conditions must also be disclosed: To establish a sound major internal information handling and disclosure mechanism for the Company, prevent improper information leakage, and ensure the consistency and accuracy of the information published by the Company to the public; the Company has established the “Insider Trading Prevention and Important Internal Information Processing Management Method” and reviewed the operating procedures on an irregular basis in order to comply with the current laws and regulations as well as the practical management needs. The actions are also announced on the internal document management system for internal insiders, managers, and employees to review at any time in order to prevent insider trading violations.

(IX) Internal Control System Implementation Status

1. Internal Control System Declaration



正達國際光電股份有限公司

G-TECH Optoelectronics Corporation

Internal Control System Declaration

Stock Code: **3149**

Date: March 24, 2021

Based on the self-assessment results of the 2020 Internal Control System, the Company hereby declare as follows:

I. The Company is well aware that it is the responsibility of the Company's board of directors and managers to establish, implement, and maintain an internal control system. The Company has already established such a system. Its purpose is to reasonably ensure operation effectiveness and efficiency (profit, performance, safeguard asset security, etc.); report reliability, timeliness, and transparency; and compliance with the relevant laws and regulations.

II. The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee on meeting the 3 objectives mentioned above. Moreover, the effectiveness of the internal control system may also vary due to changes in the environment and circumstances. However, the Company's internal control system has a self-monitoring mechanism. Once the defect is identified, the Company will take the corrective actions.

III. The Company has referenced the internal control system performance determination items set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereafter "Establishment Regulations") to judge whether its internal control system design and implementation are effective. The internal control system performance determination items set forth by the "Establishment Regulations" are based on the management and control process, which divides the internal control system into 5 components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Each component also includes several items. Please refer to the "Handling Guidelines" for the aforesaid items.

IV. The Company has adopted the aforesaid internal control system judgment items in order to evaluate the design and implementation effectiveness of the internal control system.



正達國際光電股份有限公司
G-TECH Optoelectronics Corporation

Internal Control System Declaration

V. The preceding evaluation results indicated that the Company's internal control system (such as supervision and management of subsidiaries) including operation effectiveness and the extent to which the efficiency goals are achieved for the reporting system as well as the reliability, timeliness, transparency, and compliance with the relevant laws and regulations for the design and execution of the internal control system are effective as of December 31, 2020 and can reasonably ensure the achievement of the aforesaid objectives.

VI. This declaration shall serve the main content of the Company's annual report and prospectus, and shall be made public. If the aforesaid content contains false statements, concealment, or other illicit matters; the Company shall bear full legal liabilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. This declaration has been approved by the Company's board of directors on March 24, 2020 whereby all of the 7 directors present approved and agreed with the content of this declaration without objection.

It is hereby declared that there is no objection and all are in agreement with the contents of this declaration.

Company name: G-TECH Optoelectronics
Corporation

Chairman: Chih-Ming Chung

President: Chih-Ming Chung

File retention period: Retain for 5 years

FR55-0008A-G

2. If a CPA is entrusted to review the internal control system, the CPA’s review report must be disclosed: N/A.

(X) In the most recent year and as of the publication date of the annual report, if the Company and its internal personnel have been penalized in accordance with the law of if the Company has imposed penalties on its internal personnel for violations of the internal control system, and such penalties may have a significant impact on shareholders equity or the price of securities; please list the content of penalties, the main deficiencies, and the improvement status. : None.

(XI) Important resolutions of the shareholders meeting and the board of directors meeting in the most recent year (2020) and as of the printing date of this annual report:

Meeting	Date	Important Resolutions
Board of Directors	March 26, 2020	<ol style="list-style-type: none"> 1. Proposal for the Company's 2019 annual business report and financial report. 2. Proposal for the Company's 2019 "Internal Control System Efficiency Evaluation" and "Internal Control System Declaration." 3. The Company intends not to proceed with the private placement of ordinary shares approved by the 2019 shareholders meeting. 4. Proposal to amend some articles of the Company's "Articles of Incorporation." 5. Proposal to amend some articles of the Company's "Shareholders Meeting Procedure Rules." 6. Proposal to amend some articles of the Company's "Assets Acquisition or Disposal Handling Procedures." 7. Proposal to amend some articles of the Company's "Third-party Fund Lending Operating Procedures." 8. Proposal to amend some articles of the Company's "Endorsement Guarantee Operating Procedures." 9. Proposal to amend some articles of the Company's "Director and Supervisor Election Method." 10. Proposal to reelection of the Company's directors 11. The Company intends to set an "Organizational Regulations of the Audit Committee." 12. Proposal to convene the Company's 2020 regular shareholders meeting. 13. Proposal to apply for a credit line from a financing institution.
Board of Directors	May 8, 2020	<ol style="list-style-type: none"> 1. Proposal to offset the Company's 2019 losses. 2. Proposal on the Company's issuance of new shares for cash capital increase. 3. Proposal on the Company's execution of private placement of common shares. 4. Nominate and resolve the list of candidates for directors (including independent directors). 5. Proposal to lifted the Company's non-competition restriction for new directors and their representatives. 6. Proposal to set the Company's 2020 regular shareholders meeting agenda. 7. Proposal to apply for a credit line from a financing institution. 8. Proposal for the Company's "Salary Reduction Plan." 9. Proposal to amend the Company's "FP42-0001-G Personal Data Protection Management Method (3.0)" internal control. 10. Proposal to amend the Company's "FP51-0004-G Code of Ethical Conduct for Management Level" internal control.
Board of Directors	June 18, 2020	<ol style="list-style-type: none"> 1. Election matters: Proposal to elect the chairman of the Company. 2. Report item: Proposal by the Company to apply for a credit line from a financing institution. 3. Proposal to appointment members of the 4th Salary and Compensation Committee
Board of Directors	August 7, 2020	<ol style="list-style-type: none"> 1. The Company does not plan to make up for losses during the first half of fiscal year 2020. 2. Proposal to apply for a credit line from a financing institution. 3. Proposal to amend the Company's "Audit Committee Deliberation Operation Management Method." 4. Proposal to amend the Company's "Audit Committee Deliberation Operation Management Method." 5. Proposal to amend the Company's "Salary and Remuneration Committee Deliberation Operation Management Method." 6. Proposal to amend the Company's "Internal Control System Design Instructions FP55-0010-G." 7. Proposal to amend the Company's "Internal Control Audit Implementation Rules FP55-0011-G." 8. Proposal to amend the Company's "Self-assessment Operation Procedure FP55-0012-G." 9. Proposal to amend the Company's "Procurement and Payment Cycle CP-1000-G." 10. Proposal to amend the Company's "Sales and Collection Cycle CS-1000-G." 11. Financial loan and appraisal for the Company's 2020 2nd quarter huge amount loans that have exceeded the normal credit limit of 3 months and not yet recovered.
Board of Directors	August 21, 2020	<ol style="list-style-type: none"> 1. Issued the Company's 2020 employee stock option certificate. 2. The Company expects to dispose of idle production equipment.
Board of Directors	September 17, 2020	<ol style="list-style-type: none"> 1. Set the 2020 employee stock option issuance related matters.

Meeting	Date	Important Resolutions
Board of Directors	November 9, 2020	<ol style="list-style-type: none"> 2021 internal audit plan. Proposal to amend some articles of the Company's "Subsidiary Supervision and Management Method." Proposed to amend some articles of the Company's "Stock Affairs Operation Management Method." Proposal to amend some articles of the Company's "Insider Trading Prevention and Important Internal Information Processing Management Method." Proposal to amend some articles of the Company's "Derivative Commodity Transaction Engagement Management Method." Proposal to apply for a credit line from a financing institution for the 1st quarter of 2021. Financial loan and appraisal for the Company's 2020 3rd quarter huge amount loans that have exceeded the normal credit limit of 3 months and not yet recovered.
Board of Directors	December 21, 2020	<ol style="list-style-type: none"> 2021 annual operating plan and capital expenditure proposal. Proposal to convert the Company's 3A/3B factory buildings into investment real estate. The Company plans to undertake the 3rd domestic secured corporate bond conversion. Proposed to amend some articles of the Company's "Affiliate Transaction Management Method." Proposal to amend some articles of the Company's "Financial Statements Preparation Process Management Method." Proposal to amend some articles of the Company's "Performance Bonus Issuance Management Method." The Company's "2020 Year-end Bonus Expected to be Distributed."
Board of Directors	March 24, 2021	<ol style="list-style-type: none"> Proposal for the Company's 2020 annual business report and financial report. Proposal for the Company's 2020 "Internal Control System Efficiency Evaluation" and "Internal Control System Declaration". Proposal by the Company not to proceed with the private placement of ordinary shares approved by the 2020 shareholders meeting. Proposal by the Company to collaborate with KPMG's internal rotation and change the financial report audit CPA. Proposal to revise remuneration for the Company's directors. Proposal by the Company to invest in TP products development at Liyang. Proposal to convene the Company's 2021 regular shareholders meeting. Proposal by the Company to apply for a credit line from a financing institution. Financial loan and appraisal for the Company's 2020 4th quarter huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.
Board of Directors	April 23, 2021	<ol style="list-style-type: none"> Proposal to offset the Company's 2020 losses. Proposal by the Company to issue new shares for cash capital increase. Proposal for the Company's execution of private placement of ordinary shares. Proposal to amend the Company's 2021 regular shareholders meeting agenda.
Board of Directors	May 12, 2021	<ol style="list-style-type: none"> Proposal to appoint the corporate governance supervisor for the Company. Proposal for the Company's 2021 financial budget update. Proposal by the Company to add the 2021 capital expenditure project plan. Proposal by the Company to apply for a credit line from a financing institution. Financial loan and appraisal for the Company's 2021 1st quarter huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered

(XII) 2020 Regular Shareholders Meeting Important Resolution Contents and Implementation Status:

Meeting	Date	Important Resolutions
Shareholders Meeting	June 18, 2020	<ol style="list-style-type: none"> Approved the Company's 2019 Business Report and Financial Report proposal. Implementation status: Passed the resolution, and announced the important shareholders meeting resolution items on June 18, 2020. Approved the Company's 2019 loss off-setting proposal. Implementation status: Passed the resolution, announced the important shareholders meeting resolution items on June 18, 2020, and recognized the approved off-setting table. Proposal to amend some articles of the Company's "Articles of Incorporation." Implementation status: Passed the resolution, and completed the change registration matters with the Department of Commerce, MOEA on July 29, 2020. Proposal to amend some articles of the Company's "Shareholders Meeting Procedure Rules." Implementation status: Announced the important shareholders meeting resolution items on June 18, 2020, and implemented according to the revised procedures. Proposal to amend some articles of the Company's "Assets Acquisition or Disposal Handling Procedures." Implementation status: Passed the resolution, announced the important shareholders meeting resolution items on June 18, 2020, and implemented according to the revised procedures. <p>Proposal to amend some articles of the Company's "Third-party Fund Lending Operating</p>

Meeting	Date	Important Resolutions
		<p>Procedures.” Implementation status: Passed the resolution, announced the important shareholders meeting resolution items on June 18, 2020, and implemented according to the revised procedures.</p> <p>6. Proposal to amend some articles of the Company’s “Endorsement Guarantee Operating Procedures.” Implementation status: Passed the resolution, announced the important shareholders meeting resolution items on June 18, 2020, and implemented according to the revised procedures.</p> <p>7. Proposal to amend some articles of the Company’s “Director and Supervisor Election Method.” Implementation status: Passed the resolution, announced the important shareholders meeting resolution items on June 18, 2020, and implemented according to the revised procedures.</p> <p>8. Proposal on the Company’s issuance of new shares for cash capital increase. Implementation status: Passed the resolution. However, as of the publication date of the 2020 annual report, the Company has no issuance plan, and it shall automatically expire in one year and will not be renewed.</p> <p>9. Proposal on the Company’s execution of private placement of common shares. Implementation status: Passed the resolution. However, as of March 24, 2020, the Company has no issuance plan. The board of directors has passed a resolution on March 24, 2020 and announced on the same day that it would not be renewed.</p>

(XIII) In the most recent year and as of the printing date of the annual report, did the directors or supervisors have different opinions on important resolutions passed by the board of directors with records or written statements? If so, what are the main contents? None.

(XIV) A summary of resignation and dismissal for the Company’s chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor in the most recent year and as of the printing date of the annual report: None.

(XV) Status regarding obtaining the relevant licenses specified by the competent authority for the Company's financial information transparency related personnel:

Unit: No. of people

License Name	Finance / Accounting / Audit
Bank Internal Control and Internal Audit Test	1
Enterprise Internal Control Basic Ability Test	1
Bonded Factory Bonded Operation Personnel	5

V. CPA Public Expense Information

CPA Public Expense Information Bracket Table

Name of CPA Firm	Name of CPA		Audit Period	Remarks
KPMG	Jacky Chen	Shu-Yin Chang	2020.01.01~2020.12.31	

Unit: NT\$ thousand

Amount Bracket		Public Expense Items	Auditing Public Expense	Non-auditing Public Expense	Total
1	Less than 2,000 thousand		-	125	125
2	2,000 thousand (inclusive) ~ 4,000 thousand		-	-	-
3	4,000 thousand (inclusive) ~ 6,000 thousand		4,380	-	4,370
4	6,000 thousand (inclusive) ~ 8,000 thousand		-	-	-
5	8,000 thousand (inclusive) ~ 10,000 thousand		-	-	-
6	10,000 thousand (inclusive) or higher		-	-	-

(I) If the non-audit public expenses paid to the CPA, the CPA's firm, and its affiliated companies are over 1/4 of the public audit fee, the amount of the audit and non-audit public expenses as well as the content of the non-audit services shall be disclosed: none.

CPA Public Expense Information (Voluntary Disclosure)

Name of CPA Firm	Name of CPA	Auditing Public Expense (NT\$ thousand)	Non-auditing Public Expense (NT\$ thousand)					CPA Audit Period	Remarks
			System Design	Business Registration	Human Resource	Other (note)	Subtotal		
KPMG	Jacky Chen Shu-Yin Chang	4,380	0	0	0	125	4,505	2020.01.01~2020.12.31	Other items of non-audit public expense are primarily seal certification application fees, travel expenses for audit certifications, etc.

(II) If the CPA firm is replaced and the audit certification fee paid in the replacement year is lower than that in the year prior to the replacement; the amount, proportion, and reason for the reduction in public expenses must be disclosed: None.

(III) If the audit certification expense has decreased by over 10% compared to that of the previous year; the amount, proportion, and reasons for the audit certification expense reduction must be disclosed:None.

VI. CPA replacement information: For 1st quarter of 2021, the CPA was changed in collaboration with KPMG Taiwan's internal position rotation.

(I) Regarding former CPAs

Replacement date	Approved by the board of directors on March 24, 2021		
Reason and explanation for replacement	In conformance with the internal job rotation of KPMG		
Explain why the appointee or CPA was terminated or refuses to accept appointment	Involved party	CPA	Appointers
	Condition	Not applicable.	
	Voluntary termination of appointment		
No longer accepts (continues) appointment			
Review report opinions other than unqualified opinions issued within the last 2 years, and the reason:	None.		
Is there any disagreement with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or steps of inspection
			Others
	None	√	
	Explanation		
Other disclosure items (items that must be disclosed according to Article 10, Subparagraph 5, Item 1, Point 4 of this provision).	None.		

(II) Regarding successor CPAs

CPA firm name	KPMG
Name of CPA	Chen, Tsung-Che, Chih, Shih-Chin
Date of appointment	Approved by the board of directors on March 24, 2021
Prior to appointment, accounting treatment methods for specific transactions or accounting principles as well as consultation matters and results for financial reports that may possibly be issued	None.
Written opinion by the successor CPAs on the dissenting opinions of the former CPAs	None.

(III) The former CPAs' reply letter to Article 10, Subparagraph 5, Items 1 & 2-3 of this provision: None.

VII. If the Company's chairman, president, or manager in charge of financial or accounting affairs have worked in the CPA's firm or its affiliated company within the last year; disclose the name, job title, and the period of employment in the CPA's firm or its affiliated company: None.

VIII. Equity transfer and equity pledge modification status of directors, supervisors, managers and shareholders holding over 10% of the shares for the last years until the printing date of this annual report.

(I) Changes in the equity of directors, supervisors, managers and major shareholders:

Unit: Shares

Position	Name	2020		2021 As of April 16	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Chairperson	Chih-Ming Chung	(2,711,598)	(5,750,000)	-	-
Director	Hongyuan International Investment Co., Ltd. Representative: Shih-Chang Lin	-	-	-	-
Independent director	Kuo-Shih Huang	-	-	-	-
Independent director	Chun-Feng Wu	-	-	-	-
Independent director	Ming-Szu Yang (Note 1)				
Supervisor / Director	Jen-Liang Hsiao	-	(949,081)	-	-
Supervisor / Director	Kuo-Hung Wang	-	-	-	-
President	Chih-Ming Chung	(2,711,598)	(5,750,000)	-	-
Vice president	Huo-Sheng Chiu	18,809	-	-	-
Vice president	Yao-Chang Wang	-	-	-	-
Assistant Manager	Yung-Cheng Huang	(5,000)	-	(2,000)	-
Assistant Manager	Hsien-Yi Hsu	-	-	-	-
Assistant Manager (R&D Director)	Tsung-Tien Tsai		-	(27,000)	-
Assistant Manager	Ju-Wen Wang (Note 2)				
Assistant Manager	Hsing-Chiao Lin (Note 2)				
Assistant Manager	Yu-Te Hung (Note 2)				
Assistant Manager	Tai-Chiou Wu	(7,000)	-	-	-

Note 1: newly appointed on 2020/06/18

Note 2: newly appointed on 2021/03/01

(II) Information on affiliate as counterparty of equity transfer or equity pledge: None.

IX. Information on relationship among the top 10 shareholding ratio shareholders

April 18, 2021

Name	Personal Shareholding		Shareholding by spouse or minor children		Total shares held under the name of others		The title, name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name (or title)	Relations	
Hongyuan International Investment Co., Ltd.	15,728,165	7.62%	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Note	-
Representative: De-Cai Huang	-	-	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Same one Representative	-
Baoxin International Investment Co., Ltd.	10,922,337	5.29%	-	-	-	-	Hongyuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Note	-
Representative: De-Cai Huang	-	-	-	-	-	-	Hongyuan International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Same one Representative	-
Hung Yang Venture Investment Co., Ltd.	10,048,550	4.87%	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hongyuan International Investment Co., Ltd.	Note	-
Representative: De-Cai Huang	-	-	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongchi International Investment Co., Ltd.; Hongyuan International Investment Co., Ltd.	Same one Representative	-

Name	Personal Shareholding		Shareholding by spouse or minor children		Total shares held under the name of others		The title, name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name (or title)	Relations	
							Ltd.		
Hongchi International Investment Co., Ltd.	9,570,971	4.64%	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongyuan International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Note:	-
Representative: De-Cai Huang	-	-	-	-	-	-	Baoxin International Investment Co., Ltd.; Hongyuan International Investment Co., Ltd.; Hung Yang Venture Investment Co., Ltd.	Same one Representative	-
Chih-Ming Chung	4,428,464	2.15%	1,072,879	0.52%	-	-	Rong-Hua Chung Fong-Mei Kok Chung Shiou-Chi Lai	Relatives of first degree Relatives of first degree Relatives of second degree	-
Shiou-Chi Lai	4,322,596	2.09%					Rong-Hua Chung Fong-Mei Kok Chung Chih-Ming Chung	Relatives of first degree Relatives of first degree Relatives of second degree	
TEH TAI STEEL CO., LTD.	3,211,057	1.56%	-	-	-	-	-	None	-
Representative: Guo-Tai Xiao	6,993	0.003%	-	-	-	-	-	None	-
Bingde International Investment Co., Ltd.	3,134,797	1.52%	-	-	-	-	-	None	-
Representative: Li-Lun Lin	-	-	-	-	-	-	-	None	-
Rong-Hua Chung	2,304,440	1.12%	2,126,778	1.03%	-	-	Fong-Mei Kok Chung Chih-Ming Chung Shiou-Chi Lai	Spouse Relatives of first degree Relatives of first degree	-
Fong-Mei Kok Chung	2,126,778	1.03%	2,304,440	1.12%	-	-	Rong-Hua Chung Chih-Ming Chung Shiou-Chi Lai	Spouse Relatives of first degree Relatives of first degree	-

Note: All are investee companies of Hon Hai Precision Inc. Co., Ltd. under the equity method.

X. Combine the number of shares held for the same reinvestment enterprise by an enterprise directly or indirectly controlled by the Company and its directors, supervisors, and managers; and calculate the comprehensive shareholding ratio.

Comprehensive Shareholding Ratio

December 31, 2020; Unit: Share; %

Reinvestment Business	Investment by the Company		Investment by the directors, supervisors, and managers or an enterprise they directly or indirectly controlled		Combined Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Fast Achievement Global Ltd.	540,000	100	-	-	540,000	100
Brave Advance International Corp.	-	-	500,000	25	500,000	25
Win World Opto-Glass(Dongguan)co., Ltd	-	-	-	25	-	25
Golden Start Global Corp.	71,391,373	100	-	-	71,391,373	100
Charmtex Global Corp.	-	-	71,371,373	100	71,371,373	100
G-TECH Optoelectronics (Chengdu) co., Ltd	-	-	-	100	-	100

Note: This is an investment made by the Company using the equity method.

Four. Fundraising Status

I. Capital and shares

(I) Source of share capital

1. Share capital formation process

Unit: Shares; NT\$

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
1996-06	10	2,600	26,000,000	2,600	26,000,000	Share capital establishment	—	-
1999-11	10	5,200	52,000,000	5,200	52,000,000	Cash capital increase of 26,000,000	—	Note 1
2000-04	10	9,900	99,000,000	9,900	99,000,000	Cash capital increase of 47,000,000	—	Note 2
2000-07	10	15,260	152,600,000	15,260	152,600,000	Cash capital increase of 53,600,000	—	Note 3
2000-11	29.5	30,000,000	300,000,000	19,990,000	199,900,000	Cash capital increase of 47,300,000	—	Note 4
2001-01	15	70,000,000	700,000,000	33,330,000	333,300,000	Cash capital increase of 133,400,000	—	Note 5
2003-07	13.5	70,000,000	700,000,000	39,830,000	398,300,000	Cash capital increase of 65,000,000	—	Note 6
2004-01	17	70,000,000	700,000,000	46,830,000	468,300,000	Cash capital increase of 70,000,000	—	Note 7
2004-06	17.6	70,000,000	700,000,000	52,830,000	528,300,000	Cash capital increase of 60,000,000	—	Note 8
2007-04	11	70,000,000	700,000,000	55,830,000	558,300,000	Cash capital increase of 30,000,000	—	Note 9
2007-09	12	70,000,000	700,000,000	57,229,000	572,290,000	Employee stock option implementation 13,990,000	—	Note 10
2007-10	15	160,000,000	1,600,000,000	127,229,000	1,272,290,000	Private placement of ordinary shares 700,000,000	—	Note 11
2008-08	10	160,000,000	1,600,000,000	133,375,543	1,333,755,430	Capital reserve to capital increase of 42,000,000 Surplus to capital increase 19,465,430	—	Note 12
2009-08	10	160,000,000	1,600,000,000	135,136,543	1,351,365,430	Employee stock option implementation 17,610,000	—	Note 13
2009-10	10	160,000,000	1,600,000,000	135,206,543	1,352,065,430	Employee stock option implementation 700,000	—	Note 14
2010-01	14.2	160,000,000	1,600,000,000	137,200,343	1,372,003,430	Employee stock option implementation 19,938,000	—	Note 15

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
2010-01	22	160,000,000	1,600,000,000	150,800,343	1,508,003,430	Cash capital increase 136,000,000	—	Note 16
2010-10	30	360,000,000	3,600,000,000	178,870,709	1,788,707,090	Cash capital increase 278,629,660 Employee stock option implementation 2,074,000	—	Note 17
2011-01	14.2	360,000,000	3,600,000,000	180,118,709	1,801,187,090	Employee stock option implementation 12,480,000	—	Note 18
2011-01	14.2	360,000,000	3,600,000,000	181,203,109	1,812,031,090	Employee stock option implementation 10,844,000	—	Note 19
2011-06	70	360,000,000	3,600,000,000	211,203,109	2,112,031,090	Cash capital increase 300,000,000	—	Note 20
2011-09	14.2	360,000,000	3,600,000,000	211,277,909	2,112,779,090	Employee stock option implementation 748,000	—	Note 21
2011-12	60	360,000,000	3,600,000,000	234,806,909	2,348,069,090	Cash capital increase 235,290,000	—	Note 22
2012-1	14.2	360,000,000	3,600,000,000	235,525,509	2,355,255,090	Employee stock option implementation 7,186,000	—	Note 23
2012-10	84	360,000,000	3,600,000,000	265,525,509	2,655,255,090	Cash capital increase 300,000,000	—	Note 24
2013-9	15	360,000,000	3,600,000,000	268,525,509	2,685,255,090	Restricted shares for subscription by employees of 30,000,000	—	Note 25
2014-01	13.6	360,000,000	3,600,000,000	268,838,909	2,688,389,090	Employee stock option implementation 3,134,000	—	Note 26
2014-09	10	360,000,000	3,600,000,000	268,788,909	2,687,889,090	Cancellation of restricted shares for subscription by employees of f50,000	—	Note 27
2014-12	10	360,000,000	3,600,000,000	268,782,959	2,687,829,590	Cancellation of restricted shares for subscription by employees of 59,500	—	Note 28
2015-06	10	360,000,000	3,600,000,000	268,687,759	2,686,877,590	Cancellation of restricted shares for subscription by employees of 95,200	—	Note 29
2015-09	10	360,000,000	3,600,000,000	268,465,059	2,684,650,590	Cancellation of restricted shares for subscription by employees of 222,700	—	Note 30

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
2015-12	10	360,000,000	3,600,000,000	268,441,959	2,684,419,590	Cancellation of restricted shares for subscription by employees of 23,100	—	Note 31
2015-12	10	360,000,000	3,600,000,000	268,187,859	2,681,878,590	Cancellation of restricted shares for subscription by employees of 254,100	—	Note 32
2016-05	10	360,000,000	3,600,000,000	268,115,759	2,681,157,590	Cancellation of restricted shares for subscription by employees of 72,100	—	Note 33
2016-09	10	360,000,000	3,600,000,000	169,641,519	1,696,415,190	Deficit coverage NT\$98,472,840 Cancellation of restricted shares for subscription by employees of 1,400	—	Note 34
2017-05	10	360,000,000	3,600,000,000	169,601,278	1,696,012,780	Cancellation of restricted shares for subscription by employees of 40,241	—	Note 35
2017-08	15.95	360,000,000	3,600,000,000	188,410,055	1,884,100,550	Private placement of 18,808,777 ordinary shares to raise funds	—	Note 36
2017-09	10	360,000,000	3,600,000,000	188,393,604	1,883,936,040	Cancellation of restricted shares for subscription by employees of 16,451	—	Note 37
2018-09	12.71	360,000,000	3,600,000,000	206,393,604	2,063,936,040	Cash capital increase 18,000,000	—	Note 38
2019-08	—	500,000,000	5,000,000,000	206,393,604	2,063,936,040	—	—	Note 39

Note: 1. 1999-12-09 Jing-(1999)-Zhong-Zi No. 491343.

2. 2000-05-20 Jing-(2000)-Zhong-Zi No. 428804.

3. 2000-08-15 Jing-(2000)-Shang-Zi No. 129061.

4. 2000-11-01 Jing-(2000)-Shang-Zi No. 140721.

5. 2001-01-29 Jing-(2001)-Shang-Zi No. 102838.

6. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0920134296 dated July 29, 2003.

7. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0920162821 dated January 12, 2004.

8. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0930127233 dated June 18, 2004.

9. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Yi-Zi No. 0960015388 dated April 11, 2007.

10. September 29, 2007, Jing-Shou-Shang-Zi No. 09601236510.

11. October 31, 2007, Jing-Shou-Shang-Zi No. 09601266580.

12. August 13, 2008, Jing-Shou-Shang-Zi No. 09701196370.

13. August 4, 2009, Jing-Shou-Shang-Zi No. 09801172610.

14. October 20, 2009, Jing-Shou-Shang-Zi No. 09801241010.

15. January 20, 2010, Jing-Shou-Shang-Zi No. 09901013580.

16. March 16, 2010, Jing-Shou-Shang-Zi No. 09901050060.

17. October 19, 2010, Jing-Shou-Shang-Zi No. 09901235310.

18. January 17, 2011, Jing-Shou-Shang-Zi No. 10001007830.
19. April 11, 2011, Jing-Shou-Shang-Zi No. 10001067970.
20. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1000010164 dated March 21, 2011; June 15, 2011, Jing-Shou-Shang-Zi No. 10001120220.
21. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1000040118 dated August 30, 2011; September 15, 2011, Jing-Shou-Shang-Zi No. 10001214540.
22. December 6, 2011, Jing-Shou-Shang-Zi No. 10001276290.
23. January 17, 2012, Jing-Shou-Shang-Zi No. 10101008830.
24. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1010037345 dated August 30, 2012; November 1, 2012, Jing-Shou-Shang-Zi No. 10101225330.
25. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1020029855 dated July 31, 2013; September 6, 2013, Jing-Shou-Shang-Zi No. 10201183260.
26. January 3, 2014, Jing-Shou-Shang-Zi No. 10201268260.
27. September 1, 2014, Jing-Shou-Shang-Zi No. 10301181640.
28. December 12, 2014, Jing-Shou-Shang-Zi No. 10301248100.
29. June 11, 2015, Jing-Shou-Shang-Zi No. 10401100930.
30. September 2, 2015, Jing-Shou-Shang-Zi No. 10401182620.
31. December 8, 2015, Jing-Shou-Shang-Zi No. 10401254400.
32. February 15, 2016, Jing-Shou-Shang-Zi No. 10501029610.
33. May 27, 2016, Jing-Shou-Shang-Zi No. 10501114780.
34. September 9, 2016, Jing-Shou-Shang-Zi No. 10501215180.
35. May 22, 2017, Jing-Shou-Shang-Zi No. 10601065100.
36. August 15, 2017, Jing-Shou-Shang-Zi No. 10601113020.
37. September 11, 2017, Jing-Shou-Shang-Zi No. 10601128490.
38. September 17, 2018, Jing-Shou-Shang-Zi No. 10701113510.
39. August 2, 2019, Jing-Shou-Shang-Zi No. 10801090210.

2. Type of shares

April 18, 2021; Unit: Shares

Type of shares	Approved share capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Registered common shares	206,393,604 (Note)	293,606,396	50,000,000	Note: Including private placement of 18,808,777 common shares

3. Information about the shelf registration system: None.

(II) Shareholder structure

April 18, 2021; Unit: Shares

Shareholder structure	Government institution	Financial institution	Other corporate entity	Foreign institutions and foreigners	Individual	Total
Quantity						
Number of people	0	1	230	47	38,918	39,196
Number of shares held	0	49,476	54,239,640	6,410,683	145,693,805	206,393,604
Shareholding ratio	0.00%	0.02%	26.28%	3.11%	70.59%	100.00%

Note: Mainland China shareholding ratio is 0%

(III) Share number dispersion status

1. Common shares

April 18, 2021

Shareholding rating	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	16,021	1,789,259	0.87%
1,000 to 5,000	18,940	37,437,906	18.14%
5,001 to 10,000	2,365	18,784,713	9.10%
10,001 to 15,000	631	8,016,574	3.88%
15,001 to 20,000	420	7,857,879	3.81%
20,001 to 30,000	302	7,859,257	3.81%
30,001 to 40,000	124	4,469,936	2.17%
40,001 to 50,000	90	4,194,050	2.03%
50,001 to 100,000	167	11,672,441	5.66%
100,001 to 200,000	75	10,052,960	4.87%
200,001 to 400,000	23	6,004,770	2.91%
400,001 to 600,000	10	4,957,009	2.40%
600,001 to 800,000	8	5,325,538	2.58%
800,001 to 1,000,000	3	2,572,061	1.24%
1,000,001 and higher	17	75,399,251	36.53%
Total	39,196	206,393,604	100.00%

2. Dispersion of special shares: The Company does not issue special shares, so this is not applicable.

(IV) Name list for the main shareholders

Name, shareholding quantity, and ratio held by shareholders with a shareholding ratio of over 5% or top 10 shareholders in terms of shareholding ratio:

April 18, 2021

Name of major shareholder	Shares Number of shares held	Shareholding ratio (%)
Hongyuan International Investment Co., Ltd.	15,728,165	7.62%
Baoxin International Investment Co., Ltd.	10,922,337	5.29%
Hung Yang Venture Investment Co., Ltd.	10,048,550	4.87%
Hongchi International Investment Co., Ltd.	9,570,971	4.64%
Chung, Chih-Ming	4,428,464	2.15%
Lai, Hsiu-Chi	4,322,596	2.09%
TEH TAI STEEL CO., LTD.	3,211,057	1.56%
Bingde International Investment Co., Ltd.	3,134,797	1.52%
Chung, Jung-Hua	2,304,440	1.12%
Chung Kuo, Fong-Mei	2,126,778	1.03%

(V) Prices, net worth, surplus, dividends, and other stock related information in the most recent two years

Unit: NT\$; 1000 shares

Item		Year	2019	2020	Current year until March 31, 2021 (Note 7)
Market price per share (Note 1)	Highest		14.90	27.20	45.3
	Lowest		8.31	4.46	24.00
	Average		10.75	10.12	31.46
Net value per share (Note 2)	Before distribution		7.35		
	After distribution		-		-
Earnings per share	Weighted average number of shares		206,394	206,394	206,394
	Earnings per share (Note 3)		(0.29)	(1.42)	-
Dividend per share	Cash dividends		-	-	(Note 8)
	Stock dividends	Stock dividends appropriated from retained earnings	-	-	(Note 8)
		Stock dividends appropriated from capital reserve	-	-	(Note 8)
	Accumulated unappropriated dividends		-	-	(Note 8)
Investment return analyses	Price-earnings ratio (Note 4)		(37.07)	(7.13)	-
	Price-dividend ratio (Note 5)		-	-	-
	Cash dividend yield (Note 6)		-	-	-

Note 1: List the highest and lowest market prices for common shares in each year, and calculate the average market prices for each year based on the transaction value and volume of each year.

Note 2: Based on the number of shares issued at the end of the year, the Company has no surplus distribution in 2020.

Note 3: If retrospective adjustment is required because of situations such as gratuitous allotment, the earnings per share before and after adjustment must be listed.

Note 4: Price-earnings ratio = average closing price per share for the year / earnings per share.

Note 5: Price-dividend ratio = average closing price per share for the year / cash dividend per share.

Note 6: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 7: Net value per share and earnings per share are information reviewed by CPAs for the most recent quarter as of the publication date of the annual report; the remaining fields are filled with data for the current year as of the printing date of the annual report.

Note 8: The Company's board of directors passed a resolution on April 23, 2021, to not distribute dividends.

(IV) Company dividend policy and implementation status

1. Company dividend policy.

If the Company makes a profit during the year (the so-called profit refers to the pre-tax profit before the distribution of employee compensation and directors' compensation), 8% shall be allocated for employee remuneration and no more than 0.1% shall be allocated for directors' remuneration. However, if the Company still has accumulated losses, profits shall be reserved for making up the accumulated losses first.

The employee remuneration may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific criteria, and the board of directors shall be authorized to establish said specific criteria.

The preceding two items shall be resolved by the board of directors and reported to the shareholders meeting.

Before the Company established the Audit Committee, the supervisors' remuneration was equal to the directors' remuneration, no more than 0.1% of the annual profit shall be distributed, and the provisions provided in this article shall apply.

The Company's surplus distribution or loss allowance may be made after the end of each half of the fiscal year. If there is a surplus in the final accounts for each half of the fiscal year, the Company shall first pay off taxes, make up for accumulated losses, estimate and reserve employee compensation, and then set aside 10% as statutory surplus reserve. However, this provision shall not apply if the statutory surplus reserve has reached the total capital of the Company. The special surplus reserve shall be allocated or converted according to laws, decrees, or regulations of the competent authority. If there is any surplus, the balance plus the accumulated undistributed surplus in the first half of the fiscal year shall be used as shareholder dividend. The board of directors shall draft a distribution proposal, execute in the form of new share issuance, and submit the proposal to the shareholders meeting for resolution and distribution. If dividend is issued in cash, the case shall be resolved by the board of directors.

If there is a surplus in the Company's annual final accounts, the Company shall first pay off the taxes, make up for the accumulated losses, and allocate 10% as statutory surplus reserve. However, this provision shall not apply if the statutory surplus reserve has reached the total capital of the Company. The special surplus reserve shall be allocated or converted according to laws, decrees, or regulations of the competent authority. If there is any surplus, the balance plus the accumulated undistributed surplus in the first half of the fiscal year shall be used as shareholder dividend. The board of directors shall draft a distribution proposal, execute in the form of new share issuance, and submit the proposal to the shareholders meeting for resolution and distribution.

If the Company intends to distribute all or part of the dividends, bonuses, statutory surplus reserve, or capital reserve in cash; the proposal shall be authorized by a board of directors meeting with over $\frac{2}{3}$ of the entire board members attending and approval by over half of those present at the meeting, and then submit the proposal to the shareholders meeting for resolution.

The Company is currently in a growing phase, and will strive for business developments and expansions in the future. The Company's surplus distribution shall be made based on its future capital expenditure budget and capital needs. However, the ratio of dividends distribution to shareholders shall not be less than 20% of the after-tax surplus for the current period or the surplus available for distribution during the current period, whichever is lower. The cash dividend shall not be less than 50% among the dividends distributed for the current

year.

2. Circumstances of the dividend distribution proposal by the shareholders meeting.

There is no dividend distribution proposal by this shareholders meeting.

3. Description of major dividend policy changes expected: None.

(VII) The impact of the stock dividends proposed by the shareholders meeting on the Company's operating performance and earnings per share: Not applicable because the shareholders meeting did not propose any stock dividends.

(VIII) Remuneration for employees, directors, and Supervisors:

1. The percentage or scope of remuneration for employees, directors, and supervisors as provided by the Company's Articles of Incorporation:

If the Company makes a profit during the year (the so-called profit refers to the pre-tax profit before the distribution of employee compensation and directors' compensation), 8% shall be allocated for employee remuneration and no more than 0.1% shall be allocated for directors' remuneration. However, if the Company still has accumulated losses, profits shall be reserved for making up the accumulated losses first.

The employee remuneration may be made in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of the affiliated companies meeting certain specific criteria, and the board of directors shall be authorized to establish said specific criteria.

The preceding two items shall be resolved by the board of directors and reported to the shareholders meeting.

Before the Company established the Audit Committee, the supervisors' remuneration was equal to the directors' remuneration, no more than 0.1% of the annual profit shall be distributed, and the provisions provided in this article shall apply.

2. Account handling when the basis for the assessment of employee, director, and supervisor remuneration amount, the basis of calculation for the number of shares distributed as employee remuneration, and the actual estimation amount for this period are inconsistent:

Because the Company had accumulated losses of NT\$1,003,835 thousand as of the end of 2020, no employee, director, or supervisor remuneration was allocated.

3. Remuneration distribution approved by the board of directors:

(1). Employee remuneration paid in cash or stocks, and the amount of remuneration for directors and supervisors. If there is a discrepancy with the annual estimated expenses recognized, please disclose the amount of discrepancies, reasons, and handling status: Because the Company had accumulated losses of NT\$1,003,835 thousand as of the end of 2020, no employee, director, or supervisor remuneration was allocated.

(2) The amount accounted for by employee remuneration distributed by stocks compared to the total after-tax net profit and total employee compensation in the individual financial report for the current period: Because the Company had accumulated losses of NT\$1,003,835 thousand as of the end of 2020, no employee, director, or supervisor remuneration was allocated.

4. The actual remuneration distribution for employees, directors, and supervisors in the

previous year (including the number of shares distributed, amount, and stock price), and the number of discrepancies, reasons, and handling status must be disclosed if different from the remuneration recognized for employees, directors, and supervisors: Not applicable.

(IX) Company shares buyback status: None.

II. Corporate bond handling status:

Corporate bond handling status

Types of corporate bonds	1st domestic secured convertible corporate bonds	2nd domestic unsecured convertible corporate bonds	3rd domestic unsecured convertible corporate bonds
Issuance (handling) date	August 25, 2014	August 26, 2014	March 26, 2021
Face value	NT\$100,000 even	NT\$100,000 even	NT\$100,000 even
Issuance and trade location	Republic of China	Republic of China	Republic of China
Price of issuance	Fully issued based on face value	Fully issued based on face value	Fully issued based on face value
Total amount	NT\$480 million even	NT\$500 million even	NT\$500 million even
Interest rate	Coupon rate 0%	Coupon rate 0%	Coupon rate 0%
Term	5-year period Maturity date: August 25, 2019	3-year period Maturity date: August 26, 2017	3-year period Maturity date: March 26, 2024
Guarantee institution	Chang Hwa Commercial Bank, Ltd.	None	None
Trustee	CTBC Bank Co., Ltd	CTBC Bank Co., Ltd	The Shanghai Commercial & Savings Bank, Ltd.
Underwriting agency	Grand Fortune Securities Co.,Ltd	Grand Fortune Securities Co.,Ltd	Grand Fortune Securities Co.,Ltd
Certification attorney	Not applicable.	Not applicable.	Not applicable.
CPA	Not applicable.	Not applicable.	Not applicable.
Repayment method	Unless converted into common Company stocks pursuant to Article 11 of the Conversion Measures, withdrawn in advance according to Article 19 of the Conversion Measures, or bought back and canceled by a securities firm office on behalf of the Company, the Company shall repay these bonds in cash in one lump sum at maturity based on 102.53% (actual yield 0.5%) of the face value of the bonds.	Unless converted into common Company stocks pursuant to Article 11 of the Conversion Measures, withdrawn in advance according to Article 19 of the Conversion Measures, or bought back and canceled by a securities firm office on behalf of the Company, the Company shall repay these bonds in cash in one lump sum at maturity based on 100.9% (actual yield 0.3%) of the face value of the bonds.	Unless converted into common Company stocks by the converted corporate bond holders pursuant to Article 10 of the Conversion Measures, redeemed in advance by the Company according to Article 18 of the Conversion Measures, or bought back and canceled by a securities firm office on behalf of the Company; the Company shall repay these bonds in cash in one lump sum at maturity based on the face value of the bonds.
Outstanding principal	NT\$0	NT\$0	NT\$500,000,000
Redemption or prepayment terms	See the Company's 1st Domestic Secured Convertible Corporate Bond Issuance and Conversion Measures for details	See the Company's 2nd Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures for details	See the Company's 3rd Domestic Secured Convertible Corporate Bond Issuance and Conversion Measures for details
Restriction clause (Note 1)	None	None	None
Credit rating agency name, rating date, and company debt rating results	Not applicable.	Not applicable.	Not applicable.

Types of corporate bonds		1st domestic secured convertible corporate bonds	2nd domestic unsecured convertible corporate bonds	3rd domestic unsecured convertible corporate bonds
Other rights attached	The number of ordinary shares, overseas depository receipts, or other securities that have been converted (exchanged or subscribed) as of the publication date of this annual report	There has been no application to convert convertible bonds into ordinary shares as of the maturity date of August 26, 2017.	There has been no application to convert convertible bonds into ordinary shares as of the maturity date of August 26, 2017.	Officially listed on the OTC market on March 26, 2021; and no corporate bond conversion has been carried out as of the lock-up period on June 26, 2021.
	Issuance and conversion (exchange or subscription) method	See the Company's 2nd Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures for details	See the Company's 2nd Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures for details	See the Company's 3rd Domestic Unsecured Convertible Corporate Bond Issuance and Conversion Measures for details
Possible equity dilution and impact on existing shareholders' equity due to issuance and conversion, exchange or subscription methods, or issuance conditions		Not applicable.	Not applicable.	It is estimated that the number of convertible shares will account for approximately 6.7555% of the total number of outstanding shares based on the current conversion price of NT\$35.86, and the impact on existing shareholders' equity still remains limited.
Name of the convertible subject depository institution		Not applicable.	Not applicable.	Not applicable.

Note 1: Such as restricted cash dividend issuance, foreign investment, or requirement to maintain a certain ratio of assets.

Note 2: For convertible corporate bonds, exchangeable corporate bonds, collective declaration of corporate bond issuance, or corporate bonds with stock options, the information related to the convertible corporate bonds, exchangeable corporate bonds, collective declaration of corporate bond issuance, or corporate bonds with stock options must be listed in a table format according to nature and be disclosed.

Convertible corporate bond information

March 31, 2021

Types of corporate bonds		31491		31492		31493	
		1st domestic secured convertible corporate bonds		2nd domestic secured convertible corporate bonds		3rd domestic secured convertible corporate bonds	
Year		2020	2020	2020	2020	2020	2021 As of March 31
Convertible Corporate Bond Price	Highest	Note 2	Note 2	Note 3	Note 3	Note 4	130.00
	Lowest	Note 2	Note 2	Note 3	Note 3	Note 4	110.00
	Average	Note 2	Note 2	Note 3	Note 3	Note 4	122.01
Conversion Price		Note 2		Note 3		Note 4	
Issuance (handling) date and issuance conversion price		August 25, 2014 NT\$33.8		August 25, 2014 NT\$33.8		March 26, 2021 NT\$35.86	
Conversion obligation fulfillment method (Note 1)		New share issuance		New share issuance		New share issuance	

Note 1: Delivery of shares issued or newly issued shares

Note 2: Maturity date is August 25, 2019.

Note 3: Maturity date is August 26, 2017.

Note 4: Issuance date is March 26, 2021.

III. Preferred share handling status: None.

IV. Overseas depositary receipt handling status: None.

V. Employee stock option handling status:

(I) Handling status of the Company's unexpired employee stock options

March 31, 2021

Employee stock option types	Employee stock warrants						
Declaration effective date	2020.09.16						
Issuance (handling) date	2020.09.17						
Number of units issued	3,000,000						
Ratio of subscribable shares to total issued and outstanding shares	1.45%						
Warrant exercise period	2020.09.17~2024.09.16						
Warrant exercise method	Delivery of new shares issued by the company						
Restrictions on the warrant exercise period and exercise ratio (%)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Stock warrants grant period (cumulative)</u></th> <th style="text-align: left;"><u>Exercisable share option ratio</u></th> </tr> </thead> <tbody> <tr> <td>After 2 years</td> <td>60%</td> </tr> <tr> <td>After 3 years</td> <td>100%</td> </tr> </tbody> </table>	<u>Stock warrants grant period (cumulative)</u>	<u>Exercisable share option ratio</u>	After 2 years	60%	After 3 years	100%
<u>Stock warrants grant period (cumulative)</u>	<u>Exercisable share option ratio</u>						
After 2 years	60%						
After 3 years	100%						
Number of shares that have been obtained through exercise of warrant rights	0						
Amount of the shares subscribed	0						
No. of shares that have not been subscribed	3,000,000						
Subscription price per share of the unsubscribed shares	10.40						

Ratio of the number of unsubscribed shares to the number of issued shares (%)	1.45%
Effect on shareholders' equity	The number of employee stock option issued is low, accounting for only 1.45% of the total share capital issued as of the issuance date. Since there are also execution ratio and period restrictions, there is little impact on shareholders' equity.

(2) Names and subscription status of managerial officers who have obtained employee stock options and employees who rank among the top 10 in terms of the number of shares to which they have subscription rights through employee stock warrants

March 31, 2021

	Position	Name	Number of subscriptions obtained	Number of subscriptions obtained to total issued and outstanding shares (Note 1)	Subscribed				Unsubscribed			
					Number of shares subscribed	Amount of the shares subscribed	Amount of the shares subscribed	Ratio of the number of subscribed shares to the number of issued shares (Note 1)	No. of shares that have not been subscribed	Price of shares that have not been subscribed	Amount of the shares not yet subscribed	Ratio of the number of unsubscribed shares to the number of issued shares (Note 1)
Managerial Officer	Chairperson	Chung, Chih-Ming	1,550,000	0.75%	0	-	-	-	1,550,000	10.40	16,120,000	0.75%
	Vice President	Chiu, Huo-Sheng										
	Vice President	Wang, Yao-Chang										
	Assistant Manager	Hsu, Hsien-Yi										
	Assistant Manager	Lin, Hsing-Chiao										
	Assistant Manager	Wang, Ju-Wen										
	Assistant Manager	Hung, Yu-Te										
	Assistant Manager	Huang, Yung-Cheng										
	R&D Director	Tsai, Tsung-Tien										
	Financial Supervisor	Wu, Tai-Chiu										
Employees	Special Assistant	Chen, Li	870,000	0.42%	0	-	-	-	870,000	10.40	9,048,000	0.42%
	Assistant Manager	Kung, Cheng-Nien										
	Engineer	Chung, Li-Hsin										
	Assistant Manager	Shih, Chun-Nan										
	Senior Manager	Kao, Hsiu-Li										
	Assistant Manager	Chung, Hsiang-Tao										
	Senior Manager	Chang, Yi-Shou										
	Senior Manager	Wang, Chih-Wen										
	Senior Manager	Wang, Feng-Hui										
	Assistant Manager	Liao, Chi-Liang										

Note 1: The number of issued shares refers to the number of shares listed by the Change of Registration Jing-Shou-Shang-Zi No. 10801090210 dated August 2, 2019.

VI. (I) Restricted shares for employee subscription handling status: None.

VII. Mergers and acquisitions or share transfer to other companies for new share issuance handling status: None.

VIII. Fund utilization plan implementation status:

For the previous issuances or private placement of securities that have not been completed or have been completed within the last 3 years but the benefits are not apparent as of the quarter prior to the publication date of this annual report; please describe the content, implementation, and benefit analysis of each plan:

None. The Company's previous cash capital increase, corporate bond issuance, and private placement of equity securities plans within the last 3 years have all been completed, and the benefits of the plans are clearly apparent.

(I) First private equity capital increase proposal in June 2017

1. Plan Content

(1) Shareholders meeting approval date for the private placement of ordinary shares:
June 14, 2017

(2) Total funds required for this project: The quota of 65,000,000 shares must be processed in 3 installments within one year from the date of shareholders meeting resolution.

(3) Source of funding for this project: The 1st private placement involves 18,808,777 ordinary shares. The subscription price is NT\$15.95 per share and the target amount raised is NT\$300,000 thousand.

(4) Project items and anticipated implementation progress

Unit: NT\$ thousand

Project items	Anticipated completion date	Total capital amount required	Capital advance progress
			3rd quarter of 2017
Bank loan repayment	3rd quarter of 2017	142,300	142,300
Enrich working capital	3rd quarter of 2017	157,700	157,700
Total	—	300,000	300,000

(5) Expected benefits

In this fundraising plan, the Company plans to repay bank loans and enrich working capital in order to reduce bank loans, save interest expenses, improve financial structure, strengthen debt solvency, and increase financial scheduling flexibility. The bank loan interest rate for the amount repaid is approximately 0.97%~2.25%. Based on the loan interest rate, the interest expenses that can be saved is approximately NT\$345 ~ NT\$907 thousand per quarter in the future.

2. Implementation status

Unit: NT\$ thousand

Project items	Implementation status			Reasons for progress ahead or behind schedule and improvement plans
Bank loan repayment	Amount spent	Estimated	142,300	This plan was completed during the 3rd quarter of 2017.
		Actual	142,300	
	Implementation progress (%)	Estimated	100.00	
		Actual	100.00	
Enrich working capital	Amount spent	Estimated	157,700	This plan was completed during the 3rd quarter of 2017.
		Actual	157,700	
	Implementation progress (%)	Estimated	100.00	
		Actual	100.00	
Total	Amount spent	Estimated	300,000	There had been no major changes to this plan, and all fund applications were implemented in the 3rd quarter of 2017 as planned and declared in the 4th quarter of 2017.
		Actual	300,000	
	Implementation progress (%)	Estimated	100.00	
		Actual	100.00	

3. Execution performance evaluation

(1) Increase or decrease status in current assets, current liabilities, total liabilities, interest expenses, operating income, and earnings per share:

Unit: NT\$ thousand; %

Item \ Year	First half of 2017	2017	Amount of increase or decrease	Increase or decrease (%)
Current assets	2,048,982	2,268,109	219,127	10.69
Current liabilities	2,882,804	2,609,396	(273,408)	(9.48)
Total liabilities	4,231,734	3,824,768	(406,966)	(9.62)
Interest expense	25,985	49,160	23,175	89.19
Operating income	1,341,468	3,625,233	2,283,765	170.24
Earnings per share (NT\$)	0.34	0.11	(0.23)	(67.65)

Information source: Financial report inspected and certified by a CPA

In July 2017, the Company executed a private placement of common shares for cash capital increase of NT\$300,000 thousand in order to repay bank loans, enrich working capital, improve financial structure, and reduce interest expenses. Change comparison for each item in the balance sheets and the comprehensive income statements before and after the fundraising: At the end of 2017, the current assets increased by NT\$219,127 thousand, current liabilities decreased by NT\$273,408 thousand, and total liabilities decreased by NT\$406,966 thousand compared to those of the first half of 2017. The funds

raised were used to successively paid off bank loans, operating expenses, and procurement costs; which reduced the short-term loans or deferred loan allocation. As a result, the overall interest expense in the second half of 2017 was reduced by NT\$2,810 thousand compared to that of the first half of the year. In terms of revenue, with the help from active expansion of the Mainland China market and the initial results obtained from the sales strategy adjustments, the sales revenues from architectural glass, optical coating glass, and protective glass in the second half of 2017 increased compared to the first half of the year. The operating gross loss of 12.47% during the first half of 2017 turned into 1.18% of operating profit. However, due to the low-capacity utilization rate and the decrease in non-industry income during the second half 2017, the amount of after-tax loss in the second half of 2017 increased, and the full-year earnings per share declined. In general, the Company's operations have gradually reversed from the bottom and are improving. The benefits of the private placement of common shares for cash capital increase have become apparent.

(2) Financial structure and solvency

Unit: %

Item	Year	Before fundraising	Before fundraising
		First half of 2017	2017
Debt servicing capability	Current ratio (%)	71.08	86.92
	Quick ratio (%)	62.60	76.13
Financial structure	Debt ratio (%)	76.91	71.27
	Ratio of long-term funds to fixed assets	81.97	97.36

Information source: Financial report inspected and certified by a CPA

In July 2017, the Company executed a private placement of common shares for cash capital increase of NT\$300,000 thousand in order to repay bank loans, enrich working capital, improve the financial structure, and reduce the interest expenses. A comparison of debt solvency before and after the fundraising indicated that the current ratio and quick ratio were 86.92% and 76.13%, respectively in 2017; both of which were higher than 71.08% and 62.60% during the first half of 2017 prior to the fundraising. In terms of financial structure, the debt ratio and the ratio of long-term funds to fixed assets were 71.27% and 97.36%, respectively in 2017; which improved from 76.91% and 81.97% compared to the first half of 2017. Therefore, the benefits of this private placement of common shares for cash capital increase have become apparent.

(II) 2018 cash capital increase proposal

1. Plan Content

- (1) Shareholders meeting approval date for the cash capital increase proposal: May 14, 2018
- (2) The total amount of funds required for this plan: The amount raised in the cash capital increase via new share issuance is NT\$228,780 thousand.
- (3) Source of funding for this project: Cash capital increase via issuing 18,000,000 new shares. The subscription price is NT\$12.71 per share and the target amount raised is NT\$228,780 thousand.
- (4) Project items and scheduled fund utilization progress

Unit: NT\$ thousand

Project items	Anticipated completion date	Total capital amount required	Scheduled fund utilization progress
			2018
Bank loan repayment	2018	113,000	113,000
Enrich working capital	2018	115,780	115,780
Total		228,780	228,780

(5) Fund utilization status

Unit: NT\$ thousand; %

Project items	Implementation Status		2018	Cumulative Implementation Progress	Progress Description
Bank loan repayment	Expenditure amount	Scheduled	113,000	113,000	Completed according to the schedule
		Actual	116,306	116,306	
	Implementation progress (%)	Scheduled	100%	100%	
		Actual	100%	100%	
Enrich working capital	Expenditure amount	Scheduled	115,780	115,780	Completed according to the schedule
		Actual	112,474	112,474	
	Implementation progress (%)	Scheduled	100%	100%	
		Actual	100%	100%	

The Company's 2018 cash capital increase and new share issuance proposal was intended for the 3rd quarter 2018 fund utilization according to the fund utilization plan. The 3rd quarter 2018 bank loan repayment and capital enrichment plan amounts were NT\$116,306 thousand and NT\$112,474 thousand, respectively. There were slight differences from the anticipated amounts of NT\$113,000 thousand and NT\$115,780 thousand mainly due to using NTD converted to USD to repay loans. After the loan had been repaid, the Company used the remaining balance as working capital enrichment and has already spent NT\$112,474 of working capital enrichment for material procurement by the Company. Therefore, the estimated cumulative execution progress and actual execution progress are both 100%, and the application progress is reasonable.

(6) Fund utilization benefit evaluation

After the Company has raised sufficient funds on August 16, 2018, the total amount required for this project was NT\$228,780 thousand. The utilization plan for the fund includes NT\$113,000 thousand for bank loan repayment and NT\$115,780 thousand for working capital enrichment. Due to the exchange rate difference, the actual bank loan repayment amounted to NT\$116,306 thousand and the actual working capital enrichment amounted to NT\$112,474 thousand.

As part of the fundraising project, NT\$116,306 thousand was used to repay bank loans. As a result, the Company can save the interest expense of NT\$1,296 thousand in 2018 based on the interest rate of repaid loans. This can moderately reduce the Company's financial burden, improve the solvency, and strengthen the financial structure; which is beneficial to the Company's overall operation and development.

From this fundraising project, NT\$112,474 thousand was used as working capital enrichment to maintain a certain level of working capital required to ensure the revenue scale. This fund has been used to replace bank loans, which will help to strengthen long-term capital stability, improve short-term debt solvency, enhance flexible capital scheduling capabilities as well as financial structure, save interest expenses, and improve the Company's operational competitiveness. Based on the average interest rate of 2.00% for the Company's short-term loan credit line, using the funds raised to replace the bank loans is expected to save NT\$2,249 in annual interest expenses for the Company in the future.

Five. Operation Overview

I. Business content

The Company mainly provides glass processing and production services for items from scanners, photocopiers, to TN/STN and TFT LCD display glass processing. The services provided by the Company include glass cutting, polishing, thinning, strengthening, and coating. The main products include thinned glass, strengthened glass, coated glass, and 3D forming glass. In terms of photoelectric glass, G-TECH provides one-stop glass processing services via its most comprehensive glass processing capacity, which enables G-TECH to become the photoelectric glass processing services expert in Taiwan.

1. Business Scope

(1) Company's Businesses

- A. Touch-sensitive glass processing and trading: Provide glass cutting, polishing, strengthening, and thinning services for touch panels.
- B. Optical coating glass processing and trading: Glass coating services for touch panels.
- C. Thin glass processing and trading: Provide photoelectric glass and architectural glass.
- D. Cover glass processing and trading: Provide protective cover glass products for touch/display panels.
- E. Green building glass processing and trading: Provide process services and products such as glass cutting, strengthening, gluing, and surface treatment for energy-conserving buildings.
- F. Others

(2) The Company's main products and their business ratios:

Unit: NT\$ thousand

Product type \ Year	2019		2020	
	Sales value	%	Sales value	%
Smart optoelectronics	276,719	9.65%	406,329	16.59%
Smart cars	797,824	27.84%	260,441	10.64%
Smart buildings	506,323	17.67%	517,608	21.14%
Others	1,285,208	44.84%	1,264,158	51.63%
Total	2,866,074	100.00%	2,448,536	100.00%

(3) The Company's current products:

The Company's current products are as follows:

- A. Smart optics: Provide process services such as glass coating for touch panels and protective cover glass for display panels.

- B. Smart cars: Provide glass cutting, polishing, strengthening, coating, thinning, 3D molding glass, and automotive glass for touch panels.
- C. Smart buildings: OEM for building energy-conserving glass, environmentally friendly baking varnish decoration glass, easy to clean anti-fog glass, and electrochromic glass.
- D. Other: Commerce.

(4) New products developed by the Company

G-TECH's determination to take root in the glass processing industry, deploy new businesses, and develop new product technologies has not changed despite the myriad of challenges and changes in the industry.

- Its self-developed AS solution offers good characteristics and effects when applied to its own architectural glass products, and has won high praises.
- High-quality AR coating products officially entered the D customer NB and medical display market.
- The IoT Smart Window (Electrochromic Glass) combined with the Miaoli Plant ITO coating/building-gluing/IGZO process can enter the smart building market in the future.

2. Industry Overview

(1) Industry status and development

A. Smart optics

The global commercial touch display market is estimated to reach US\$4.3 billion in 2020 and is expected to reach US\$7.6 billion by 2025, with a compound annual growth rate of 12.1%.

- The high adoption rate of touch screen displays in retail, hotel, healthcare, and transportation vehicles is one of the driving factors of the market.
- COVID-19 will adversely affect the commercial touch screen market supply chain, thereby hindering the market sales for commercial touch screen products.
- Smart display is one of the fastest growing platforms for touch screen information display, and the medium promoted among the masses.

Attractive Opportunities In Commercial Touch Display Market



e-estimated, p-projected

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e-estimated, p-projected

End customers have begun to guide the modular services for TP Module. So, TP Module will gradually be driven by LCD panel manufacturers or their agents, and most TP manufacturers will slowly become supporting actors. Therefore, our strategy has gradually shifted from original industrial control factory-based to directly focus on sports/vehicle and other customers, and supplemented by LCM customers.

The demand for indoor sports equipment has increased significantly because people are unable to exercise outdoors due to the impact of COVID-19. The revenues of well-known American sports and fitness brands Peloton and LuLu Lemon have grown exponentially, thus driving the related supply chain demands.

圖一：2020年Peloton健身設備季度出貨量預估與供應商比重

PELOTON	2020年Peloton季度出貨量 (出貨單位：千台)										出貨比重	
	1Q		2Q		3Q		4Q		合計		REXON	magtonic
	出貨量	YoY (%)	出貨量	YoY (%)	出貨量	YoY (%)	出貨量	YoY (%)	出貨量	YoY (%)		
跑步機	5.8	-57.0	5.6	366.7	91.2	3277.8	172.0	1146.4	274.6	780.1	100%	0%
↳ 全新設計23.8吋跑步機	0.0	n/a	2.0	n/a	85.8	n/a	162.3	n/a	250.1	n/a	100%	0%
↳ 既有32吋跑步機	5.8	-57.0	3.6	200.0	5.4	100.0	9.7	-29.7	24.5	-21.5	100%	0%
飛輪單車	93.1	22.0	150.7	131.1	387.4	141.2	371.3	24.4	1,002.5	66.9	35%	65%
↳ 全新設計23.8吋健身單車	0.0	n/a	0.0	n/a	11.2	n/a	19.0	n/a	30.2	n/a	0%	100%
↳ 既有21.5吋健身單車	93.1	22.0	150.7	131.1	376.2	134.2	352.3	18.0	972.3	61.9	38%	52%

資料來源：天風國際

Peloton 預估2021年,銷售額預估增加96% (約35E ~ 36.5E 美元)

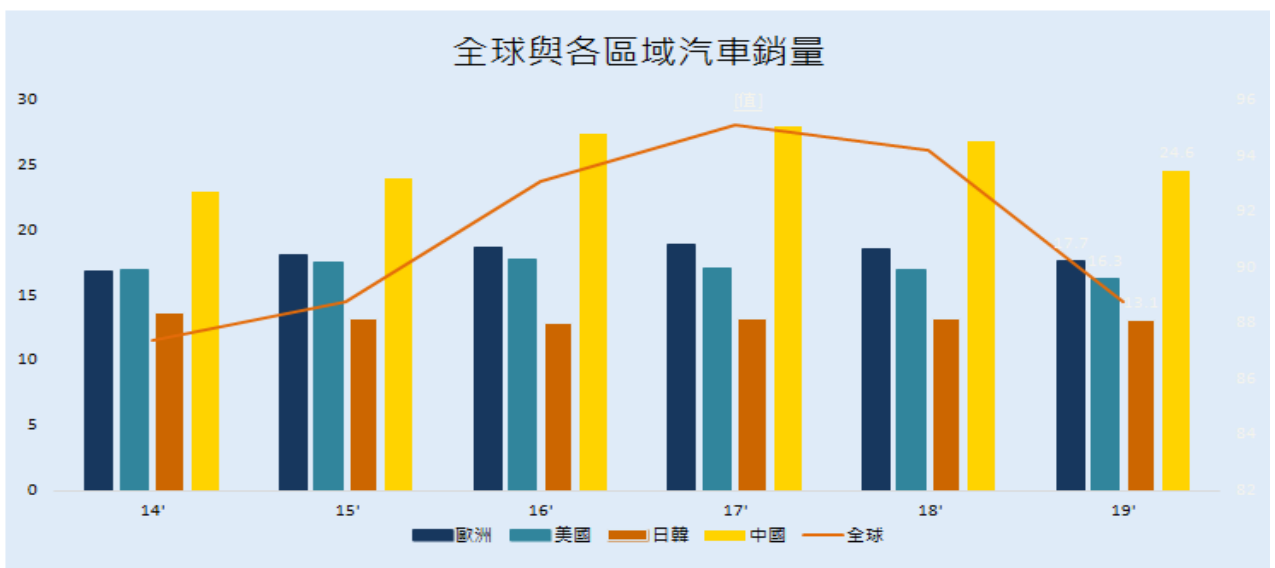


Cover Glass

Promote low- and medium-end products in the smartphone and tablet market, and the application technology is gradually shifting towards ITO Film and other alternative technologies. Overall, the rest of the touch panel architecture still needs to use cover glass except for OGS. In addition, OGS must be strengthened twice due to the decrease in strength caused by the manufacturing process. Therefore, there are still concerns about using it for customers in mobile and tablet applications. In general, no matter what kind of technology is used for touch control, cover glass is required. Based on the preceding NPD forecast market development, the demand for cover glass is still increasing annually.

B. Automotive market

- The global sales peaked at 95 million units/year in 2017. There has been a downward trend since 2018, which closed at 88 million units/year in 2019.
- Although China accounted for the world's largest sales volume with 25 million units per year, sales in 2019 fell by 9%, which exceeded the annual average. The Japanese and Korean markets are relatively stable, maintaining a stable level of 13 million/year.
- Macroeconomic downturn and weak demands are the main factors for the decline in vehicle sales.



- The sales of pure electric and hybrid new energy vehicles have performed well despite the global automobile consumer market downturn. New energy vehicles are still in the early phase of development, and the future scale is expected to continue to increase due to various factors.

(1) North American Market

- The new energy vehicle market is expected to reach 2 million units/year by 2025.

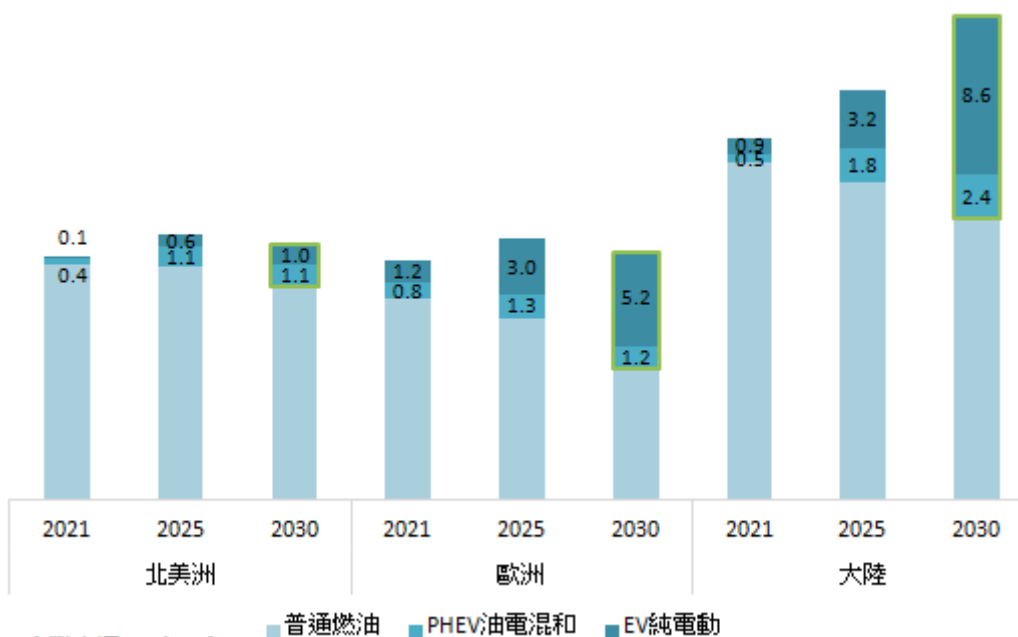
- The growth of new energy vehicle sales is attributed to the help of policy subsidies, the rise of environmental protection awareness, and the innovation and new experiences from the supply side.

(2) European Market

- The penetration of new energy vehicles in the European market will be more radical with a higher proportion of pure electric vehicles, which is expected to reach 5 million units/year by 2025.
- Supply end: Subsidies for new energy vehicle development.
- Market end: Subsidies for replacing old fuel vehicles with new energy vehicles.
- Policy end: Strict CO₂ emission standards facilitating the elimination of old fuel vehicles.

(3) Mainland China Market

- Mainland China has started to enter the maturity phase for the new energy market in 2020.
- The endurance technology improvement gives consumers greater confidence.
- New energy vehicles are widely accepted and gradually becoming mainstream. The license restriction factor also helps to persuade consumers to select new energy vehicles.
- As government subsidies gradually withdrew, the impetus for new energy development started to shift towards product and user demands.



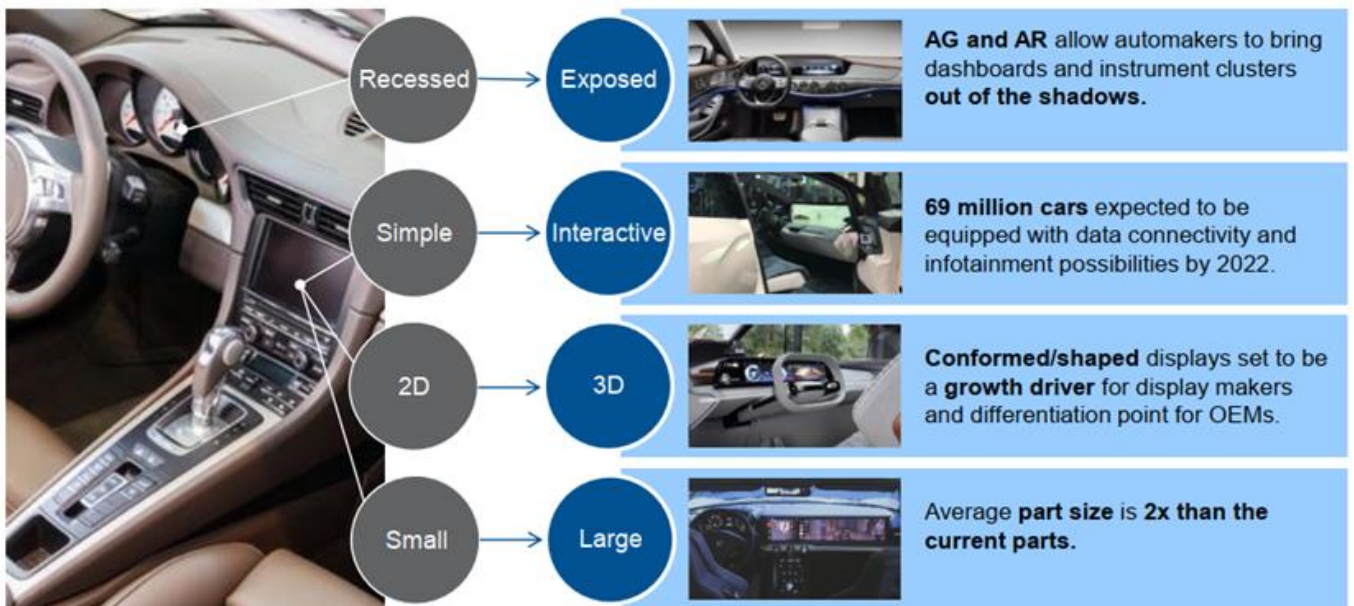
- In the 5G era, autonomous driving technology is developing rapidly, and cars will provide increasingly more information to occupants. The vehicle-mounted screen must be able to fully display this information and make sure that the display is clear enough. The trend of large and multiple screens in cars has become inevitable regardless whether it is simply trendy or can improve safety.

So, how do we install these screens so they can ensure safety in a limited vehicle space while enhancing aesthetics and a sense of technology?

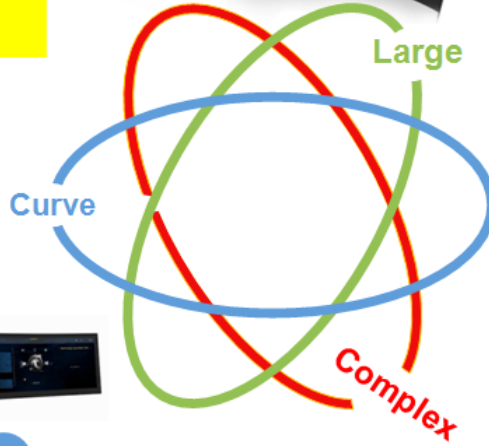
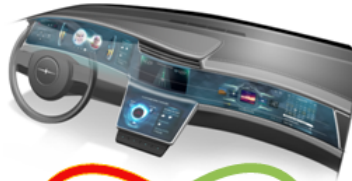
- Today's vehicle-mounted screens include the LCD instrument screens that evolved from traditional mechanical indicator instrument panels, and its size will not change much in the short-term. Many designs have appeared for the central control touch screen positions in recent years. They include suspended central consoles, embedded central consoles (typical example: Tesla), or even rotatable designs (BYD). In the past 2 years, a dual screen that contains the central control and the dashboard side by side has quietly become the norm. Therefore, how to ride this wave forward has become an important topic.



Integrated and interactive displays are becoming a seamless part of the cabin and user experience



Large Complex Curve



Curve 曲面

03

增進使用者體驗及使用, 蓋板設計為曲面, 降低反射, 增加可視性, 造型美觀簡潔

01

Large 大

2021 雙屏幕 (Cluster + CID)
2022 三屏幕 (Cluster+CID+副駕駛座顯示)
2024 五屏幕 (Cluster+CID+副駕駛座顯示+兩側後視鏡)

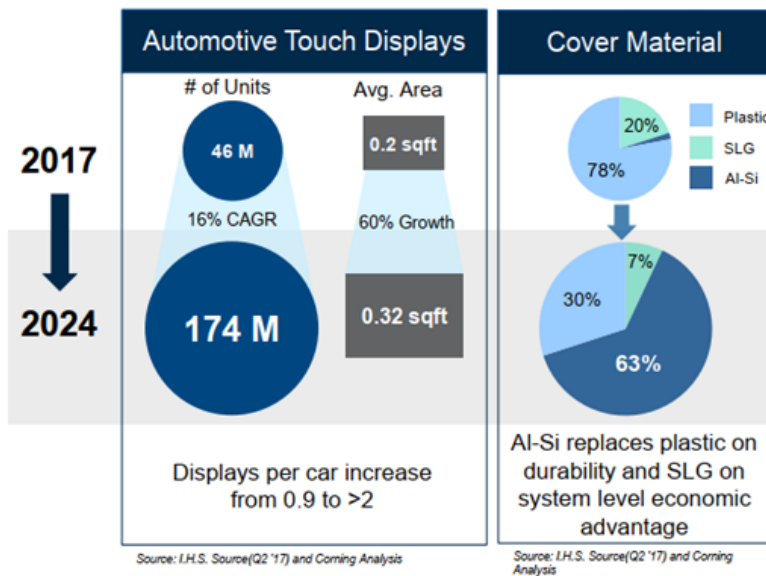


02 Complex 複合式

將Cluster / CID / 副駕駛座顯示 / 兩側後鏡鏡 甚至中控 等功能整合在一起

車載用面板的趨勢：面板使用量倍增 + Cover 材料從塑膠進化到玻璃

- 使用者體驗：觸感 + 美感
- 特性：耐候性 + 剛性 + 光學特性
- 耐用性：耐磨性 + 抗UV性



Shift from plastic to glass

- User experience
 - Tactile feel & aesthetic
- Performance
 - Dimensional stability; surface degrades & warps under thermal stresses
 - Optics; visible sparkle with display resolution ~150 PPI with AG treatment
- Durability
 - Abrasion resistance: Plastic 100X worse vs. Gorilla Glass
 - UV stability; visible yellowing after UV exposure

- The 3D glass production process is extremely complex with extremely high technology and capital thresholds, and requires large-scale capital investment. The Company has engaged in the curved glass processing industry for many years, accumulated rich production experience, and gained the most advanced production technology in the industry; which laid a solid foundation for the

Company's technology R&D and capital expenditure. At present, the curved glass industry is ushering in two major trends: glass phone back covers and 3D glass upgrades. The Company has technical, capital, and customer advantages in the glass processing industry and is expected to expand its lead against the competitors in this new trend.

➤ G-TECH's 3D glass mass production technical capability can achieve a curvature of 85 degrees and a height of 35mm.

①. Technology and product applications: 3C/automotive products, 3D glass foundry, automotive glass components integration, decorative glass protection, cutting/CNC/grinding/polishing/chemical strengthening, thinning/etching, printing/surface treatment, coating/AR/AG/ITO, and 3D glass formation processes.

②. Unique 3D glass formation technology:

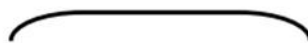
- Glass types: Aluminosilicate glass/boron glass/sodium glass
- Glass thickness: 0.4mm ~ 40mm
- Machinable size: Max 12.1" (250mm x 350mm)
- Mold fixture: Customized
- Glass surface: Smooth/matte surface
- Curvature angle: ~ 90 degrees
- 4-side curvature

1.7.2 Curved (Only need to concern the **Side wall angle**)

i Type 1 (regular surface, spherical or cylindrical)



ii Type 2 (Free form surface)



iii Type 3 (Free form surface with wall)



Protuberances



Recesses



Steps



③. Surface treatment done on 3D glass: Stain repellent, anti-fingerprint, anti-glare, low refraction, low reflection.

C. Smart buildings

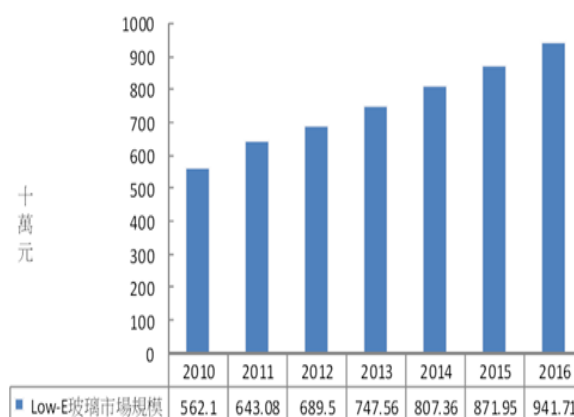
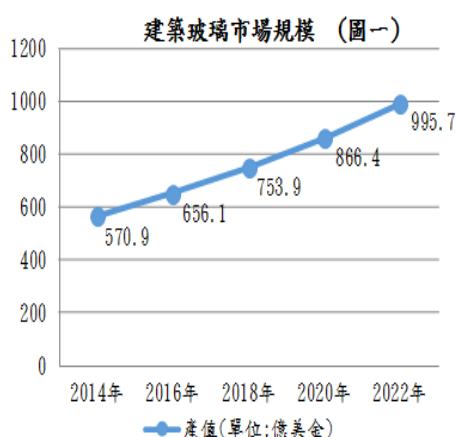
With the rise of global environmental awareness, some countries have begun to require new buildings to be equipped with energy-conserving architectural glass. The Architecture and Building Research Institute, Ministry of the Interior, has started to promote the green building label in 1999. The green building materials policy has been implemented since January 2006 to increase the utilization rate of green building materials for indoor decoration materials to 45%, and stipulates that the utilization rate of green building materials in outdoor areas must exceed 10%. The energy conservation awareness has gradually spread to the residential construction market.

The objective of G-TECH's Smart Building Business Division is to create a more comfortable and energy-conserving living environment for the Taiwanese people using its proprietary high-tech glass processing core technology. In recent years, this division has successively launched high-quality Low-E building energy-conserving glass, environmentally friendly varnished decorative glass, and easy-to-clean anti-fog glass products. The local processing process is adopted to provide Taiwanese people with environmentally friendly green building materials with higher added value. The Company's smart building products include:

- (1) SUNERGY hard-coating energy-conserving glass (on-Line / lower cost / second best radiation resistance)
- (2) STOPRAY soft-coating energy-conserving glass (off-Line / higher cost / good radiation resistance)
- (3) STOPSOL micro-reflective glass (easy to strengthen and bend, can be used in single or multiple layers)
- (4) AS easy-clean glass & AF water mirror (special nano-coating technology)
- (5) Matte glass (for outdoor or indoor use; and can adopt strengthened, glue, multi-layer, or other processing)
- (6) Clearvision ultra-white glass (High-definition natural exhibition room glass)

According to a survey conducted by Grand ViewResearch, it is estimated that the smart building market will grow at a compound annual growth rate of 7.2% from 2015 to 2022, and reach US\$99.57 billion by 2022.

Projects completed in recent years include Nangang Exhibition Hall, National Taiwan University Cancer Medical Building, New Taipei City MRT, Danhai Light Rail Station, Kaohsiung Station, Hualien Station, Dali Art Plaza, Tainan Art Museum, Foxconn Shanghai Headquarters, and Xinzhuang Honghui Plaza.



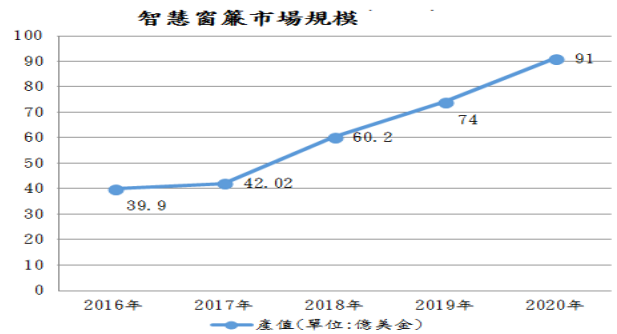
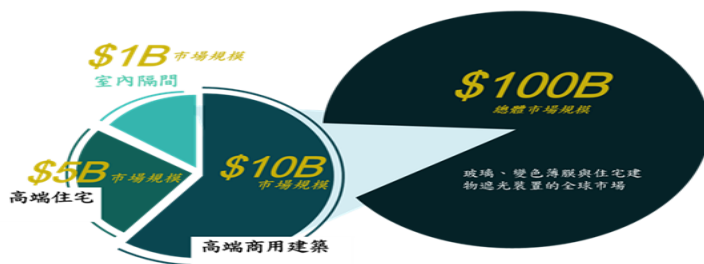
The change of light and energy through the color-changing glass can provide the following effects:

- ①. Conserve energy and save costs
- ②. Increase environmental comfort
- ③. Enhanced privacy function

Form of energy change by the color-changing glass:

- ①. Photochromic
- ②. Thermochromic
- ③. Electrochromic, SPD, & PDLC (G-TECH can achieve 99.9% light blocking within 5 minutes): Only EC smart windows provide options such as a wide range of light penetration rates, fast switching, energy saving and anti-glare control, enhanced privacy, and 20-year life cycle durability.

Smart color-changing glass will replace traditional glass and sun blinds for buildings and residences. According to market research, the scale can exceed US\$100 billion annually. Among them, indoor partitions, high-end residential, and commercial building demands will reach US\$16 billion. According to the smart window market analysis and forecast released by IndustryARC, the smart window market had realized the revenue of approximately US\$3.245 billion in 2015, and would grow at a compound annual growth rate of 22.9% to reach US\$9.1 billion by 2020.

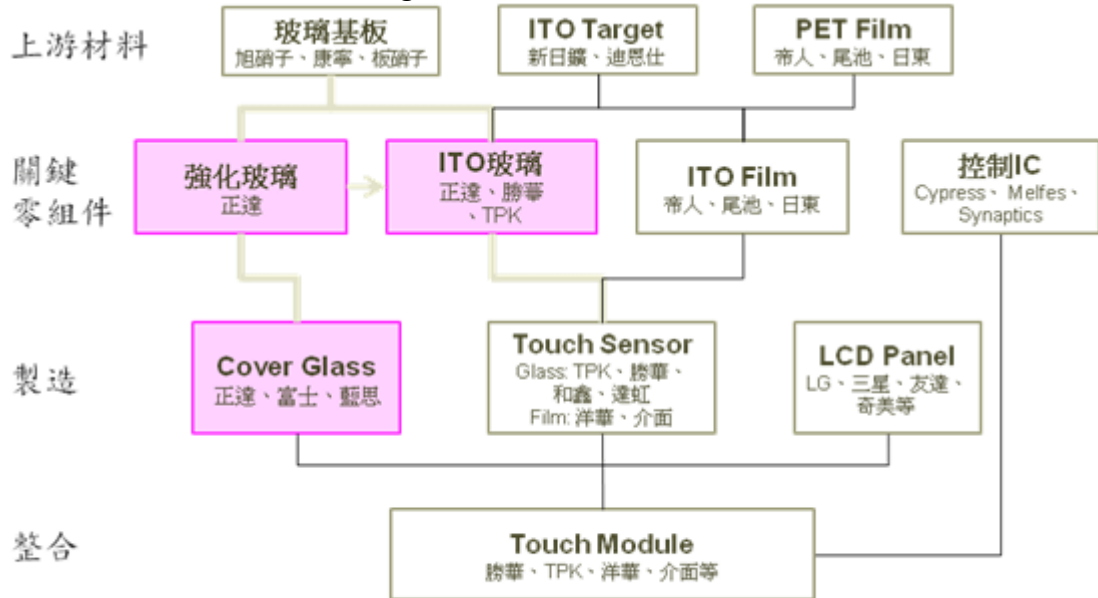


(2) Association between the upstream, midstream, and downstream industry participants:

A. Touch sensing glass processing process and industry chain

The upstream of the touch sensing glass is the mother glass melting furnace operators Asahi Glass or Nippon Sheet Glass. The mother glass produced must be precisely cut/ground into a thin glass of a certain size and flatness, chemically strengthened according to the customer's specification, coated into conductive glass, and then handed over to the touch module manufacturer to produce the panels for the assembly of final products such as smartphones or tablets.

Details are shown in the diagram below:



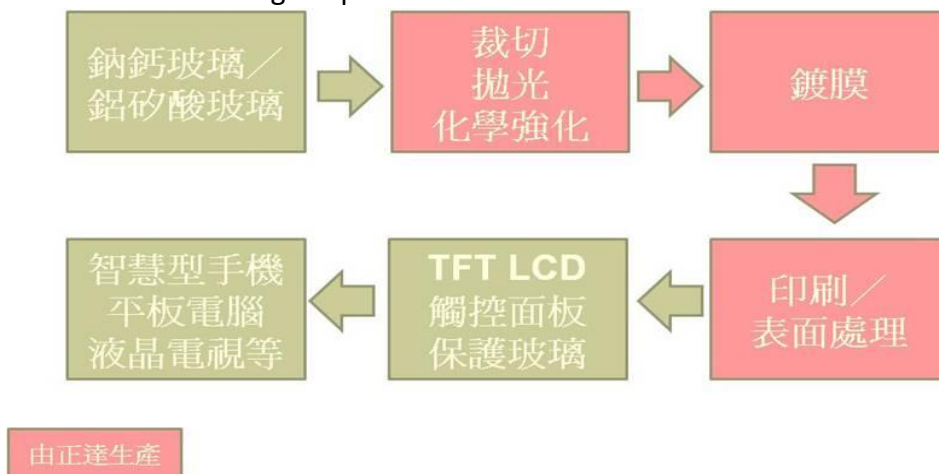
註：底色標記為正達產品線，粗灰線為玻璃投射電容產品流程

B. Optical coating and cover glass industry chain

Due to the rising demands of cover glass for mobile phones, NBs, tablets, and LCD TVs in recent years; upstream glass suppliers (including Corning and Asahi Glass) have expanded their production of aluminosilicate glass, which is the raw material for cover glass.

Aluminosilicate glass must undergo various processes such as cutting, edging, drilling, polishing, thinning, strengthening, printing, laser engraving, and coating based on the needs of different terminal applications. There are also different levels of processing according to the customer's design in terms of glass shape, mechanism, and strength. There are as many as a dozen manufacturing processes, and the processing service is highly customized. Then the products are shipped to the touch module or system assemblers.

The basic cover glass processes are as follows:



(3) Various product development trends and competition status

A. Various product development trends

At present, 3C products are developing towards light, thin, short, stylish, and concise in terms of design. Display screens are getting increasingly bigger, and full-plane and narrow bezel designs are becoming more popular. In terms of input interface, mechanical keyboards have gradually been replaced by touch panels.

Under this development, the area of glass used by various handheld devices is getting increasingly larger, and there is a trend to integrate and replace metal or plastic casings even further. For this reason, the glass processing requirements have become more diversified and customized. Therefore, the Company must implement diversified production capacity and process deployment in order to respond to different customer product design demands.

B. Competition status

G-TECH's production capacity and product lines have kept pace with the times over the past decade since its establishment. With its prospective industry deployment from glass cutting, thinning, strengthening, coating, to the expansion and construction of its 3D molding process plant in recent years; G-TECH is able to provide a series of diversified and integrated glass processing and production services to its clients.

Although there are competitors in the glass cutting, thinning, strengthening, and coating fields; G-TECH remains the only company in Taiwan and even worldwide that can provide integrated production with multiple processes in terms of integrated services. This is one of G-TECH's biggest advantages in the glass processing services field.

Moreover, G-TECH has taken the lead among its peers to invest in 3D glass formation technology R&D and mass production, and actively enterer into the innovative automotive interior components and consumer goods related glass material fields. G-TECH is the only supplier in the market that has invested in mass production of 3D glasses.

3. Technology and R&D overview:

(1) Business technical level and R&D overview:

The Company is a professional photoelectric glass processing services and key glass components provider, and its core technologies include glass cutting, polishing, coating, and strengthening. The Company is actively developing precision cutting, high-efficiency polishing, multi-functional coating, super-size substrate, and 3D glass surface formation processing products. In addition, G-TECH is also actively developing integrated applications that combine the Company's core technologies to satisfy the high-customization demands for terminal products. The development focus of the Company's R&D unit includes the continuous development of existing core technologies, vertical product integration, as well as modular and functional integration required to meet the customization demands.

In terms of multi-functional coatings, the development is focused on curved surface coating and multi-angle low chromatic aberration anti-reflective film. The Company has implemented Big Data analysis using sophisticated simulation software in order to achieve the best layer design and improve customer satisfaction. In addition to anti-reflective coatings, we also developed stain repellent coatings, anti-glare coatings, and antibacterial coatings to meet the diverse needs of customers.

In terms of terminal applications, the Company uses glass as the base material for its

products and offers various processing services for various displays and electronic devices. Small-size products include smart phones and multimedia players; medium-size products include tablets, game consoles, e-book readers, as well as satellite positioning and navigation systems; and large-size products include All-In-One PCs, notebook computers, LCD monitors, and LCD TVs. In addition to flat glass applications, the Company has also actively conducted technical R&D for special shaped glass products in order to meet the application needs of next generation cover glass demands for electronic devices.

In terms of automotive industry applications, the Company has used its quality systems to achieve high-standard automotive certifications, and jointly developed non-planar glass interior integrated products with its customers. Such products include central control system, display and touch applications, and curved or multi-curvature decorative panels. The objective is to provide durable cover glasses needed to satisfy human-machine touch-panel interface simplifications and lightweight designs in response to electrification of vehicle, achieve product integration, and meet more innovative application requirements from the market.

The Company has established trial production lines and laboratories in the plant to research and develop new processes and technologies, and continued to invest R&D funding for the improvement and integrated development of the important core technologies mentioned above. As the market grows and consumer electronic products continue to evolve and change; 3D formation glass has considerable development potential based on the application demands for new functions, shapes, and materials.

(2) R&D personnel and their education background

March 31, 2021

Education background	Number of people	Ratio (%)	Average work tenure in the Company (years)
Doctoral degree	0	0	0
Master's degree	3	12.50%	3.35
University	12	50.00%	4.96
College	5	20.83%	6.64
Vocational high school	4	16.67%	5.8
Total	24	100%	14.8

(3) Annual R&D investment for the last 5 years

Unit: NT\$ thousand

Item \ Year	2016	2017	2018	2019	2020
R&D expenditure	140,594	49,628	54,841	43,469	39,442
Net operating income	2,561,784	3,625,233	4,170,703	2,866,074	2,448,536
Ratio of R&D expenses to net revenue	5%	1%	1%	2%	2%

(4) Successfully developed technologies or products

Year	Contents of R&D achievements	Main benefits (feature description)
2014	1. Curved surface polishing jig optimization	Improve polishing quality and increase yield
	2. Special curved glass exterior design	Improve production cost and increase yield
	3. Integrated-glass semi-finished product processing	Integrated self-cover glass / ITO product used to provide customers with high-strength glass to make touch modules
	4. AG etching technology development	Establish the AG etching process technology
	5. Spraying equipment optimization	Improve spray quality and increase yield
	6. Development of smart glass for buildings	Develop new markets and construction products
	7. Mold surface technology development	Establish glass-surface roughness-level technology
2015	1. Multi-axis CNC machining technology	Improve CNC process and increase yield
	2. Laser processing technology	Improve production cost and increase yield
	3. Anti-glare etching technology development	Promote to the automotive and building construction markets
	4. Development of next-generation thermoforming technology	Promote to the automotive and building construction markets
	5. Functional coating development	Improve coating quality and increase yield
	6. Development of smart glass for buildings	Develop new markets and construction products
	7. Mold surface treatment technology development	Improve mold surface quality and life cycle
2016	1. Multi-dimensional structure anti-explosion technology	Establish consumer anti-explosion requirements
	2. AG spraying process technology	Meet customer demands for anti-glare OGS glass
	3. AGAR technology development	Promote and apply the technology to automotive market
	4. Dimming film development	Promote construction market applications
2017	1. Development of multi-cavity mold technology	Improve product efficiency
	2. Development of high-strength molding technology	Improve product strength design
	3. Multi-layer structure AR development	Development of ultra-low reflection multilayer film
	4. Development of low-impedance and high-temperature resistant conductive film	Respond to the smart glass product demands
	5. Development of medium and large 3D glass formation technology	Respond to the large-size interior panel needs after automotive electrification.
	6. Electrochromic process	Promote construction market application

Year	Contents of R&D achievements	Main benefits (feature description)
	technology development	needs
	7. Floating edge glass gluing process	Improve glass utilization rate and increase product competitiveness
	8. Electro-optical multi-layer technology	Respond to large electrochromic glass demands
2018	1. Vehicle display multi-curvature glass development	Respond to the diverse vehicle interior design needs
	2. Multi-stage color changing process technology development	Adjust the degree of sunlight according to weather forecasts
	3. 3D high penetration multilayer coating technology development	Multi-curvature design must be used in combination with high-throughput coating due to high sunlight reflection in the driving area
	4. Optoelectronic gluing technology	Multi-curvature design and panel combination
2019	1. Development of high-temperature resistant transparent conductive film TCO material	The second supplier; reduce costs.
	2. Development of multi-stage electrochromic process technology	Develop new products and applications
	3. 3D high penetration multilayer coating technology development	Increase product performance
	4. Vehicle display multi-curvature glass development	Develop new products and applications
2020	1. Building optoelectronic gluing technology	New technology development; improve yield.
	2. Development of automotive 3D anti-reflection film	Uniform film layer, ensure no chromatic aberration AR for 3D curved surface
	3. Vehicle cover glass non-plating technology	Development of traceless coating technology
	4. Development of electrochromic layer materials	Use Sputter technology to develop EC materials
As of the end of March 2021	1. Multi-angle uniform color AR	Vehicle cover glass application
	2. Building photoelectric negative pressure gluing technology	Develop diversified product applications
	3. Development of electrochromic layer materials	Electrolyte glue development.

(5) Competitive strategy

The Company has over a decade of accumulated experience in display glass processing related technology R&D and production; and has the most comprehensive, largest scale, high-level process integration, and strongest capability to meet the industry trend demands among its peers in Taiwan. Compared to its smaller-scale or new-entrant competitors, the Company has firmly maintained its leading position in technology and production capacity, and possesses strong competitive advantages.

The Company also aims to be a world-class comprehensive optical glass processing service provider. In the future, the Company will continue to grasp the market trends, invest in R&D resources, and maintain capacity expansion speed and efficiency in order to create higher growth momentum and profitability.

4. Long- and short-term business development plans

(1) The Company's short-term business development plan

- A. Operating strategy: In addition to deploying the existing smartphones, tablet computers, and electronic product peripheral accessories; the Company will also actively develop non-consumer electronic markets such as industrial control and accelerate expansion in the architectural glass market.
- B. Product strategy: Build a production line suitable for small-volume and high-diversification production according to the market customer demands, quickly increase production capacity, and achieve mass production and production efficiency in the shortest time in order to achieve a win-win for Company profits and customer interests.
- C. Marketing strategy: Expand the customer base and extend the core competence related product applications in order to achieve the high speed, service optimization, cost effectiveness, and best quality objectives.

(2) The Company's mid- and long-term business development plan

- A. Operational strategy: Improve technology and process capabilities, provide total solutions, widen the gap with competitors, and maintain industrial competitiveness and high profitability.
- B. Strengthen the R&D of new products and materials with cost advantages in order to enhance the Company's long-term competitiveness.
- C. Vertical supply chain integration: Obtain more electronic glass substrate procurement and processing technology advantages via in-depth cooperation with electronic mother glass manufacturers. Partner with Asahi Glass for architectural glass in order to create new demands in Taiwan's architectural glass market.
- D. Marketing strategy: Pass the TS16949 quality system certification, actively expand the automotive market, and develop new products and new customers based on customer needs. Expand the market for niche products such as electronic whiteboards and Mirror Glass, and extend the reach into this market.

II. Market, production, and sales overview

1. Market analysis

(1) Sales areas for main products

Unit: NT\$ thousand

Sales regions \ Year	2019		2020	
	Sales amount	Ratio	Sales amount	Ratio
Taiwan	658,455	22.97%	816,037	33.33%
The United States	30,002	1.05%	15,466	0.63%
Mainland China	1,410,907	49.23%	1,372,732	56.06%
Japan	6,624	0.23%	13	0.00%
Germany	91,351	3.19%	57,528	2.35%
Belize	451,299	15.74%	125,143	5.11%
Hong Kong	177,981	6.21%	32,258	1.32%
Indonesia	29,192	1.02%	27,713	1.13%
France	0	0.00%	1,598	0.07%
Portugal	0	0.00%	48	0.00%
Samoa	10,263	0.36%	0	0.00%
Thailand	0	0.00%	0	0.00%
Total	2,866,074	100.00%	2,448,536	100.00%

Note: Must be based on the consolidated financial report.

(2) The future supply/demand and growth status of the market

In recent years, the application of glass in electronic devices has become increasingly more widespread. Since 2007, the demand for touch-sensing and cover glasses has grown rapidly as mobile phones started to adopt full-screen touch control. Since 2010, tablet PCs started to offer 100% full-screen touch controls, and the screen sizes for smartphones have enlarged from 3.5 inches to 10 inches to provide larger glass application areas. For glass processing service manufacturers, the market size has grown exponentially each year.

Although the demand for smartphones and tablet computers has gradually entered a slow-growth period after years of increasing demand, the trend remains positive. The mainstream sizes of smartphones have grown from 3.5 inches to 5.5 inches, and 7 inches to 8 inches tablet PCs are also vying for market share.

In terms of the 2D/2.5D mobile phone and tablet computer cover glasses, worries about oversupply gradually emerged in 2013 because numerous manufacturers have invested in production capacity deployment in the market since 2011.

G-TECH's processing services have changed from volume growth in the past to the pursuit of more differentiated and diversified designs. G-TECH diversified process services have enabled it to become the market leader in anti-reflective (AR) high-precision coating, 3D molding, and other high-variability and different-curvature processes; which have facilitated sustainable business development for the Company.

Since the market demands for touch panels are in the initial rising stage; the demands for strengthened cover glasses in electronic product terminal devices are expected to take off in the next few years due to the rapid expansion of touch control terminal applications, the rapid growth of medium and large size applications such as tablet computers, and the introduction of cover glasses for NB and LCD TV exterior designs.

(3) Competition niche

- A. Strong professional management team, excellent R&D capabilities.
- B. Directly cooperate with brand manufacturers for development, and grasp the first-hand market information.
- C. High technical threshold, vertically integrated products, and lack of comprehensive competitors.
- D. Adopts the latest automatic coating equipment and leading technology with high production efficiency.
- E. The leading exclusive 3D molded glass mass production manufacturer in the market.

(4) Favorable and unfavorable factors for development prospects as well as countermeasures:

A. Favorable factors:

- a. Provide customers with highly integrated and customized product requirements.
Since G-TECH has a full production line service process capability for areas such as cutting, grinding, thinning, etching, polishing, strengthening, and coating; it can satisfy brand customers' high-customization demands for glass products and provide one stop shopping services.
- b. Possess the world's largest glass strengthening furnace and AR coating capacity.
In terms of the production capacity of strengthened glass for touch panels, G-TECH is currently the world's largest supplier for chemically strengthened glass due to its early deployment and active production capacity expansion in the past two years.
- c. Becoming part of the supply chain for first-line brand manufacturers will help consolidate the Company's position and expand the market.
G-TECH's complete comprehensive glass processing service production line can meet the needs of first-line brand customers. G-TECH has also passed major international plant certifications and established its leading position in the glass processing field.
- d. Leading technology with deployment in innovative optical coating, 3D molding glass, and other new technologies.
G-TECH has developed its glass technologies for many years, possessed high-end technology R&D capabilities, and had a keen sense of trend as well as market flexibility in this field. After entry into the touch-panel strengthened cover glass market, G-TECH has been actively developing next-generation products such as the strengthened 6th-generation touch-sensing glass, innovative optical coating technologies, and 3D molded glass products (of which have reached the mass production phase).

B. Unfavorable factors and countermeasures:

- a. Touch module and panel plants have integrated upwards, and new competitors increased.

Due to the rapid growth of the cover glass market and the market's tight production capacity supply, panel and touch module plants tended to integrate upwards and enter the cover glass field in order to control the supply source.

Countermeasures: Partner with upstream glass substrate plants to strengthen strategic alliances.

- b. The rise of low-cost touch panels in mainland China

Mainland China's touch panel suppliers compete by cutting prices, which gave touch panel manufacturers greater bargaining margin in order to make their products more price-competitive.

Countermeasures: G-TECH will carefully evaluate customer quotations and seek more effective production methods to meet the customers' quality, materials, and manufacturing process demands.

- c. Mainstream touch technologies change rapidly, and alternative materials are emerging

WitWitsview predicted that the proportion of tablet PCs using G/G touch technology architecture would decrease from 46.3% in 2012 to 6.8% in 2014. The application of touch technology for small to medium sizes will focus on the in/on cell, resulting in reduced use of strengthened glass for touch sensors.

Countermeasures: Use the capacity of the strengthening furnace for cover glass and 3D molded glass products.

2. Important purpose and production process for main products

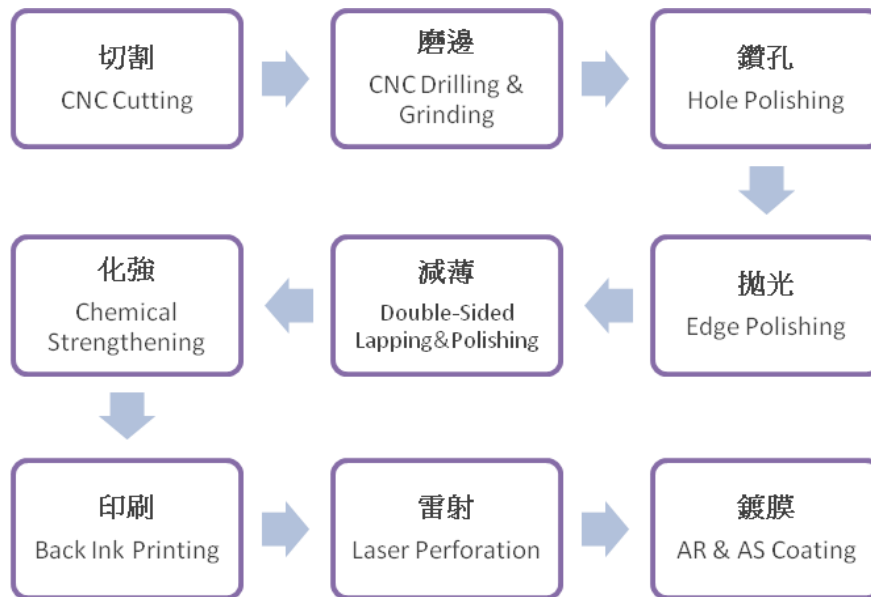
(1) Important purpose for main products

The Company's products are mainly used for flat-panel displays such as smartphones, tablets, notebook computers, portable navigation systems, game consoles, multimedia players, LCD monitors and TVs, and devices equipped with touch panels.

(2) Production process for main products:

- a. Strengthened, coated, and 2D cover glass

The basic glass processing process is as follows:



b. 3D molded glass

The 3D molded glass production process involves molding flat mother glass substrate into various required shapes first, and then proceed to the basic glass processing process shown in the figure above.

3. Main raw material supply status

Main raw material name	Main supplier	Supply availability
Glass substrate	AGC, Corning	Stable quality and supply, long-term cooperation, and good supply status

4. List of main purchase and sales customers

(1) The names of customers and suppliers that have accounted for over 10% of the total purchases or sales in any of the last two years as well as the purchase amount and ratio, and please describe the reasons for the increase or decrease:

A. Procurement

Unit: NT\$ thousand

Item	2019				2020				2021 as of the previous quarter			
	Name	Amount	Percent age to annual net purchases (%)	Relation with the issuer	Name	Amount	Percent age to annual net purchases (%)	Relation with the issuer	Name	Amount	Percent age to annual net purchases (%)	Relation with the issuer
1	K.N. International	594,834	27.90	None	Futaihua	802,845	45.63	Related parties	Futaihua	200,281	45.73	Related parties
2	Futaihua	570,237	26.75	Related parties					Hong Kong Boen	53,363	12.18	None
3	W. Young Tech Co., Ltd.	234,035	10.98	None								
4				-				-				-
	Others	732,771	34.37		Others	956,753	54.37		Others	184,305	42.09	
	Net purchase amount	2,131,877	100.00	-	Net purchase amount	1,759,598	100.00	-	Net purchase amount	437,949	100.00	-

Explanation of increase or decrease change:

Transactions fell sharply in 2020 due to the impacts of COVID-19, resulting in a decrease for the amount of goods purchased by suppliers.

B. Sales

Unit: NT\$ thousand

Item	2019				2020				2021 as of the previous quarter			
	Name	Amount	Percent age to annual net sales (%)	Relation with the issuer	Name	Amount	Percent age to annual net sales (%)	Relation with the issuer	Name	Amount	Percent age to annual net sales (%)	Relation with the issuer
1	Jabil	579,893	20.23	None	Jabil	730,713	29.84	None	Jabil	165,740	26.54	None
2	Whirlwind	451,299	15.75	None								
3				-								
4												
	Others	1,834,882	64.02	-	Others	1,717,823	70.16		Others	458,677	73.46	-
	Net revenue	2,866,074	100.00	-	Net revenue	2,448,536	100.00	-	Net revenue	624,417	100.00	-

Explanation of increase or decrease change:

Revenue in 2020 was lower compared to that of 2019 due to the COVID-19 outbreak in Q1 of 2020, which caused a decrease of NT\$420 million in revenue.

However, the sales of smart optoelectronics and smart buildings showed revenue growth, which increased by NT\$130 million and NT\$10 million, respectively, over the same period in 2019.

5. Analysis of production value and changes in the last two years

Unit: PCS(K); NT\$ thousand

Year Production volume & main products	2019			2020		
	Capacity (Note)	Output volume	Output value	Capacity (Note)	Output volume	Output value
Smart optoelectronics	1,360	1,186	513,909	2,274	2,712	656,902
Smart cars	1,500	760	232,426	1,165	365	171,791
Smart buildings	6,265	2,996	266,531	6,600	2,893	288,199
Total	9,125	4,942	1,012,866	10,039	5,970	1,116,892

(Note): 1. Production capacity refers to the quantity that the Company can produce under normal operation using the existing production equipment after measuring the necessary shutdowns, holidays, and other factors.

2. If the production of each product is substitutable, the production capacity may be combined and an explanation must be provided.

Analysis and explanation of changes in production value:

- ①. The output value of smart optoelectronic glass increased primarily due to the demand increase of coated glass for iMac and sports equipment.
- ②. The decline in the output value of smart vehicle glass was primarily due to the suspension of sales for some products during the 2nd half of 2020.
- ③. The increase in the output value of smart building glass was primarily due to the increase in large-scale construction project demands.

6. Analysis of sales volume and changes in the last two years

Unit: PCS(K); NT\$ thousand

Year Sales volume of main products	2019				2020			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Smart optoelectronics	349	102,622	268	181,579	605	142,536	360	149,816
Smart cars	645	37,698	698	746,997	396	80,153	560	302,100
Smart buildings	5,553	497,814	18	8,509	8,073	509,849	1	156
Others	186	20,321	22,868	1,270,534	650	83,499	28,688	1,180,427
Total	6,733	658,455	23,852	2,207,619	9,724	816,037	29,609	1,632,499

Analysis and explanation of sales volume changes:

The Company's sales in 2020 decreased by NT\$418 million compared to that of 2019 primarily due to the COVID-19 outbreak in Q1 of 2020, resulting in a decrease of NT\$580 million in export sales. However, domestic sales increased by NT\$158 million.

III. Employee information for the most recent two years and as of the publication date of the annual report

Item/Year		2019	2020	Current year until March 31, 2021
Number of employees	Indirect personnel	203	311	315
	Direct personnel	267	205	227
	Total	470	516	542
Average age		37	40.05	39.6
Average service tenure		6.55	8.28	7.63
Education distribution ratio (%)	Doctoral degree	0%	0 %	0 %
	Master's degree	4%	4.2 %	4.23 %
	University (post-secondary)	56%	56.09 %	55.38 %
	Vocational high school (inclusive) or lower	40%	39.71 %	40.38 %

IV. Environmental protection expenditure information

1. For a pollution facility installation permit or a pollution discharge permit application, pollution prevention and control fee payment, or setting up a special unit for environmental protection personnel according to laws and regulations; please describe the application, payment, or establishment status:

Item	Establishment requirement	Approval number	Approval time
Water Pollution Control Act (Miaoli Plant 3)	Water pollution control facility permit	Miao-Xian-Huan-Pai-Xu-Zi No. 00606-01	2018.10.17
	Responsible person	Yao-Pin Chang (2012) Huan-Shu-Xun-Zheng No. GB070509	2016.02. 24
Water Pollution Control Act (Miaoli Plant 2)	Water pollution control facility permit	Miao-Xian-Huan-Pai-Xu-Zi No. 00409-04	2018.05.01
	Responsible person	Chih-Hung Chou (2016) Huan-Shu-Xun-Zheng No. GA050915	2016.10.03
Water Pollution Control Act (Southern Taiwan Science Park Plant 2)	Water pollution control facility permit	Nan-Ke-Huan-Shui-Xu-Zi No. D0098-05	2019.10.14
	Responsible person	Chien-Pin Lin (2003) Huan-Shu-Xun-Zheng No. GA020224	2003.07.17
Waste management (Miaoli Plant 1)	Waste disposal plan	Fu-Huan-Fei-Zi No. 1050034061	2016.10.07
Waste management (Miaoli Plant 2)	Waste disposal plan	Fu-Huan-Fei-Zi No. 1060026841	2017.07.17
Waste management (Miaoli Plant 3)	Waste disposal plan	Fu-Huan-Fei-Zi No. 1070054802	2018.12.18
Waste management (Southern Taiwan Science Park Plant 2)	Waste disposal plan	Nan-Huan-Zi No. 1080021867	2019.08.12
Air Pollution Control Act (Miaoli Plant 2)	Stationary Pollution Source Installation Permit	Miao-Fu-Huan-Zheng-Zi No. K0571-00	2014.05.28
Air Pollution Control Act (Miaoli Plant 2)	Stationary Pollution Source Operating Permit	Miao-Fu-Huan-Cao-Zheng-Zi No. K0906-01	2019.10.16

2. Investment in major equipment for the prevention and control of environmental pollution as well as its use and possible benefits:

Unit: NT\$ thousand

Equipment name	Quantity	Date obtained	Investment amount	Purpose and overview of the expected benefits	Remarks
Wastewater treatment facility	1	2015.05.15	65,000	Wastewater treatment	
Air pollution treatment equipment project	1	2014-06-01	16,387	Waste gas treatment	
Wastewater treatment project	1	2014-06-01	6,194	Wastewater treatment	
Wastewater treatment project	1	2010.09.01	35,983	Wastewater treatment	Factory lease and existing equipment
Wastewater treatment project	1	2010.07.17	710	Wastewater treatment	
Waste gas activated carbon adsorption treatment system	1	2004-02-02	200	Waste gas treatment	Factory lease and existing equipment
Wastewater treatment project	1	2004-02-02	1,500	Wastewater treatment	Factory lease and existing equipment
Wastewater treatment facility	1	2008.04.01	3,465	Wastewater treatment	
Wastewater treatment facility	1	2001.03. 30	2,750	Wastewater recycling treatment	

3. In the most recent year and as of the publication date of this annual report, if there is any pollution related dispute during the Company's environmental pollution improvement process, please describe the handling process: None.

4. Losses incurred due to environmental pollution (including compensation and environmental protection audit in violation of environmental protection laws and regulations, the date of disciplinary action, the case number, the laws and regulations violated, the content of violations, and the content of disciplinary action must be listed). Please also disclose the estimated amount that may occur at present and in the future as well as the corresponding measures. If a reasonable estimate cannot be made, please state the fact why it cannot be reasonably estimated:

(1) Violation factor: disciplinary date: 2010.01.06

Disciplinary No.: Huan-Fei-Zi No. 1090000753

Violation article: Subparagraph 2, Paragraph 1, Article 31 of the Waste Disposal Act

Violation content: 2019.11.12 Miaoli Plant 2's output of waste oil mixture D-1799 deduct by the volume declared does not meet the storage volume, and waste ink D-2405 was not declared for storage according to regulations.

Disciplinary content: A fine of NT\$12,000 even and environmental training for 2 hours.

Future countermeasures: The waste reporting management system has been revised and improved immediately, and the quality balance on the

reporting system has been confirmed monthly to prevent the same situation from recurring.

5. The impact that the current pollution status and improvement has on the Company's earnings, competitive position and capital expenditures as well as the major environmental protection capital expenditure budget for the next 2 years: No major impact.

V. Labor-capital relations

(I) The Company's various employee welfare measures, advanced studies, training, retirement systems, and their implementation conditions; the labor and management agreement status; and status of various employee rights protection measures.

1. Employee welfare measures:

- (1) Company benefits: labor insurance, health insurance, group insurance: The subjects are employees, and the insurance contents are accident insurance, etc.
- (2) Employee benefits: welfare subsidies (marriage, childbirth, funeral, and birthday), educational grants (employees and their children), festival bonuses (Spring Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival), cultural and recreational activities, leisure travel, and emergency relief.

2. Further education and training:

組織層級	階層課程	通識課程	專業課程	職安課程	基礎課程					
經營管理層 (ex: 副總、特助、協理級)	中高階主管訓練	內部講師培訓	溝通類、語言類課程	工作輪調、工站訓練	各管理系統課程	專業職能訓練	關鍵人才培育	職安相關操作人員訓練	新進人員職前訓練	
規劃管理層 (ex: 課級、理級、課級)										
管制執行層 (ex: 工程師、專員)	基層主管訓練	內部講師培訓	溝通類、語言類課程	工作輪調、工站訓練	各管理系統課程	專業職能訓練	關鍵人才培育	職安相關操作人員訓練		新進人員職前訓練
執行層 (ex: 組長、領班)										
一般 (ex: 作業員)	基層主管訓練	內部講師培訓	溝通類、語言類課程	工作輪調、工站訓練	各管理系統課程	專業職能訓練	關鍵人才培育	職安相關操作人員訓練		

Employee education and training are provided according to their functions. The training courses are divided into 5 categories: professional, general, rank, basic, and Occupational Safety and Health Act.

2020 education and training implementation overview is shown in the table below:

2020 education and training _ total number of employees trained

Plant area	Basic training	Profession type	General education type	Rank type	Occupational Safety and Health Act	Total
G-TECH	22	370	34	0	51	477
Southern Taiwan Science Park	96	125	0	0	3	224
Total	118	495	34	0	54	701

3. Retirement system:

The Company allocates 6% of the monthly salary to the pension fund and deposits it in the employee's personal pension account.

4. Labor-management agreement status and various employee rights protection measures:

The Company has formulated various employee-related management measures pursuant to the relevant provisions of the Labor Standards Act in order to protect the rights and interests of employees. The Company also values employee opinions and has provided multiple opinion response channels. Labor-capital meetings are convened on an irregular basis and bilateral communication is adopted in order to promote healthy communication between labor and capital, jointly maintain good labor-capital relations, and enable both parties to seek the best solutions.

- (II) The losses suffered due to labor disputes in the most recent year and up to the publication date of this annual report, as well as the estimated amounts and corresponding measures that may occur at present and in the future:

The Company has complied with laws and regulations, and there is no labor dispute or violation this year.

VI. Important contracts

Nature of contract	Contract party	Contract starting date	Main content	Restriction clause
Long-term loan	Shanghai Commercial and Savings Bank	2013.12.31~2020.12.31	Mechanical equipment guarantee loan	None
Long-term loan	King's Town Bank	2019.08.20~2020.10.20	Credit loan	None
Long-term loan	Taiwan Cooperative Bank	2019.09.02~2024.09.02	Land and plant guarantee loans	None
Long-term loan	Bank of Taiwan	2013.08.16~2028.08.16	Land and plant guarantee loans	None
Long-term loan	Bank of Taiwan	2013.10.15~2023.10.15	Land and plant guarantee loans	None
Long-term loan	Bank of Taiwan	2014.09.29~2024.01.15	Land and plant guarantee loans	None
Long-term loan	Bank of Taiwan	2014.12.22~2024.01.15	Land and plant guarantee loans	None
Long-term loan	Chang Hwa Bank	2014.03.26~2020.07.14	Land and plant guarantee loans	None
Long-term loan	Chang Hwa Bank	2014.06.25~2020.07.14	Land and plant guarantee loans	None
Long-term loan	Chang Hwa Bank	2014.07.29~2020.07.14	Land and plant guarantee loans	None
Long-term loan	Chang Hwa Bank	2019.08.27~2020.07.14	Land and plant guarantee loans	None
Long-term loan	Sunny Bank	2020.07.14~2027.07.14	Land and plant guarantee loans	None
Long-term loan	Sunny Bank	2020.07.14~2027.07.14	Land and plant guarantee loans	None
Long-term loan	Sunny Bank	2020.07.14~2027.07.14	Land and plant guarantee loans	None
Long-term loan	Land Bank of Taiwan	2020.09.10~2023.09.10	Revitalization fund loan	None
Long-term loan	Land Bank of Taiwan	2020.12.16~2023.09.10	Revitalization fund loan	None
Long-term loan	Land Bank of Taiwan	2021.03.20~2022.03.20	Credit loan	None

Six. Financial Overview

I. Condensed balance & income statement for the last five years with the names of CPAs and their audit opinions

(I) Condensed Balance & Comprehensive Income Statement Information

1. Condensed Balance Sheet - International Financial Reporting Standards (Consolidated)

Unit: NT\$ thousand

Year		Financial Analysis Information for the Last 5 Years (Note 1)					Financial information for the year as of March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		2,413,045	2,268,109	2,499,737	1,502,668	1,448,489	1,751,620
Property, plant, and equipment		3,415,245	2,831,823	2,580,167	2,275,669	1,371,860	1,363,267
Intangible assets		3,880	2,099	1,333	1,113	6,946	5,964
Other assets		270,091	264,513	14,434	105,166	1,219,996	1,360,580
Total assets		6,102,261	5,366,544	5,095,671	3,884,616	4,047,291	4,481,431
Current liabilities	Before distribution	3,342,843	2,609,396	2,935,091	1,508,008	1,274,357	1,258,569
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Non-current liabilities		1,504,869	1,215,372	516,646	859,127	1,235,641	1,678,451
Total liabilities	Before distribution	4,847,712	3,824,768	3,451,737	2,367,135	2,509,998	2,937,020
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity attributable to owners of the parent company		1,254,549	1,541,776	1,643,934	1,517,481	1,537,293	1,544,411
Share capital		1,696,415	1,883,936	2,063,936	2,063,936	2,063,936	2,063,936
Additional paid-in capital		106,813	218,299	269,239	40,528	16,711	30,074
Retained earnings	Before distribution	-814,661	-795,083	-919,582	-751,240	-1,019,793	-1,025,358
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Other equities		265,982	234,624	230,341	164,257	476,439	475,759
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	1,254,549	1,541,776	1,643,934	1,517,481	1,537,293	1,544,411
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

* If the Company has formulated an individual financial report, it must also formulate an individual condensed balance & comprehensive income statement for the last 5 years.

Note 1: The financial information has been verified by the CPAs.

2. Condensed Comprehensive Balance Sheet - International Financial Reporting Standards (Consolidated)

Unit: NT\$ thousand

Item	Financial Analysis Information for the Last 5 Years (Note 1)					Financial information for the year as of March 31, 2021
	2016	2017	2018	2019	2020	
Operating income	2,561,784	3,625,233	4,170,703	2,866,074	2,448,536	624,417
Gross profit	-1,072,233	-152,509	84,100	-17,159	-9,098	23,799
Operating profit or loss	-1,552,364	-504,653	-183,715	-213,916	-436,626	-29,055
Non-operating income and expense	1,086,919	521,083	64,325	154,100	146,107	23,490
Profit before tax	-465,445	16,430	-119,390	-59,816	-290,519	-5,565
Net profit for the current period for continuing business units	-466,314	19,578	-124,499	-60,369	-293,123	-5,565
Loss from discontinued units	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net profit (loss) for the current period	-466,314	19,578	-124,499	-60,369	-293,123	-5,565
Other comprehensive income for the current period (net after tax)	-22,066	34,020	-4,283	-66,084	312,182	-680
Total comprehensive income in the current period	-488,380	53,598	-128,782	-126,453	19,059	-6,245
Net profit attributable to the owners of the parent company	451,088	19,578	-124,499	-60,369	-293,123	-5,565
Net profit attributable to non-controlling interests	-15,226	68,040	-	-	-	-
Net total comprehensive profit and loss attributable to the owners of the parent company	-473,154	-14,442	128,782	-126,453	19,059	-6,245
Total comprehensive income attributable to non-controlling interests	15,226	68,040	-	-	-	-
Earnings per share	-2.66	0.11	-0.64	-0.29	-1.42	-0.03

Note 1: The financial information has been verified by the CPAs.

3. Condensed Balance Sheet - International Financial Reporting Standards (Individual)

Unit: NT\$ thousand

Item		Financial Analysis Information for the Last 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		1,342,894	1,783,495	1,730,261	1,312,172	1,303,200
Property, plant, and equipment		3,415,245	2,831,823	2,580,167	2,250,744	1,345,882
Intangible assets		3,880	2,099	1,333	1,113	6,946
Other assets		268,263	262,048	11,946	1,036,587	1,323,997
Total assets		5,329,498	5,106,846	4,555,830	2,527,442	3,980,025
Current liabilities	Before distribution	2,572,067	2,353,622	2,402,204	1,464,099	1,207,091
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Non-current liabilities		1,502,882	1,211,448	506,692	858,034	1,235,641
Total liabilities	Before distribution	4,074,949	3,565,070	2,911,896	2,322,133	2,442,732
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity attributable to owners of the parent company		1,254,549	1,541,776	1,643,934	1,517,481	1,537,293
Share capital		1,696,415	1,883,936	2,063,936	2,063,936	2,063,936
Additional paid-in capital		106,813	218,299	269,239	40,528	16,711
Retained earnings	Before distribution	-814,661	-795,083	-919,582	-751,240	-1,019,793
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Other equities		265,982	234,624	230,341	164,257	476,439
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,254,549	1,541,776	1,643,934	1,517,481	1,537,293
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

* The financial information must be formulated according to the Taiwan Generally Accepted Accounting Principles as shown in Table (2) below if the financial information has been prepared using the International Financial Reporting Standards for less than 5 years.

Note 1: The financial information for 2016~2020 has been verified by CPAs.

4. Condensed Comprehensive Balance Sheet - International Financial Reporting Standards (Individual)

Unit: NT\$ thousand

Item	Year	Financial Analysis Information for the Last 5 Years (Note 1)				
		2016	2017	2018	2019	2020
Operating income		1,960,163	3,401,520	3,206,843	2,697,547	2,322,138
Gross profit		-665,421	-173,017	42,246	-24,652	-12,681
Operating profit or loss		-944,412	287,481	-175,166	-209,115	-366,200
Non-operating income and expense		493,458	476,928	55,776	149,299	75,681
Profit before tax		-450,954	16,430	-119,390	59,816	-290,519
Net profit for the current period for continuing business units		-451,088	19,578	-124,499	-60,369	-293,123
Loss from discontinued units		-	-	-	-	-
Net profit (loss) for the current period		-451,088	19,578	-124,499	-60,369	-293,123
Other comprehensive income for the current period (net after tax)		-22,066	-34,020	-4,283	-66,084	312,182
Total comprehensive income in the current period		-473,154	-14,442	-128,782	-126,453	19,059
Net profit attributable to the owners of the parent company		-451,088	19,578	-124,499	-60,369	-293,123
Net profit attributable to non-controlling interests		-	-	-	-	-
Net total comprehensive profit and loss attributable to the owners of the parent company		-473,154	-14,442	-128,782	-126,453	19,059
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		-2.66	0.11	-0.64	-0.29	-1.42

* The financial information must be formulated according to the Taiwan Generally Accepted Accounting Principles as shown in Table (2) below if the financial information has been prepared using the International Financial Reporting Standards for less than 5 years.

Note 1: The financial information for 2016~2020 has been verified by CPAs.

(III) Names of the CPAs in the Most Recent 5 Years and their Review Opinions

Year	Name of CPA	Name of CPA firm	Verification Opinions
2016	Chih, Shih-Chin, Chang, Shu-Ying	KPMG	Unqualified opinion
2017	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2018	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2019	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2020	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion

II. Financial analysis for the last five years

(1) Financial Analysis - International Financial Reporting Standards (Consolidated)

Year (Note 1) Analysis Items (Note 3)		Financial analysis for the last five years					Financial analysis for the year until March 31, 2021
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt-to-asset ratio	79.44	71.27	67.74	60.94	62.03	65.54
	The ratio of long-term funds to real estate, plant, and equipment	80.8	97.36	83.74	104.44	202.13	236.41
Solvency %	Current ratio	72.19	86.92	85.17	99.65	113.66	139.18
	Quick ratio	63.44	77.43	76.62	87.36	101.29	126.49
	Interest coverage ratio	-1.43	1.33	-1.55	-0.43	-7.52	0.33
Management capacity	Accounts receivable turnover rate (times)	2.73	4.51	3.59	2.73	3.34	3.88
	Average cash collection days	133.69	80.93	101.65	133.76	109.12	94.16
	Inventory turnover rate (times)	12.29	14.53	16.85	13.59	14.80	15.41
	Payables turnover rate (times)	7.70	7.2	5.43	5.47	9.31	9.14
	Average sales days	29.69	25.12	21.67	26.86	24.67	23.68
	Property, plant, and equipment turnover rate (times)	0.43	1.16	1.54	1.18	1.34	1.83
	Total assets turnover rate (times)	0.27	0.63	0.8	0.64	0.62	0.59

Year (Note 1) Analysis Items (Note 3)		Financial analysis for the last five years					Financial analysis for the year until March 31, 2021
		2016	2017	2018	2019	2020	
Profitability	Return on assets (%)	-3.29	1.05	-1.66	-0.60	-6.7	0.49
	Return on equity (%)	-31.6	1.40	-7.82	-3.82	-19.19	-1.44
	Percentage of net profit before tax to the paid-in capital (%)	-27.44	0.87	-5.78	-2.9	-14.08	-0.27
	Net profit margin (%)	-18.20	0.54	-2.99	-2.11	-11.97	-0.89
	Earnings per share (NT\$)	-2.66	0.11	-0.64	-0.29	-1.42	-0.03
Cash flows	Cash flow ratio (%)	12.21	-16.31	-1.96	18.66	16.55	-1.89
	Cash flow adequacy ratio (%)	19.77	23.99	0.96	-25.23	52.53	-7.23
	Cash reinvestment ratio (%)	5.43	-6.85	-1.00	4.97	3.67	-0.47
Leverage	Operating leverage	-0.96	-5.16	-18.78	-12.17	-4.78	-17.43
	Financial leverage	0.89	0.91	0.80	0.84	0.93	0.78

Please explain the reasons for the changes in various financial ratios for the last 2 years. (Exempt if the increase or decrease is lower than 20%):

1. Long-term funds to fixed assets ratio: In 2020, Miaoli Plant 3 buildings A & B were listed as investment property, which led to an increase in the ratio.
2. Interest coverage ratio: The amount of loss in 2020 increased compared with that of 2019, which led to a decrease in interest coverage.
3. Turnover rate of accounts receivable: The bills receivable was realized in 2020, and the accounts receivable decreased compared to the same period of 2019, which resulted in an increase in the turnover rate of accounts receivable.
4. Turnover rate of accounts payable: In 2020, the demand for trade product orders increased compared to the same period of 2019, which resulted in an increase in the turnover rate of payables.
5. Return on assets and return on equity: In 2020, revenue decreased by 14.57% compared to the same period of 2019, and the provision of bad debt losses resulted in a decline of the rate of return.
6. Net profit ratio & net profit before tax to paid-in capital ratio and earnings per share: In 2020, revenue decreased by 14.57% compared to the same period of 2019, which caused the operating loss to increase as well as the net profit ratio and earnings per share to decrease compared to that of 2019.
7. Cash flow adequacy ratio: The cash flow for business activities in 2019~2020 were all positive, which enabled the cash flow adequacy ratio to rise.
8. Cash reinvestment ratio: In 2020, working capital turned from negative to positive, which resulted in a decline of the cash reinvestment ratio.
9. Operating leverage: In 2020, revenue decreased by 14.57% compared to the same period of 2019, which caused the net operating loss to increase and the operating leverage to rise compared to those of 2019.

* The financial information must be formulated according to the Taiwan Generally Accepted Accounting Principles as shown in Table (2) below if the financial information has been prepared using the International Financial Reporting Standards for less than 5 years.

Note 1: The financial information for 2016~2020 has been verified by CPAs.

Note 2: Financial analysis calculation formulas:

1. Financial Structure
1. Financial Structure

- (1) Liabilities to assets ratio = total liabilities / total assets.
- (2) Ratio of long-term funds to real estate, plant, and equipment = (total equity + non-current liabilities) / net amount for property and plant.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

3. Management Capacity

- (1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.
- (2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.
- (3) Inventory turnover rate = cost of goods sold / average inventory value.
- (4) Turnover rate for accounts payable (including accounts payable and bills payable due to businesses) = net sales / average balance of accounts payable (including accounts payable and bills payable due to businesses) for each period.
- (5) Average number of sales days = 365 / inventory turnover rate.
- (6) Real estate, plant and equipment turnover rate = net sales / average net amount for real estate, plant, and equipment.
- (7) Turnover rate for total assets = net sales / total average assets.

4 Profitability

- (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on equity = after-tax profit and loss / average total equity.
- (3) Net profit rate = after-tax profit and loss / net sales.
- (4) Earnings per share = (profit and loss attributable to owners of the parent company - special stock dividends) / weighted average number of issued shares. (Note 4)

5. Cash flows

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Cash flow adequacy ratio = (net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividends) in the last five years.
- (3) Cash re-investment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Balance:

- (1) Operation balance = (net operating income - operating variable cost and expense) / operating income (Note 6).
- (2) Financial balance = operating income / (operating income - interest expense).

Note 3: Please pay special attention to the following matters when assessing the aforesaid calculation formula of earnings per share.

- 1. The basis should be the weighted average number of common shares instead of the number of outstanding shares at the end of the year.
- 2. In case of cash capital increase or treasury stock trading, consider the circulation period and calculate the weighted average number of shares.
- 3. In case of surplus transfer to capital increase or capital reserve transfer to capital increase, retrospective adjustments should be made according to the ratio of capital increase when calculating earnings per share for the previous year and the previous six-month, and the capital increase issuance period need not be considered.
- 4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (whether issued or not) shall be deducted from the after-tax net profit, or the net loss after-tax should be increased. If the special stock is non-cumulative and if there is after-tax net profit, the dividend of the special stock shall be deducted from the after-tax net profit. No adjustment is necessary if there is a loss.

Note 4: Please pay special attention to the following matters when measuring the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
 2. Capital expenditure refers to the annual cash outflow from capital investment.
 3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
 4. Cash dividends shall include cash dividends on ordinary shares and special shares.
 5. Gross property, plant, and equipment refers to the total amount of property, plant, and equipment prior to the deduction of accumulated depreciation.
- Note 5: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.
- Note 6: If the company's stock has no denomination or the denomination per share is not NT\$10, the aforesaid paid-in capital ratio calculation shall be calculated based on the equity ratio attributable to the balance sheet of the parent company owner.

(2) Financial Analysis - International Financial Reporting Standards (Individual)

Analysis Items (Note 2)		Year	Financial analysis for the last five years (Note 1)				
		2016	2017	2018	2019	2020	
Financial structure (%)	Debt-to-asset ratio	76.46	69.81	63.92	60.48	61.37	
	The ratio of long-term funds to real estate, plant, and equipment	80.74	97.22	83.47	105.54	206.03	
Solvency %	Current ratio	52.21	75.78	72.03	89.62	107.96	
	Quick ratio	41.05	65.49	61.59	76.97	94.9	
	Interest coverage ratio	-9.2	1.46	-1.63	-0.43	-7.52	
Management capacity	Accounts receivable turnover rate (times)	2.86	5.18	3.84	3.52	3.54	
	Average cash collection days	127.62	70.46	95.12	103.81	103.06	
	Inventory turnover rate (times)	11.14	13.81	13.11	12.83	14.06	
	Payables turnover rate (times)	6.66	9.96	7.39	9.33	10.67	
	Average sales days	32.76	26.44	27.85	28.45	25.97	
	Property, plant, and equipment turnover rate (times)	0.49	1.09	1.19	1.12	1.29	
	Total assets turnover rate (times)	0.30	0.65	0.66	0.64	0.59	
Profitability	Return on assets (%)	-6.42	0.95	-1.82	-0.64	-6.8	
	Return on equity (%)	-30.57	1.40	-7.82	-3.82	-19.19	
	Percentage of net profit before tax to the paid-in capital (%)	-26.58	0.87	-5.78	-2.90	-14.08	
	Net profit margin (%)	-23.01	0.58	-3.88	-2.24	-12.62	
	Earnings per share (NT\$)	-2.66	0.11	-0.64	-0.29	-1.42	
Cash flows	Cash flow ratio (%)	10.39	-19.87	0.84	20.48	19.78	
	Cash flow adequacy ratio (%)	24.82	-82.80	-38.81	-48.98	198.09	
	Cash reinvestment ratio (%)	3.94	-7.69	0.36	5.1	4.05	
Leverage	Operating leverage	-1.12	-5.17	-14.19	-11.64	-5.35	
	Financial leverage	0.96	0.93	0.79	0.83	0.91	

Please explain the reasons for the changes in various financial ratios for the last 2 years. (Exempt if the increase or decrease is lower than 20%):

1. Long-term funds to fixed assets ratio: In 2020, Miaoli Plant 3 buildings A & B were listed as investment property, which led to an increase in the ratio.
2. Current ratio and quick ratio: The current and quick ratios rose primarily due to the repayment of short-term bank loans and inventory decrease.
3. Interest coverage ratio: The amount of loss in 2020 increased compared with that of 2019, which led to a decrease in interest coverage.
4. Return on assets and return on equity: In 2020, revenue decreased by 13.92% compared to the same period of 2019, and the provision of bad debt losses resulted in a decline of the rate of return.
5. Net profit ratio & net profit before tax to paid-in capital ratio and earnings per share: In 2020, revenue decreased by 13.92% compared to the same period of 2019, which caused the operating loss to increase as well as the net profit ratio and earnings per share to decrease compared to that of 2019.
6. Cash flow adequacy ratio: The cash flow for business activities in 2019~2020 were all positive, which enabled the cash flow adequacy ratio to rise.
7. Cash reinvestment ratio: In 2020, working capital turned from negative to positive, which resulted in a decline of the cash reinvestment ratio.
8. Operating leverage: In 2020, revenue decreased by 13.92% compared to the same period of 2019, which caused the net operating loss to increase and the operating leverage to rise compared to those of 2019.

* The financial information must be formulated according to the Taiwan Generally Accepted Accounting Principles as shown in Table (2) below if the financial information has been prepared using the International Financial Reporting Standards for less than 5 years.

Note 1: The financial information for 2016 ~ 2020 has been verified by CPAs.

Note 2: Please refer explanations in Note 2 for Table 2 above for details on financial analysis calculation formulas.

III. Supervisor review report for the latest financial report

G-TECH Optoelectronics Corporation

Audit Committee's Review Report

The board of directors has prepared the 2020 financial statements, business report, and proposal for covering of losses, in which the financial statements have been fully audited by the CPAs of KPMG Taiwan, and an unqualified audit report has been issued. The aforementioned financial statements, business reports, and loss offsetting proposal table have been audited by the Audit Committee, and no discrepancy was found. A report has been prepared and submitted for examination pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2021 General Shareholders Meeting

Chairperson of the Audit Committee

Huang, Kuo-Shih

April 23, 2021

- IV. Latest financial report and CPA audit report: Please refer to pages 130~206.
- V. Most recent individual financial report verified by CPAs: Please refer to pages 207~282.
- VI. In case of financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication for the annual report, please indicate its impact on the Company's financial status: None.

Seven. Financial Status and Operation Results Review Analysis & Risk Matters

I. Financial status

Financial status comparison analysis table

Unit: NT\$ thousand

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		1,448,489	1,502,668	-54,179	-3.61%
Fixed asset		1,371,860	2,275,669	-903,809	-39.72%
Intangible assets		6,946	1,113	5,833	524.08%
Other assets		1,219,996	105,166	1,114,830	1060.07%
Total assets		4,047,291	3,884,616	162,675	4.19%
Current liabilities		1,274,357	1,508,008	-233,651	-15.49%
Long-term liability		1,235,641	859,127	376,514	43.83%
Total liabilities		2,509,998	2,367,135	142,863	6.04%
Share capital		2,063,936	2,063,936	0	0.00%
Additional paid-in capital		16,711	40,528	-23,817	-58.77%
Retained earnings		-1,019,793	-751,240	-268,553	35.75%
Other equities		476,439	164,257	312,182	190.06%
Total shareholders' equity		1,537,293	1,517,481	19,812	1.31%
<p>1. Description of major changes: (For those with a change of over 20% before and after, and the amount of change reached NT\$10 million)</p> <p>(1) Decrease in current assets: Mainly due to the 14.57% decrease in revenue in 2020 compared to that of 2019.</p> <p>(2) Decrease in fixed assets: Mainly due to the transfer investment of NT\$1.115 billion in real estate in 2020.</p> <p>(3) Increase in other assets: Mainly due to the increase of NT\$1.115 billion in real estate investment in 2020.</p> <p>(4) Decrease in current liabilities and increase in long-term liabilities: Mainly due to the repayment of short-term loans and an increase in long-term loans.</p> <p>(5) Decrease in capital reserve: Mainly caused by making up for accumulated losses.</p> <p>(6) Decrease in retained earnings: Mainly due to the increase of losses in 2020 compared to that of 2019.</p> <p>(7) The increase in other equity was mainly due to the increase of real estate investment, revaluation, and appreciation by NT\$361 million.</p> <p>2. The impact from major changes: None.</p>					

II. Financial performance

(I) The main reasons for the major changes in operating income, operating net profit, and pre-tax net profit in the last 2 years:

Unit: NT\$ thousand

Year Item	2020		2019		Amount of increase or decrease	Change ratio (%)
	Subtotal	Total	Subtotal	Total		
Total Operating Income	2,466,955		2,879,385		-412,430	-14.32%
Minus: sales returns and discounts	18,419		13,310		5,108	38.38%
Net operating income		2,448,536		2,866,074	-417,538	-14.57%
Operating cost		2,457,634		2,883,233	-425,599	-14.76%
Gross profit		-9,098		-17,159	8,061	-46.98%
Operating expenses		427,528		196,757	230,771	117.29%
Operating profit		-436,626		-213,916	-222,710	104.11%
Non-operating income and benefits		288,632		320,727	-32,095	-10.01%
Non-operating expenses and losses		-142,525		-166,627	24,102	-14.46%
Subsisting business department's pre-tax net profit		-290,519		-59,816	-230,703	385.69%
Minus: income tax expense		2,604		553	2,051	0.00%
Subsisting business department's after-tax net profit		-293,123		-60,369	-232,754	385.55%

Description of major changes: (For those with a change of over 20% before and after, and the amount of change reached NT\$10 million)

- (1) Decrease in operating income: The COVID-19 outbreak in 2020 caused a decrease in operating income compared to the same period in 2019.
- (2) Increase in operating gross profit: The COVID-19 outbreak in 2020 caused an increase in market demand for NB and sports equipment, resulting in an increase in gross profit.
- (3) Increase in operating expenses and operating losses: Caused by the allocation of bad debt losses in 2020.
- (4) Decrease in non-operating income: Mainly due to approximately NT\$120 million of plant and investment benefits recognized in 2019.

(II) Expected sales volume and the supporting basis, the possible impact on the Company's future financial businesses, and the response plans.

The Company's products have continued to expand into the automotive and smart building markets according to its expected sales plans in order to significantly reduce dependence on the consumer electronics industry and gradually detach from the plight of matured electronics industry development. In 2019, the output and revenue of these products have been growing steadily according to the plan. However, some customers have made less profit than expected due to the supply chain adjustment. After the recombination and adjustment of business products, the ratio of outsourcing products has been reduced, resulting in an overall revenue decrease for 2019. However, the number of self-made orders as well as the capacity utilization rate have gradually increased.

The Company will continue to strengthen communications with major international manufacturers, adjust product positioning, and develop new customer sources to increase market share and actively develop niche products. In addition, the multi-curvature glass for automotive displays developed in 2018 has successfully demonstrated the various applications of 3D large-size full-fitting process technology in high-bend, bright/fog surface, and flat as well as 3D products. In 2019, the Company has focused on the R&D of conductive film TCO materials and 3D high-penetration multilayer coatings, and actively combined the Company's core technologies to develop integrated applications in order to meet the high terminal product customization demands.

III. Cash flows

(I) Analysis and explanation of cash flow changes in the most recent year

Unit: NT\$ thousand

Cash balance at beginning of period (1)	Expected net cash flow from operating activities for the whole year (2)	Annual cash inflow (outflow) from investment and financing activities (3)	Cash surplus (deficit) amount (1)+(2)+(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Financial management plans
320,203	211,870	(32,569)	499,504	-	-

Analysis of cash flow change for the year:

1. Operating activities: The cash inflow from operating activities in 2020 was NT\$211,870 thousand because the product structure was adjusted and costs were strictly controlled.
2. Investment activities: Fixed assets were purchased in 2020, and the cash outflow from investment activities was NT\$16,329 thousand.
3. Financing activities: The financing conditions were adjusted in 2020, so the cash outflow from financing activities was NT\$16,240 thousand.

(II) Improvement plan for insufficient liquidity: Strengthen inventory control in response to market demands.

(III) Cash liquidity analysis for the coming year

Unit: NT\$ thousand

Cash balance at beginning of period (1)	Expected net cash flow from operating activities for the whole year (2)	Annual cash inflow (outflow) from investment and financing activities (3)	Cash surplus (deficit) amount (1)+(2)+(3)	Remediation measures against expected cash flow deficit	
				Investment plans	Financial management plans
499,504	(9,384)	73,531	563,651	-	-

Analysis of cash flow change for the year:

1. Business activities: The operating activities throughout 2021 will be regarded as net cash outflow mainly due to accounts receivable cash collection as well as accounts payable, salary cash payment, etc.
2. Investment activities: The increase in capital expenditures in 2021 has resulted in net cash outflows from investment activities throughout the year.
3. Financing activities: The repayment of bank loans and the issuance of secured corporate bonds in 2021 have resulted in net cash inflow from financing activities throughout the year.

IV. Impact of major capital expenditures on financial operations in the most recent year

In 2020, the Company purchased NT\$7 million worth of equipment to improve production efficiency as well as NT\$10 million worth of information software without other major capital expenditures.

In response to the smart car expansion plan of 2021, the Company plans to spend approximately NT\$330 million in capital expenditure for the purchase of related machinery, equipment, plant services, system applications, etc. The Company has received approval from the Financial Supervisory Commission, Executive Yuan, via letter Jin-Guan-Zheng-Fa-Zi No. 1090379949 dated March 8, 2021, to issue the 3rd domestic secured convertible corporate bonds of NT\$500 million, which were publicly traded over the counter on March 26, 2021. As a result, major capital expenditures will not have an impact on the Company's financial operations.

V. Reinvestment policy in the most recent year, the main reasons for its profit or loss, improvement plan, and investment plan for the coming year

(I) Reinvestment policy and the main reasons for its profit or loss:

The Company established a 100% shareholding subsidiary called Fast Achievement Global Ltd. in the Cayman Islands in 2007, and used it to implement 100% reinvestment for Brave Advance International Corp. In January 2019, Brave Advance International Corp. completed a cash capital increase. Because the Company did not recognize the shareholding ratio, the shareholding ratio fell to 25%, and the Company lost control over Brave Advance International Corp. since its chairman of the board was re-elected. So, the

profit and loss of Brave Advance International Corp. has ceased to be included in the consolidated financial statements since 2019.

The Company also established a 100% shareholding subsidiary called Golden Start Global Corp. in Samoa in 2010 used it to implement 100% reinvestment for Charmtex Global Corp.; and then used it to reinvest in G-TECH Optoelectronics (Chengdu) co., Ltd., G-TECH Optoelectronics (Shenzhen) Co. (equity transfer registration was completed in April 18, 2017), and GPIInnovation GmbH. (cancellation completed on November 15, 2019). In 2019, G-TECH Optoelectronics (Chengdu) Co. suffered a loss of NT\$6,486 thousand due to operating scale adjustments.

(II) Improvement plan:

Collaborate with the Company's business policy and long-term development strategy, continue to supervise and manage reinvestment companies, reduce unnecessary management costs, and increase operating cash inflows to strengthen the overall investment performance.

(III) Investment plan for the next year:

At present, the Company has no investment plan for the next year.

Unit: NT\$ thousand

Reinvestment companies	Shareholding ratio	Investment gains or losses recognized		
		2018	2019	2020
Fast Achievement Global Ltd.	100%	(1,739)	63,211	2,588
Brave Advance International Corp.	25%	(1,750)	2,259	2,588
Win World Opto-Glass(Dongguan)co., Ltd.	100%	(1,633)	1,497	1,611
Golden Start Global Corp.	100%	20,617	(5,769)	(67,414)
Charmtex Global Corp.	100%	20,666	(5,770)	(67,414)
G-TECH Optoelectronics (Chengdu) Co., Ltd.	100%	19,071	(6,486)	(67,660)

VI. Analysis and evaluation of the risk issues for the most recent year and up to the printing date of this annual report

(I) The effects that recent annual interest, exchange, fluctuation, and inflation rates have on the profit and loss of the company as well as the future response measures:

1. Interest rate changes:

At present, the loan interest rates have increased slightly due to the influence of financing currency. Overall, there is no significant impact on the interest burden. In the future, the Company will endeavor to maintain a sound financial structure and maintain good relations with correspondent banks in order to strive for relatively favorable financing interest rates.

2. Exchange rate fluctuation:

The Company is an export-oriented company, and changes in exchange rates will have a significant impact on the Company's profit and loss. In response to the exchange rate fluctuation risk, the Company will take the following countermeasures:

A. Forward forex hedging trade

Maintain close contact with major correspondent banks and monitor changes in the foreign exchange market at any time in order to fully grasp exchange rate trends, and appropriately adjust foreign currency positions based on the capital revenue and expenditure status. The relevant risk managers will pay close attention to the exchange rate market dynamics and implement forward forex hedging based on foreign currency exposure changes to reduce the exchange rate risks. Forward forex hedging shall be conducted according to the "Assets Acquisition or Disposal Handling Procedures."

B. Natural hedging methods

Use the same currency type for supplier purchase payment and customer sales receipt as much as possible to achieve natural hedging and avoid the impact of exchange rate fluctuations.

C. Use business (procurement) as the basis for sales price quote (procurement price).

Comprehensively consider and evaluate future exchange rate trends and factors that may affect the exchange rates before a business or procurement unit makes external quotes, and provide appropriate and reasonable external quotes to prevent adverse effects on the Company's revenue and profit due to exchange rate fluctuations.

3. Inflation:

The Company is part of the manufacturing industry. In response to the production cost increase caused by raw material inflation, energy, and other production factors; the Company is also committed to energy conservation, consumption reduction, yield improvement, and other cost-reducing measures. In addition, the Company has established long-term strategic partnerships with raw material suppliers to reduce the impact that inflation has on the Company's profit and loss. In the future, the Company will continue to work on various cost reduction measures, pay attention to raw material price changes, and take corresponding measures in due course.

(II) Policies for engaging in high-risk and high-leverage investments, financial loans to others, endorsements, and derivative products; main reason for profit or loss; and future countermeasures:

The Company's financial operations are conservative and stable, and it has not engaged in high-risk or high-leverage investments. So far, the Company has only engaged in financial loans, endorsement guarantees, and derivative financial product transactions with its subsidiaries. The Company has established "Financial Loan Procedures," "Endorsement Guarantee Operating Procedures," and "Procedures for Acquisition or Disposition of Assets." Such operations are all handled in accordance with the internal control procedures and relevant regulations of the competent authority after careful evaluation.

(III) Future R&D plans and anticipated investments in R&D expenses:

1. Future R&D plans

(1) Development of AR coating for automotive 3D glass.

- (2) Development of multi-stage electrochromic process technology.
- (3) Large >1000mm vehicle display multi-curvature glass development.
- (4) Electrochromic glass G3 product development.
- (5) Technical development of building photoelectric gluing technology and sheet glass physical strengthening.

2. Expected investments in R&D expenses

In response to the highly customized glass processing and the rapid changes in the application market, the Company has spent NT\$43.47 million for R&D in 2019, NT\$39.44 million for R&D in 2020, and is expected to invest NT\$42.3 million for R&D in 2021. The Company will devote itself to R&D and innovation for the next coming year.

- (IV) The effects that the key domestic and international policy and law changes in the most recent year have on the financial operations of the Company, and the response measures:
The company's daily operations are handled in accordance with important domestic and foreign policies and laws, so such policies and laws have no significant impact on the Company. The Company will pay close attention to possible changes in important domestic and foreign policies and laws at all times, evaluate the possible impact on the company's financial business, and take appropriate measures in advance.
- (V) The effects that technological changes and industry changes have on the financial operations of the company as well as the response measures:
The Company will continue to closely observe and master market information, invest resources in advance to strengthen R&D, and conduct in-depth cooperation with upstream and downstream customers. The goal is to adjust production lines, product development, and company resource investment at any time in accordance with market fluctuations; and take the relevant response measures to grasp market demands and profitable business opportunities.
- (VI) The effect that corporate image has on corporate crisis management as well as the countermeasures:
The Company always strives to uphold the principle of integrity and professionalism, fulfill social responsibilities, improve quality and performance, maintain corporate image, and abide by relevant laws and regulations. As of the publication date of the prospectus, no incident has ever negatively impacted the Company's image. In the future, the Company will continue to fulfill its corporate social responsibilities while maximizing the shareholders' rights and interests.
- (VII) Expected benefits and possible risks of merger and acquisition as well as the countermeasures:
At present, the Company has no plans for mergers and acquisitions.
- (VIII) Expected benefits and possible risks of plant expansions as well as the countermeasures:

Cooperate with the customer's electrochromic system integration and application development strategy, and implement according to the application plan. At present, the Company has no capital expenditure plan for plant expansion.

(IX) The risks of concentrated procurement or sales as well as the countermeasures:

(1) Procurement:

The Company is a manufacturer specializing in the R&D, production, and sales of optical glass. Its main products are touch sensing glass, optical coating glass, thinned glass, cover glass, as well as glass trading. Glass substrate is the Company's main raw material. As the Company has adjusted its development strategy in recent years and gradually entered into new fields such as automotive, industrial control, and green building. The Company has also actively sought and established the second supplier mechanism in order to prevent excessive procurement concentration.

(2) Sales:

In recent years, the Company has implemented product and customer diversification by developing high-quality AR-coated products for medical displays, strategic alliances in the smart building market, and LED coated curtain glass in order to avoid sales concentration risks. No single customer sales accounted for over 30% according to the consumer market demand changes and the strategic adjustment of the Group's development strategy. So, the Company's sales concentration risk is still limited.

(X) The effects and risks that large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares have to the Company as well as the countermeasures: None.

(XI) The effects and risks that operating rights changes have on the Company as well as the response measures: Not applicable.

(XII) Finalized judgments or pending litigations, non-litigations, or administrative disputes associated to the Company's directors, supervisors, or major shareholders holding over 10% of the Company's shares whereby the results may have major impacts to the shareholders' rights or share prices; the facts of the dispute, the amount of the subject matter, the start date of the litigation, the main parties involved in the litigation, and the handling status as of the printing date of the annual report must be disclosed:

1. The Company's major litigations, non-litigations, or administrative disputes that have been finalized or remain pending in the most recent year and as of the printing date of this prospectus whereby the results may have major impacts to the shareholders' rights or share prices: None.
2. Finalized judgments or pending litigations, non-litigations, or administrative disputes associated to the Company's directors, supervisors, or major shareholders holding over 10% of the Company's shares in the last two years and as of the printing date of this annual report whereby the results may have major impacts to the shareholders' rights or share prices: None.
3. Company directors, supervisors, or major shareholders holding over 10% of the Company's shares who have been involved in the matters described in Article 157 of the

Securities and Exchange Act in the last two years and as of the printing date of this annual report, and the Company's current handling status:

The spouse of Director Hsiao, OO violated the short-term trading related provisions provided by Article 157 of the Securities and Exchange Act. The Company issued a notification to calculate and recover the statutory interest based on the annual interest rate of 5% pursuant to the Civil Code, and recovered the short-term trading benefit made by said director on December 2020.

(XIII) Other important risks and countermeasures:

1. High capital and technology intensive industry with large long-term capital needs
The optical glass cutting, edging, polishing, strengthening, thinning, coating, and molding processes require a large number of precision production equipment. Because multi-processes such as preheating, ion exchange, molding, and annealing are required for chemical strengthening, molding, etc.; the process time is long; and large-scale mass production equipment and good utilization rates are required to achieve economic scale and meet the huge and fast niche market demand for consumer electronic products. The Company conducts long- and short-term financing with financial institutions in combination with future capital market financing plan in response to long- and short-term funding needs.
2. Smart building glass products are widely used, the market development time is long, and the results do not manifest easily
Smart color-changing glass will replace traditional glass and sun blinds in buildings and residences, especially for smart building indoor compartment applications well as high-end residential and commercial buildings. This product offers a wide range of functions such as penetration rate selection, fast on/off switching, energy-conserving anti-glare control, and offers more privacy and durability. However, building design and construction times are long, and the initial product efficiency does not manifest easily. The Company can combine the supply chain advantages with its strategic partners by forming strategic alliances to significantly shorten the product development period and enhance competitiveness.
3. Light and thin is the trend for electronic products, and the new touch panel technology is adopted by the industry
The new touch panel technology is widely adopted by manufacturers. Compared to the GG (double glass) technology that was used extensively by the market, the chemically strengthened production capacity of the original touch-sensitive glass has been internalized and used for the currently popular 3D shaped glass. The yield rate of the new technology is still an important production cost determination factor. In addition, the market for consumer electronics production capacity has gradually become saturated in recent years, and the capital investment as well as recovery benefits required for technological refinement has been evaluated. The Company will give priority to leveraging the outsourcing supplier capacity and strictly control the economies of scale effect. The effort can also prevent idle production capacity loss caused by sudden socioeconomic problems, and strive to achieve the best profit for the Company.

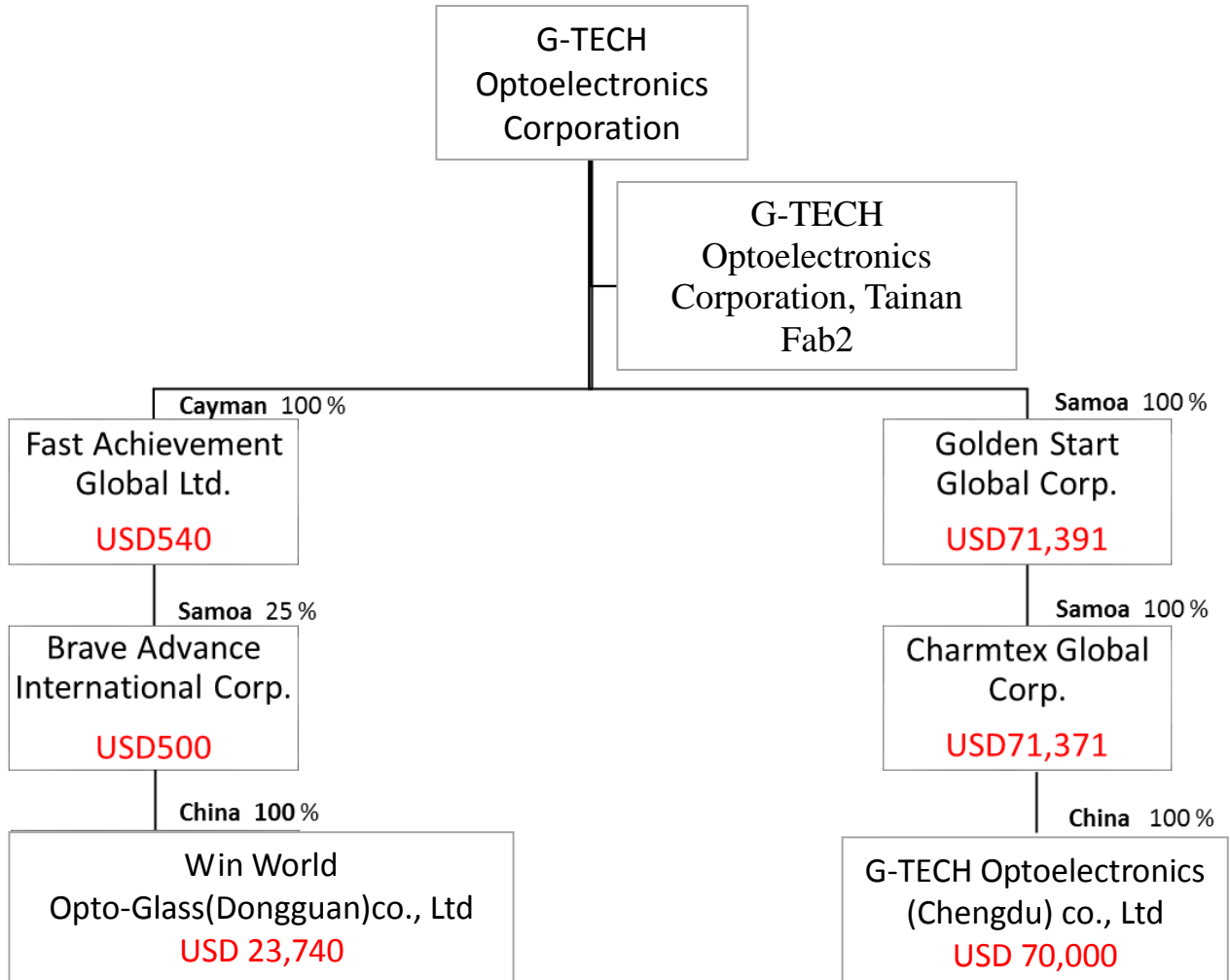
VII. Other significant matters: None.

Eight. Special Record Items

I. Information related to affiliated enterprises

(I) Affiliated enterprise organization chart

Unit: NT\$ thousand



(II) Basic information of each affiliated enterprise

Unit: NT\$ thousand

Enterprise name	Establishment date	Address	Paid-in capital	Main business items
Fast Achievement Global Ltd.	2007-12-26	Cayman	USD540	Holding
Brave Advance International Corp.	2007-12-26	Samoa	USD500	Holding
Win World Opto-Glass(Dongguan) co., Ltd (Note 1)	2008.01.14	China Dongguan	USD23,740	Production and sale of TFT-LCD Flat panel display material
Golden Start Global Corp.	2010-05-14	Samoa	USD71,391	Holding
Charmtex Global Corp.	2010-05-14	Samoa	USD71,371	Holding
G-TECH Optoelectronics (Chengdu) co., Ltd	2011.05.11	China Chengdu	USD70,000	Production and sale of TFT-LCD Flat panel display material

Note 1: The Company completed a cash capital increase in January 2019. Since the merged company did not recognize the shareholding ratio re-elected its chairman of the board, the shareholding ratio fell to 25% and the Company lost control over it. So, the profit and loss of said merged company has ceased to be included in the consolidated financial statements since May 1, 2017.

(III) Information on the same shareholders who are presumed to have both control and affiliation relations: None.

(IV) Industry and division of labor covered by the business of the overall affiliated enterprises:

1. The company's business covers: TN, STN, TFT, ITO, chemical strengthening, sheet glass processing, manufacturing, and sales.
2. Industry and division of labor status for the various affiliated enterprises: Win World Opto-Glass(Dongguan) co., Ltd and G-TECH Optoelectronics (Chengdu) co., Ltd are responsible for expanding local business, establishing a complete manufacturing and sales base, and providing after-sales services.

(V) Information on the directors, supervisors, and presidents of affiliates:

Enterprise name	Position	Name or representative	Shareholding	
			Shares	Shareholding Percentage
Fast Achievement Global Ltd.	Director	G-Tech Optoelectronics Corp. Representative: Chung, Chih-Ming	540,000	100%
Brave Advance International Corp.	Director	DE RONG INTERNATIONAL CO., LTD.: Song Liu	500,000	25%
Win World opto-Glass (Dongguan)co., ltd	Chairman and President	Brave Advance International Corp.: Lei Chou	23,740,000	25%

Enterprise name	Position	Name or representative	Shareholding	
			Shares	Shareholding Percentage
	Supervisor	Brave Advance International Corp.: Shih-Hung Lee		
Golden Start Global Corp.	Director	G-Tech Optoelectronics Corp. Representative: Chiu, Huo-Sheng	71,391,373	100%
Charmtex Global Corp.	Director	Golden Start Global Corp. Representative: Chiu, Huo-Sheng	71,371,373	100%
G-TECH Optoelectronics (Chengdu) co., Ltd	Chairperson and President	Charmtex Global Corp. Representative: Wang, Yao-Chang	70,000,000	100%
	Supervisor	Charmtex Global Corp. Representative: Wu, Tai-Chiou		

(VI) Affiliated enterprise operation status overview:

December 31, 2020; unit: NT\$ thousand

Enterprise name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after tax)
Fast Achievement Global Ltd.	15,379	47,492	-	47,492	-	-	2,588	-
Brave Advance International Corp.	14,240	193,463	-	193,463	31,099	663	10,348	-
Win World Opto-Glass(Dongguan) co., Ltd	676,115	100,129	39,607	60,523	124,953	-7,699	6,442	-
Golden Start Global Corp.	2,033,226	104,041	-	104,041	-	-	-67,414	-
Charmtex Global Corp.	2,032,657	120,112	16,080	104,032	35,613	-948	-67,414	-
G-TECH Optoelectronics (Chengdu) co., Ltd	1,993,600	151,151	51,186	99,965	90,785	-69,478	-67,660	-

Note: The affiliated enterprises are foreign companies, and the relevant figures are listed in NTD on the reporting date.

(VII) Affiliated Enterprises Consolidated Business Report, Affiliated Enterprises Consolidated Financial Report, and Affiliation Report: Please reference pages 130 to 206.

II. Private securities placement status in the most recent year and as of the printing date of this annual report: None.

III. Company stock holding or disposition status by a subsidiary in the most recent year and as of the publication date of this annual report: None.

IV. Other matters requiring supplementary explanation: None.

Nine. Matters Occurred in the Most Recent Year and as of the Publication Date of This Annual Report that Have a Significant Impact on the Shareholders' Equity or Securities Prices Pursuant to Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act: None.

Declaration

The Company hereby declares that the companies required to be incorporated into the preparation of the consolidated financial statements of the affiliates for 2020 (from January 1, 2020 to December 31, 2020) according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to the companies required to be incorporated into the preparation of the consolidated financial statements of affiliates and parent company according to the “International Financial Reporting Standards 10 (IFRS 10)” approved by the Financial Supervisory Commission; in addition, relevant information required to be disclosed in the consolidated financial statements of the affiliates has been disclosed completely in the consolidated financial statements of affiliates and parent company. Accordingly, no separate consolidated financial statements of the affiliates is further provided.

Declared by

Company Name: G-TECH Optoelectronics

Corporation

Chairman of the Board: Chung, Chih-Ming

Date: March 24, 2021

Independent Auditor's 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 21, 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 21, 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.

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards. 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 Norms for Professional Ethics for Certified Public Accountants 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 audit of the financial statements are stated as follows:

I. Revenue Recognition

Please refer to Note 4(15) of the consolidated financial statements for the detailed accounting policy on revenue recognition. Please refer to Note 6(18) of the consolidated financial statements for detailed descriptions of the revenue 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 according to 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. A stop-point test is conducted at a certain period before and after the report date of the financial statements in order to obtain samples and verify relevant certificates, thereby ensuring the reasonableness of the 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 recommendations of external real estate appraiser reports 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 material judgment and estimation uncertainty. Accordingly, 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 judgments 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 regulations.
- Verify the appraisal report and relevant accounting records in order to determine the

accuracy of accounting procedures.

Other Matters

G-TECH Optoelectronics Corporation has prepared the unconsolidated 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, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists in the consolidated financial statements. Misstatement can arise from fraud or error. Misstatements are considered material if, individually or in 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement in the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence 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, then relevant disclosures of the consolidated financial statements are required to be provided in our audit report to allow users

of consolidated 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 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 entities of the Group and provide an 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 on 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, 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 could 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.

KMPG
Taipei, Taiwan (Republic of China)
March 24, 2021

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

		Unit: NTD thousand			
		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)	<u>(9,098)</u>	-	<u>(17,159)</u>	(1)
	Operating expenses (Notes 6(13) and 7):				
6100	Selling and marketing expenses	31,187	1	24,396	1
6200	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	<u>427,528</u>	18	<u>196,757</u>	7
	Net operating loss	<u>(436,626)</u>	(18)	<u>(213,916)</u>	(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 profit or loss on of associated companies and joint ventures accounted for using the equity method (Note 6(4))	<u>2,588</u>	-	<u>2,259</u>	-
	Total non-operating income and expenses	<u>146,107</u>	6	<u>154,100</u>	6
	Net loss before tax from continuing operating segments	<u>(290,519)</u>	(12)	<u>(59,816)</u>	(2)
7950	Less: Income tax expenses (Note 6(14))	<u>2,604</u>	-	<u>553</u>	-
	Net loss of current period	<u>(293,123)</u>	(12)	<u>(60,369)</u>	(2)
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8312	Revalued amount of property	361,495	15	-	-
8349	Less: Income tax related to items not reclassified	48,808	2	-	-
	Total items that will not be reclassified to profit or loss	<u>312,687</u>	13	<u>-</u>	-
8360	Items that may subsequently be reclassified to profit or loss (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 of associated companies and joint ventures accounted for using the equity method	896	-	(183)	-
8399	Less: Income tax related to items that may be reclassified to profit or loss	<u>-</u>	-	<u>(6,616)</u>	-
	Total of items that may subsequently be reclassified to profit or loss	<u>(505)</u>	-	<u>(66,084)</u>	(3)
8300	Other comprehensive income (loss) of current period	<u>312,182</u>	13	<u>(66,084)</u>	(3)
8500	Total comprehensive income of current period	<u>\$ 19,059</u>	<u>1</u>	<u>(126,453)</u>	<u>(5)</u>
	Net loss of current period attributable to:				
8610	Owners of the parent	<u>\$ (293,123)</u>	<u>(12)</u>	<u>(60,369)</u>	<u>(2)</u>
	Total comprehensive income attributable to:				
8710	Owners of the parent	<u>\$ 19,059</u>	<u>1</u>	<u>(126,453)</u>	<u>(5)</u>
	Earnings per share (Note 6(17))				
9710	Basic loss per share (Unit: NTD)	<u>\$ (1.42)</u>		<u>(0.29)</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

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

Unit: NTD thousand

	Common share capital	Capital surplus	Losses to be covered	Other equity		Total	Total equity
				Overseas operating entities financial statements Exchange differences translated	Revalued amount of property		
Balance on January 1, 2019	\$ 2,063,936	269,239	(919,582)	230,341	-	230,341	1,643,934
Net loss of current period	-	-	(60,369)	-	-	-	(60,369)
Other comprehensive income (loss) of current period	-	-	-	(66,084)	-	(66,084)	(66,084)
Total comprehensive income of current period	-	-	(60,369)	(66,084)	-	(66,084)	(126,453)
Covering loss from capital surplus	-	(228,711)	228,711	-	-	-	-
Balance on December 31, 2019	2,063,936	40,528	(751,240)	164,257	-	164,257	1,517,481
Net loss of current period	-	-	(293,123)	-	-	-	(293,123)
Other comprehensive income (loss) of current period	-	-	-	(505)	312,687	312,182	312,182
Total comprehensive income of current period	-	-	(293,123)	(505)	312,687	312,182	19,059
Covering loss from capital surplus	-	(24,570)	24,570	-	-	-	-
Share-based compensation	-	753	-	-	-	-	753
Balance on 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 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: NTD thousand

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Net loss before tax in the period	\$ (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 the 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 payment cost	753	-
Gain on disposal of investment	-	(60,952)
Gain on reversal of impairment of 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 parties)	(83,431)	24,527
Decrease in accounts receivable - related parties	25,528	-
Decrease in inventories	18,826	73,347
Decrease in other current assets	71,294	289,140
Increase in other financial assets	<u>(21,082)</u>	<u>(3,537)</u>
Total net changes in assets related to operating activities	<u>11,135</u>	<u>383,477</u>
Net changes in liabilities related to operating activities:		
Increase (decrease) in contract liabilities - current	1,547	(696)
Increase (decrease) in notes and accounts payable (including related parties)	20,839	(162,208)
Increase in accounts payable - related parties	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 non-current liabilities - others	<u>(1,077)</u>	<u>-</u>
Total net changes in liabilities related to operating activities	<u>54,731</u>	<u>(212,937)</u>
Total net changes in assets and liabilities related to operating activities	<u>65,866</u>	<u>170,540</u>
Total adjustments	<u>531,317</u>	<u>389,795</u>
Cash inflow generated 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 inflow generated 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 from 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 corporate bonds	-	(480,000)
Proceeds from long-term borrowings	730,000	774,390
Repayments of long-term borrowings	(490,182)	(319,010)
Lease principle repayment	<u>(51,382)</u>	<u>(56,493)</u>
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-?

G-TECH Optoelectronics Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Unless otherwise specified, all amounts are in NTD thousand)

I. Organization and Business Scope

G-TECH Optoelectronics Corporation (hereinafter referred to as the “Company”) was approved by the Ministry of Economic Affairs (MOEA) for establishment on June 27, 1996. The place of registration is No. 99, Zhongxing Rd., Tongluo Township, Miaoli County. The main business items of the Company and its subsidiaries (collectively referred to as the “Group”) include glass and glass products, electronics parts manufacturing and international trade business, etc.

II. Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 24, 2021.

III. Application of New and Revised Standards, Amendments and Interpretations

(I) The impact of the new announcements and revisions of the standards and interpretations endorsed by the Financial Supervisory Commission (“FSC”)

The initial application of the amendments of the IFRSs endorsed and issued into effect since January 1, 2020, did not have a significant effect on the consolidated financial statements of the Group.

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS 39, and IFRS 7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

(II) Effect of not adopting the IFRS endorsed by the FSC

The initial application of the following newly amended IFRSs endorsed and issued into effect since January 1, 2021, evaluated to be applicable to the Group will not have a significant effect on the consolidated financial statements of the Group.

- Amendment to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

(III) New standards and Interpretations not yet endorsed by the FSC

The standards and interpretations issued by the IASB but not yet endorsed and issued into effect by the FSC that may be relevant to the Group are as follows:

New Announcement or Amendment of Standards	Main Content of Amendment	Effective Date per IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	<p>The amended clause is to increase the consistency of the standard application in order to assist enterprises to determine whether the debts with uncertain repayment dates or other liabilities shall be classified as current (or possibly due in one year) or non-current on the balance sheet.</p> <p>The amended clause also specifies the classification rules that enterprises may adopt conversion of equity for repayment of debt.</p>	2023-01-01

The Group is currently assessing the impact of the aforementioned standards and interpretations on the financial status and business results of the Group, and relevant impacts will be disclosed after the completion of the assessment.

The following newly promulgated and amended standards not yet approved are not expected to have material impact on the consolidated financial statements of the Group.

- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17
- Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 "Reference to the Conceptual Framework"
- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(I) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as the "Regulations") and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations

of IAS (SIC) (collectively, the “IFRSs” endorsed and issued into effect by the FSC).

(II) Basis of Preparation

1. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment property measured at fair values.

2. Functional and presentation currency

The functional currency of the Group is determined based on the currency of the primary economic environment in which it operates. These consolidated financial statements are presented in New Taiwan Dollars, which is the Group’s functional currency. All financial information is presented in NTD thousand.

(III) Basis of Consolidation

1. Principle for preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. subsidiaries). The Company controls an invested entity when the Company is exposed, or has rights, to variable returns from its involvement with the invested entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date when the Group obtains control of the subsidiaries and ceases on the date when the Group loses control of the subsidiaries. Transactions, balances or any unrealized gains and losses among the consolidated companies have been eliminated during the preparation of the consolidated financial statements. The total comprehensive income/loss of the subsidiaries are attributed to the owners and non-controlling interests of the Company respectively, and the same is true when the non-controlling interests consequently become loss balance.

Appropriate adjustments have been made to the financial statements of subsidiaries to allow their accounting policies to be consistent with those used by the Group.

Changes to the ownership interest of the subsidiaries made by the Group that have not caused the loss of the control over such subsidiaries, are handled as interest transactions with the owner. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity of the owner of the Company.

When the Group loses control of a subsidiary, the assets (including goodwill) and

liabilities as well as non-controlling interest of the subsidiary are derecognized from the consolidated financial statements based on the carrying value on the date when the control is lost. In addition, the reserved investment in the former subsidiary is measured at the fair value on the date when the control is lost. Disposal profit or loss is calculated as the difference between the following two items: (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the aggregate of the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest at the date when control is lost. The Group shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Group had directly disposed of the related assets and liabilities.

2. Subsidiaries included in the consolidated financial statements:

The subsidiaries included in the consolidated financial statements are:

Name of investor	Name of subsidiary	Nature of business	Percentage of ownership (%)		Explanation
			2020-12-31	2019-12-31	
The Company	Fast Achievement Global Ltd.	Holding	100.00%	100.00%	
"	Golden Start Global Corp.	"	100.00%	100.00%	
Golden Global	Charmtex Global Corp.	"	100.00%	100.00%	
Fast Global	Brave Advance International Corp.	"	25.00%	25.00%	Note 1
Charmtex Global	G-TECH Optoelectronics (Chengdu) Co., Ltd.	Manufacturing and sale of TFT-LCD panel display screen materials	100.00%	100.00%	

Note: The control was lost on January 1, 2019. Please refer to Note 6(5) for details of the relevant explanation.

3. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period (referred to as the "report date"), foreign currency items are translated to the functional currency at the exchange rate at that date. Non-monetary items measured at fair value are retranslated to the functional currency at the exchange rate at the date

that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

The foreign exchange difference arising from the conversion is typically recognized in profit or loss; however, it shall be recognized under other comprehensive income for the following conditions:

- (1) When it is designated as equity instruments at fair value through other comprehensive income;
- (2) When the translation of a financial liability designated as a net investment in a foreign operation is within the effective extend of the hedge; or
- (3) When the qualified cash flow hedge is within the effective extend of the hedge.

2. Foreign operations

The assets and liabilities of foreign operations include the reputation and fair value adjustment at the time of acquisition, and it is converted into NTD according to the exchange rate on the report date. The profit and loss items are converted into NTD according to the average exchange rate of the current period. The exchange difference generated is recognized as other comprehensive income.

In case of disposal of a foreign operation leading to loss of control, joint control or material impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. During partial disposal of subsidiaries involving foreign operations, relevant accumulated exchange difference shall be reclassified as non-controlling interest proportionally. During partial disposal of affiliated enterprise or joint venture investment involving foreign operations, relevant accumulated exchange difference shall be reclassified as profit or loss proportionally.

For monetary accounts receivable or payable of a foreign operation, if there is no repayment plan and repayment cannot be made in the foreseeable future, the foreign exchange profit or loss arising therefrom shall be treated as part of the net investment on such foreign operation and shall be recognized as other comprehensive income.

(V) Classification of current and non-current assets and liabilities

Assets satisfying one of the following criteria shall be classified as current assets; all other assets that are no current assets shall be classified as non-current assets:

1. Assets expected to be realized or intended to be sold or consumed during their normal operating cycle;
2. Assets primarily held for the purpose of trading;
3. Assets expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Liabilities satisfying one of the following criteria shall be classified as current liabilities; all other liabilities that are not current liabilities shall be classified as non-current liabilities:

1. Liabilities expected to be settled in their normal operating cycle;
2. Liabilities primarily held for the purpose of trading;
3. Liabilities due to be settled within twelve months after the reporting period; or
4. Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing of equity instruments do not affect its classification.

(VI) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents refer to short-term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amounts of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short-term cash commitment rather than investment, to be classified as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities are initially recognized upon receipt. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets not measured at fair value through profit or loss (excluding account receivables not containing a significant financial component) or financial liabilities were initially measured at fair value plus the transaction cost directly attributed to the acquisition or issuance thereof. Accounts receivable not containing a significant financial component were initially measured at the transaction price.

1. Financial assets

For the purchase or sale of financial assets complying with regular trading, the Group uses the same method to classify the financial assets. All of the purchases and sales of financial assets are recognized using trade-date or settlement-date accounting.

During the initial recognition, the financial assets are classified as: financial assets measured at amortized cost.

The Group reclassifies all affected financial assets starting on the first day of the next reporting period only when it changes its business model for managing its financial assets.

(1) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Such assets subsequently use the initially recognized amount plus or less the accumulated amortized value using the effective interest method, and adjust any allowance loss measured at amortized cost. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss.

(2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured at 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not

increased significantly since initial recognition.

Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs. To determine whether the credit risk has significantly increased after the initial recognition, the Group considers reasonable and verifiable information (information that can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis conducted by the Group based on past experience, credit assessment and prospective information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligation to the Group in full.

If the credit rating of a financial instrument is equivalent to the globally understood definition of “investment grade” (investment level of BBB- per Standard & Poor’s, Baa3 per Moody’s or twA per Taiwan Ratings, or higher levels thereof), then the Group considers such debt security to have a low credit risk.

Lifetime ECLs are the ECLs that result from all possible default events during the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Group in accordance with contracts and the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assess whether financial assets measured at amortized cost are subject to credit impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is

credit-impaired includes the following observation data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- For economic or contractual reasons related to the borrower's financial difficulty, having granted to the borrower a concession that the Group would not otherwise consider;
- It is probable that the borrower will file for bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security due to financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either in full or partially, to the extent that there is no realistic prospect of recovery for the Group. For corporate accounts, the Group individually analyzes the write-off timing and amount based on whether it is reasonably expected to be recovered. The Group expects that the written off amount will not have any significant reversal. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(3) Derecognition of financial assets

The Group derecognizes financial assets only when the contractual rights of the cash flows from the asset are terminated, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or when nearly all risks and rewards of ownership are not transferred and not retained and the control of the financial asset is not retained.

When the Group signs a transaction for transferring financial assets, if all or nearly all of the risks and rewards of the ownership of the assets transferred are retained, then it is still continued to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debts and equity instruments issued by the Group are classified as financial liabilities or equity according to the substance of contract agreements and the definition of financial liabilities and equity instruments.

(2) Equity transaction

Equity instrument refers to any contract representing the Group with remaining equity from assets after all liabilities have been subtracted. The equity instruments issued by the Group are recognized based on the amount obtained from the payment amount less the direct issuance cost.

(3) Compound financial instruments

The compound financial instruments issued by the Group refer to convertible corporate bonds (valued in NTD) of options held by the owner for converting into capital share, and the quantity of the shares issued does not change along with changes of the fair value.

For the liability component of compound financial instruments, its amount initially recognized is measured at the fair value of similar liabilities excluding the equity conversion right. The initially recognized amount of the equity component is measured based on the difference between the overall compound financial instrument fair value and the liability component fair value. Any transaction costs that can be attributed directly are amortized to the liability and equity component according to the initial carrying amount ratio of the liability and equity.

After initial recognition, the liability component of the compound financial instruments is subsequently measured at amortized cost calculated using the effective interest method. For the equity component of compound financial instruments, it shall not be remeasured after initial recognition.

The interest related to the financial liabilities is recognized in profit or loss. When financial liabilities are reclassified as equity during the conversion, such conversion is not recognized in profit or loss.

(4) Financial liabilities

Financial liabilities are subsequently measured either at amortized cost or at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading, is a derivative instrument, or is designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, with any relevant net gains or losses, including any interest expense, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost calculated using the effective interest method. Interest expense and exchange gain and loss are recognized in the profit or loss. On derecognition, any profits or losses are recognized in profit or loss.

(5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged, canceled or has expired. When there are changes in the terms of the financial liabilities and there is significant difference in the cash flow of liabilities after revision, then the original financial liabilities are derecognized, and the revised terms are used as the basis for the recognition of the new financial liabilities at fair value.

During the derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(6) Offsetting of financial assets and liabilities

The Group only presents financial assets and liabilities on a net basis when the Company currently has the legally enforceable right to offset them, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VIII) Inventories

Inventory is measured based on the lower of the cost and the net realizable value. The cost of inventories consists of all costs of acquisition, production or processing costs and other costs arising from the location and state of use, and the weighted average method is used. The costs of finished products and work in process include the manufacturing expense amortized according to the appropriate ratio under normal production capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(IX) Investment in Associates

Associate refers to an entity where the Group has material impact on its financial and operational policies, but has no control or joint control over.

The Group adopts the equity method for the equity of an associate. Under the equity method, it is recognized at cost during the initial acquisition, and the investment cost includes the transaction cost. The carrying amount of the invested associate includes the

goodwill identified during the initial investment, less any accumulated impairment loss.

The consolidated financial statements includes the amount of profit or loss and the amount of other comprehensive income of each invested associate, from the date of having material impact to the date of losing material impact, after adjustments to make the accounting policy consistent with the Group, recognized by the Group according to the equity ratio. When the associate is subject to equity change not for profit or loss or other comprehensive income and when the shareholding percentage of the Group in the associate is not affected, the Group then recognizes the equity change under the share of the associate for the Group as capital reserve according to the shareholding percentage.

The unrealized profit and loss arising from the transactions between the Group and associates is recognized in the company's financial statements only within the equity scope of the non-related party on the associate. When the loss amount of the associate required for recognition proportionally by the Group is equal to or exceeds its equity in the associate, its loss is no longer recognized, and additional loss and relevant liabilities are recognized only within the scope of occurrence of statutory obligation, presumed obligation or payments made on behalf of the investee.

During the issuance of new shares by an associate, if the Group fails to subscribe according to the shareholding percentage such that there is a change in the shareholding percentage, leading to change in the equity net value of the investment, the change is used to adjust the capital surplus and the investment under equity method. If such adjustment is to offset the capital surplus, but the capital surplus remaining balance from the investment under the equity method is insufficient, the deficit is debited as retained earnings. However, if the Group fails to subscribe according to the shareholding percentage such that its ownership equity on an associate is reduced, the amount related to the associate previously recognized in the other comprehensive income or loss is then reclassified according to the reduced ratio. The basis of the accounting procedure shall be identical to the basis the associate is required to comply with when directly disposing of relevant assets or liabilities.

(X) Investment Property

Investment property refers to property held for the purpose of earning rents or capital value increase or both, and excluding property provided for normal business sales, for production, for product or labor or for administrative management purposes. Investment property is measured at cost initially, and subsequently measured at fair value. Any change

thereof is recognized in profit or loss.

The profit or loss from disposition of investment property (calculated based on the difference between the net disposition amount and the carrying amount of such item) is recognized in profit or loss. If an investment property for sale was previously classified as property, plant and equipment, any relevant "Other equity - revalued amount of property" is changed to be recognized as retained earnings.

The rental income from investment property is recognized as non-operating income under the straight-line method during the lease period, and the lease incentive offered during the lease period is recognized as part of the rental income.

(XI) Property, Plant and Equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less subsequent accumulated depreciation and any subsequent accumulated impairment loss.

When the useful lifetimes of the major components of the property, plant and equipment are different, then it is handled as an independent item (main component) of the property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is possible that the future economic benefits associated with the expenditure will flow to the Group.

3. Depreciation

The depreciation of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life in order to be recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for current and comparative years are as follows:

(1) Houses and buildings	9~25 years
(2) Machinery and equipment	3~8 years
(3) Other equipment	3~10 years
(4) Leasehold Improvements	1~10 years

The key components of houses and buildings mainly include the facility main building, electric power equipment and construction, and cleanroom systems, etc., and depreciation is calculated based on their useful lifetimes of 25 years, 10 years and 10 years respectively.

Depreciation methods, useful lives and residual values are reviewed by the Group at the reporting date of each year, and are adjusted appropriately when it is determined necessary.

4. Reclassification to investment property

When the purpose of a property for own use is changed to an investment property, such property is reclassified to investment property based on the fair value at the time of change of its purpose. The profit generated is then remeasured, and it is recognized in profit or loss within the scope of the accumulated impairment previously recognized for such property. The remaining difference is then recognized under other comprehensive income, and it is cumulated to "Other equity - revalued amount of property". Any loss is recognized in profit or loss; however, if the reduced value is still within the revalued amount of the property, then the reduced amount is recognized in other comprehensive income, and the revalued amount in the equity is offset and reduced.

(XII) Leases

1. Determination of a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract is a lease, the Group assesses whether:

- (1) The contract involves the use of an identified asset, and this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, but the asset has not been identified; and
- (2) The customer has the right to obtain substantially all of the economic benefits from the use of the asset during the period of use; and
- (3) When a customer satisfies any one of the following conditions, the right to direct the use of an identified asset is obtained:
 - The customer has the right to direct how and for what purpose the identified asset is

used throughout the period of use; or

- The decision on how and for what purpose the identified asset is predetermined, and:
 - The customer has the right to operate the asset throughout the period of use, and the supplier does not have the right to change such operation instructions; or
 - The customer designed the asset in way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception or on reassessment of a contract that contains a lease, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and to account for lease and non-lease components as a single lease component.

2. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group periodically assesses whether the right-of-use asset has any impairment and handles any impairment loss already incurred, and under the condition where remeasurement on the lease liability occurs, the right-of-use-asset is adjusted.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. It is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate is used. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) Amounts expected to be payable under a residual value guarantee; and
- (4) The exercise price under a purchase option or lease termination that the Group is reasonably certain to exercise, or penalties required for a lease.

The lease liability is measured at amortized cost using the effective interest method, and it is remeasured under the following conditions:

- (1) When there is a change in future lease payments arising from a change in index or rate;
- (2) When there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- (3) When there is change in the assessment of whether to exercise a purchase option of the underlying asset;
- (4) If there is a change in the assessment of whether to exercise an extension or termination option, and a change to the assessment of the lease period;
- (5) When there is change to the lease subject matter, scope or other terms.

When the lease liability is remeasured due to the aforementioned change in future lease payments arising from a change in an index or rate, change in residual value guarantee and change in purchase, extension or termination option assessment, a corresponding adjustment is made to the carrying amount of the right-of-use asset, and it is recorded in profit or loss when the carrying amount of the right-of-use asset has been reduced to zero.

For change of lease in the reduction of the scope of lease, the carrying amount of the right-of-use asset is reduced in order to reflect the termination of all or a portion of the lease, and the amount of difference with the lease liability is remeasured for recognition in profit or loss.

The Group presents right-of-use assets and lease liability that do not meet the definition of investment property in single items in the balance sheets respectively.

For short-term leases of other equipment and low-value underlying asset leases, the Group chooses not to recognize them as right-of-use assets or lease liabilities, but

recognizes relevant lease payments associated with these leases as expenses on a straight-line basis over the lease term.

3. As a lessor

For transactions with the Group as the lessor, the lease contracts are classified on the lease establishment date depending on whether nearly all of the risks and remunerations associated with the underlying asset ownership are transferred. If true, it is classified as financial lease; if false, it is classified as operating lease. During evaluation, the Group considers relevant specific indicators including whether the lease period covers the key components of the underlying asset economic lifetime.

If the Group is a sub-lessor, the primary lease and sub-lease transactions are dealt with separately, and the right-of-use assets generated from the primary lease are used to evaluate the classification of the sub-lease transactions. If the primary lease refers to a short-term lease and is exempted for recognition, then the sub-lease transaction shall be classified as operating lease.

If the agreement includes lease and non-lease components, the Group uses the consideration for an amortization contract specified in IFRS 15.

For operating lease, the Group adopts the straight-line basis to recognize the lease payment collected during the lease period as the rental income.

(XIII) Intangible Assets

1. Recognition and measurement

The goodwill from the acquisition of a subsidiary is measured based on the cost less the accumulated impairment loss.

Research and development activity related expenses are recognized in profit or loss when such expenses are incurred.

A development expense is capitalized only when it can be measured reliably, product or process technology or commercial feasibility has been reached, future economic benefit is likely to flow into the Group, and the Group has the intention and sufficient resources to complete such development and has further used or sold the asset. Other development expenses are recognized in profit or loss when such expenses are incurred. After the initial recognition, the capitalized development expense is measured based on the amount obtained from the cost less the accumulated amortization and cumulative impairment.

Other intangible assets with limited useful life acquired by the Group, including computer software and other intangible assets, etc., are measured by the cost less the cumulative amortization and cumulative impairment.

2. Subsequent expenditure

Subsequent expenditure is only capitalized when future economic benefits can be added to relevant specific assets. All other expenses are recognized in profit or loss when such expenses are incurred, including internally developed goodwill and brands.

3. Amortization

Except for goodwill, amortization is calculated according to the asset cost less the estimated residual value, and starting from from the available-for-use state of the intangible asset, the straight-line approach is used to recognize it in profit or loss for its estimated useful life.

The estimated useful lives for current and comparative years are as follows:

- (1) Computer software 3 years
- (2) Other intangible assets 3 years

Amortization methods, useful lives and residual values of the intangible assets are reviewed by the Group at the reporting date of each year, and are adjusted appropriately when it is determined necessary.

(XIV) Impairment of Non-financial Assets

The Group assesses whether there is any indication that there might be an impairment in the carrying amount of non-financial assets (excluding inventory, deferred income tax assets and investment property measured at fair value) on each reporting day. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

For the purpose of testing the impairment, a group of assets of most of the cash inflow that is independent from the cash inflow of other individual assets or asset groups is used as the smallest identifiable asset group. The goodwill obtained from the merger of enterprises is amortized to each cash generating unit or cash generating unit group that is expected to gain benefits from the synergy of the merger.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs of disposal or its value in use. During the assessment of the use value,

the future cash flow estimation uses a pre-tax discount rate for calculating the current value, and the discount rate shall reflect the current market assessment on the currency time value and the unit specific risk arising from the asset or cash.

If the recoverable amount of an asset is less than its carrying amount, it is recognized as an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, and the carrying amount of each of the assets is reduced proportionally to the carrying amount of other assets in the unit.

Non-financial assets are reversed only in the range not exceeding the carrying amount (less depreciation or amortization) of the asset that has not been determined during the recognition of the impairment loss in the previous year.

(XV) Provision for Liabilities

Provisions for liabilities are recognized when the Group has an obligation as a result of past events, and the Group is likely to be subject to an outflow of economic resources that will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The amortization of the discounting is recognized as interest expense.

1. Restoration

According to applicable contracts, when the Group bears the obligation to disassemble, remove or restore the site location for parts of the property, plant and equipment, the present value of cost expected to be incurred due to the disassembly, removal or restoration of the site location is recognized as provision for liabilities.

2. Sales return and allowance

Possible goods return and allowance are estimated according to the empirical value, and they are recognized as the deduction of the sales revenue at the year when the goods are sold. For current obligations arising from past events, the amount and time of occurrence are uncertain; therefore, it is classified as provision for liabilities.

(XVI) Recognition of Revenue

1. Income from customer contracts

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering services to its customers. Revenue is recognized in the

reporting period when the Group satisfies a performance obligation by transferring its control of the product or service to the customer. The main revenue items of the Group are explained as follows:

(1) Sales of goods

The Group manufactures panel display screen materials and glass products, and also sells such products. The Group recognizes revenue when the control of products is transferred. Product control transfer refers to when the product has been delivered to the customer, and the customer has the full discretion on the sales channel and price of the product, and the unfulfilled obligations of the customer for accepting the product have not been affected. Delivery refers to a product being transferred to a specific location, and its obsolete and loss risks have been transferred to the customer, and the customer has accepted the product according to the sales contract, the acceptance clauses have become invalid, or the Group has objective evidence to consider that all acceptance criteria have been satisfied.

The Group recognizes the accounts receivable upon the delivery of goods since the Group has the right to collect consideration unconditionally at such time point.

(2) Financial component

The Group expects that the time period between the time in the customer contract of transferring products or services to the customer and the time when the customer makes payment for such products or services is less than one year; therefore, the Group has not adjusted the currency time value of the transaction price.

(XVII) Government Grants

When the Group receives government grants, the grants without attachment are recognized as other income. For other grants related to assets, when the Group is reasonably assured to comply with the conditions attached to the government grants and is able to receive such grants, they are then recognized in the deferred revenue at fair value. In addition, the deferred revenue is recognized as other income within the useful lifetime of the asset according to the system basis. Government grants compensating expenses or losses incurred by the Group are recognized in profit or loss for the same period of relevant expenses according to the system basis.

(XVIII) Employee Benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

2. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses in the period when services are provided. When the Group is required to bear current statutory or presumed payment obligation due to the service previously provided by an employee, and when such obligation can be estimated reliably, such amount is recognized as liabilities.

3. Separation benefits

Separation benefits refer to when the Group cannot cancel the offer of such benefits or recognizes relevant restructuring costs, and whichever occurs first is recognized as expense. When the separation benefits are not expected to be fully repaid within 12 months after the report date, they are discounted.

(XIX) Share-based Payment Transactions

Equity-settled share-based payment agreements are recognized as expenses based on the fair value of the provision date and within the receipt period of such compensation, and the relative equity is increased. The expense recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. In addition, the amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

The non-vesting conditions of share-based compensation have been reflected in the measurement of the share-based payments and payment date fair value, and it is not required to make verified adjustments for the difference between the expected result and actual result.

The fair value amount of cash-settled share appreciation rights offered to employees is recognized as expense and the relative liabilities are increased during the period when the employees satisfy the condition for obtaining the compensation. The liabilities are remeasured according to the fair value of the share appreciation rights on each report date

and settlement date, and any change thereof is recognized in profit or loss.

The payment date for the share-based payments of the Group refers to the subscription price approved by the board of directors and the date when employees are permitted to subscribe the shares.

(XX) Income tax

Income tax includes both current tax and deferred tax. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income (or loss) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount uses the statutory rate or the substantive legislative rate on the reporting date to measure the most optimal estimation value of the expected payment or receipt amount.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Temporary differences resulting from the following circumstances shall not be recognized as deferred taxes:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction;
2. Temporary differences arising from equity investments in subsidiaries, associates and joint ventures, where the Group is able to control the reversal of the temporary difference and where there is a high probability that such temporary differences will not reverse in the future; and
3. Taxable temporary difference arising from initial recognition of goodwill.

Deferred tax shall be measured at the tax rates that are expected to apply to the period when expected temporary difference is reversed, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets and liabilities of the Group are only offset against each other when the following criteria are met:

1. The Group has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities is related to one of the following taxing authorities of one identical taxation agent for the income tax:

- (1) Levied by the same taxing authority; or
- (2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities of significant amounts on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation matches with each other.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is possible that future taxable profit will be available against which it can be utilized. In addition, such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; or the originally reduced amount is reversed within the scope that it is likely to become sufficient taxable income.

(XXI) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of the basic earnings per share of the Group is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment of the effects of all dilutive potential ordinary shares.

Potential diluted common shares of the Group include convertible corporate bonds and employee stock options.

(XXII) Information on segments

The Group is composed of operating segments engaged in operating activities that may generate revenue and incur expenses (including income and expenses related to transactions among other components in the Group). The operating results of all operating segments are reviewed by the main operation decision maker of the Group in order to make decision on the allocation of resource for the segments and to evaluate their performance. Each operating segment is equipped with independent financial information.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

When the management performs the preparation of the consolidated financial statements in conformity with the Regulations and IFRSs endorsed by the FSC, the management is required to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may

differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates during the period and the impact in the next period are recognized.

There are no critical judgments in applying accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

The following assumptions and uncertainties have major risks that may lead to material adjustments in assets and liability carrying amounts in the next fiscal year, and also reflect the impact caused by the COVID-19 pandemic, and relevant information is as follows:

(I) Loss allowance for accounts receivable

The loss allowance for accounts receivable of the Group is estimated based on the assumption of the risk of breach and the expected loss rate. The Group considers the historical experience, current market condition and prospective estimation on each reporting date in order to determine the assumption required to be adopted and selection of inputs during the calculation of impairment loss. Changes in the economic and industrial environment may cause material adjustment in the loss allowance for accounts receivable. Please refer to Note 6(2) for detailed explanation on relevant assumption and inputs.

(II) Property, plant and equipment impairment assessment

During the process of asset impairment assessment, the Group must rely on subjective judgment to determine the useful life of the independent cash flow assets and possible income and expense in the future for certain asset groups based on the operating model of assets and industrial characteristics. Any change in the estimation due to changes in the economic situation or the Group's strategies may result in significant impairment or reversal of impairment loss recognized in the future. Please refer to Note 6(6) for detailed explanation on the critical assumption used for the recoverable amount.

(III) Investment property fair value

The subsequent measurement of investment property of the Group adopts the discounted cash flow analysis method under the income approach for valuation. The input used in the fair value valuation technique is Level 3.

Valuation process

The accounting policies and disclosures of the Group include the use of fair value to measure its financial, non-financial assets and liabilities. The Group establishes a relevant internal control system for the fair value measurement, and the Financial Department is responsible for verifying all material fair value measurements (including Level 3 fair value) and periodically verifies the material inputs and adjustment that cannot be observed. If the inputs used in the measurement of fair value use external third party information, the Financial Department evaluates the evidence that supports the inputs provided by the third party in order to determine that the

valuation and its fair value level classification comply with the requirements of the IFRSs. For the property of the Group, it is assumed that the Group has retained an external appraiser to perform appraisal according to the valuation method and parameters announced by the FSC. When the Group measures its assets and liabilities, it uses the observable inputs in the market as much as possible. The levels of fair value are classified in the following different levels according to the inputs used in the valuation technique:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input parameters 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).
- Level 3: Input parameters of assets or liabilities not based on the observable market information (non-observable parameters).

In case of any transfer event or condition of fair value among levels, the Group recognizes such transfer at the report date.

Please refer to Note 6(7) Investment Property for relevant information on the assumption used for measurement of fair value.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	<u>2020-12-31</u>	<u>2019-12-31</u>
Cash on hand and petty cash	\$ 704	581
Demand deposits	333,104	255,007
Checking accounts	40	40
Time deposits	<u>165,656</u>	<u>64,575</u>
Cash and cash equivalent indicated in the statements of cash flow	<u>\$ 499,504</u>	<u>320,203</u>

The Group's exposure to interest rate risk and the sensitivity analysis on the financial assets and liabilities of the Group are disclosed in Note 6(21).

(II) Notes and accounts receivable (including related parties)

	<u>2020-12-31</u>	<u>2019-12-31</u>
Notes receivable	\$ 90,328	148,799
Accounts receivable	665,716	522,299
Accounts receivable - related parties	129,163	155,411
Less: Allowance for loss	<u>(235,703)</u>	<u>(11,986)</u>
	<u>\$ 649,504</u>	<u>814,523</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all notes and account receivables. To measure the expected credit losses, the notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including overall economic and relevant industry information. The expected credit loss analysis for notes and accounts receivables of the Group is as follows:

	2020-12-31		
	Carrying amount of notes and accounts receivables	Weighted-avera ge expected credit loss rate	Loss allowance provision
Not overdue	\$ 569,374	0.16%	884
Overdue less than 90 days	54,802	0.04%	20
Overdue more than 91 days	<u>261,031</u>	1%~100%	<u>234,799</u>
	<u>\$ 885,207</u>		<u>235,703</u>
	2019-12-31		
	Carrying amount of notes and accounts receivables	Weighted-aver age expected credit loss rate	Loss allowance provision
Not overdue	\$ 655,138	0.03%	1,507
Overdue less than 90 days	120,450	0.58%	671
Overdue more than 91 days	<u>50,921</u>	1%~100%	<u>9,808</u>
	<u>\$ 826,509</u>		<u>11,986</u>

The movement in the allowance for impairment with respect to notes and accounts receivable of the Group is as follows:

	2020	2019
Balance at beginning of the period	\$ 11,986	14,747
Impairment loss recognized	222,551	(681)
Written off amount	-	(734)
Effect of losing controlling power over subsidiaries	-	(1,346)
Foreign currency translation gains or losses	1,166	-
Balance at end of the period	<u>\$ 235,703</u>	<u>11,986</u>

1. The amount in the accounts receivable that is overdue for more than 90 days mainly comes from key customers, the purchase of optical cement from the Group by such customers and the sale of LCD displays to various large manufacturers in Shenzhen, China. However, due to the COVID-19 pandemic, the upstream and downstream supply chain operations were affected so that payments were delayed. To protect its own interest, the Group has filed civil lawsuits with the Xiamen Intermediate People's Court in China and it is recognized as allowance for loss.
2. The aforementioned financial assets are not used as guarantee for long-term borrowings and financing amount.

(III) Inventories

	<u>2020-12-31</u>	<u>2019-12-31</u>
Raw materials and supplies	\$ 92,249	61,976
Work in progress	6,024	10,491
Finished goods	57,953	103,058
Merchandise inventory	473	-
	<u>\$ 156,699</u>	<u>175,525</u>

1. The details of the inventory related expenses of the Group recognized for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Inventory sale recognition	\$ 2,468,993	2,876,154
(Reversal of) write-down of inventories	(11,359)	7,079
	<u>\$ 2,457,634</u>	<u>2,883,233</u>

2. As of December 31, 2020 and 2019, the inventories of the Group were not provided as pledged assets.

(IV) Investment Accounted for Using Equity Method

The investments of the Group accounted for using the equity method at the report date are as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Associate	\$ 47,473	46,437

1. Associates

For associates of the Group using the equity method that are not material, the summary financial information is as follows, and the financial information refers to the amount included in the consolidated financial statements of the Group:

	<u>2020-12-31</u>	<u>2019-12-31</u>
The summary carrying amount at the end of the period for equity of individual non-material associates	<u>\$ 193,463</u>	<u>189,506</u>
	<u>2020</u>	<u>2019</u>
Amount attributable to the Group:		
Net income for the current period of continuing business unit	\$ 2,588	2,259
Other comprehensive income	896	(183)
Total comprehensive income	<u>\$ 3,484</u>	<u>2,076</u>

2. Guarantee

As of December 31, 2020 and 2019, the investments of the Group using the equity method were not provided as pledged assets.

(V) Loss of Control Over Subsidiaries

The Group's subsidiary Brave Advance International Corp. executed cash capital increase in January 2019. The Group did not subscribe according to the shareholding percentage and the chairperson was also re-elected so that the Group lost its control over the subsidiary, and the shareholding was reduced to 25%. The gain on the present disposal of NT\$60,834 thousand has been included under the "Other gains and losses" in the consolidated statements of comprehensive income. Such gain on disposal included the disposal of the remaining 25% equity measured at fair value of Brave Advance International Corp. and the amount related to the associate previously recognized as gain and loss of other comprehensive income and loss that may be reclassified to profit or loss.

The carrying amounts of the assets and liabilities of Brave Advance International Corp. and Win World Opto-Glass(Dongguan)co., Ltd. are as follows:

Cash and cash equivalent	\$ 89,316
Net accounts receivable (including related parties)	444,775
Other financial assets - current (including non-current)	5,875
Other current assets - others	10,127
Accounts payable (including related parties)	(409,219)
Other payables	(31,068)
Advance sales receipts	(54,611)
Other non-current liabilities - others	<u>(5,834)</u>
Carrying amount of net assets of former subsidiaries	<u>\$ 49,361</u>

(VI) Property, Plant and Equipment

Details of the cost, depreciation and impairment of property, plant and equipment of the Group for 2020 and 2019 are as follows:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment pending for inspection</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2020	\$ 495,360	2,322,163	2,050,039	276,244	421,524	195	5,565,525
Additions	-	-	840	675	-	8,370	9,885
Disposals and retirements	-	(260)	(103,796)	(37,062)	-	-	(141,118)
Reclassifications	(175,712)	(908,429)	1,527	-	-	(1,527)	(1,084,141)
Impact of changes in foreign exchange rate	-	-	-	448	-	69	517
Balance on December 31, 2020	<u>\$ 319,648</u>	<u>1,413,474</u>	<u>1,948,610</u>	<u>240,305</u>	<u>421,524</u>	<u>7,107</u>	<u>4,350,668</u>
Balance on January 1, 2019	\$ 553,942	2,460,345	2,103,070	315,376	749,068	844	6,182,645
Additions	-	2,792	94	27,754	-	195	30,835
Disposals and retirements	(58,582)	(140,973)	(53,969)	(59,064)	-	-	(312,588)
Reclassifications	-	-	844	-	-	(844)	-
Subsidiary equity lost	-	-	-	(6,815)	(327,544)	-	(334,359)
Impact of changes in foreign exchange rate	-	(1)	-	(1,007)	-	-	(1,008)
Balance on December 31, 2019	<u>\$ 495,360</u>	<u>2,322,163</u>	<u>2,050,039</u>	<u>276,244</u>	<u>421,524</u>	<u>195</u>	<u>5,565,525</u>
Depreciation and impairment loss:							
Balance on January 1, 2020	\$ -	889,493	1,882,512	235,745	282,106	-	3,289,856
Depreciation in the current year	-	115,744	50,218	22,771	34,703	-	223,436
Disposals and retirements	-	(260)	(95,454)	(36,898)	-	-	(132,612)
Reclassifications	-	(401,957)	-	-	-	-	(401,957)
Impact of changes in foreign exchange rate	-	-	-	85	-	-	85
Balance on December 31, 2020	<u>\$ -</u>	<u>603,020</u>	<u>1,837,276</u>	<u>221,703</u>	<u>316,809</u>	<u>-</u>	<u>2,978,808</u>
Balance on January 1, 2019	\$ -	874,832	1,883,376	271,677	572,593	-	3,602,478
Depreciation in the current year	-	131,557	53,105	29,813	37,057	-	251,532
Disposals and retirements	-	(116,896)	(53,969)	(58,859)	-	-	(229,724)
Subsidiary equity lost	-	-	-	(6,815)	(327,544)	-	(334,359)
Impact of changes in foreign exchange rate	-	-	-	(71)	-	-	(71)
Balance on December 31, 2019	<u>\$ -</u>	<u>889,493</u>	<u>1,882,512</u>	<u>235,745</u>	<u>282,106</u>	<u>-</u>	<u>3,289,856</u>
Carrying value:							
December 31, 2020	<u>\$ 319,648</u>	<u>810,454</u>	<u>111,334</u>	<u>18,602</u>	<u>104,715</u>	<u>7,107</u>	<u>1,371,860</u>
January 1, 2019	<u>\$ 553,942</u>	<u>1,585,513</u>	<u>219,694</u>	<u>43,699</u>	<u>176,475</u>	<u>844</u>	<u>2,580,167</u>
December 31, 2019	<u>\$ 495,360</u>	<u>1,432,670</u>	<u>167,527</u>	<u>40,499</u>	<u>139,418</u>	<u>195</u>	<u>2,275,669</u>

1. Impairment of assets

The Group conducts impairment evaluation on the recoverable amount of assets and intangible assets for operating purpose on the report date, and the use value is used as the calculation basis for the recoverable amount. The calculation of use value uses the cash flow of the financial forecast of the Group for the next five years as the estimation basis. The cash flow of the financial forecast considers the comprehensive factors of the changes in the industry, market competition status, expected annual income in the future, gross profit and other operating cost change, etc. in order to establish the preparation basis. For 2020 and 2019, the Group has adopted a discount rate of 13.5% to reflect specific risks of relevant cash generating units. According to the aforementioned evaluation result, the asset impairment losses recognized for 2020 and 2019 are both NT\$0.

2. As of December 31, 2020 and 2019, some parts have been provided to the financial institution as mortgage guarantee. Please refer to Note 8 for details.

3. Reclassification to investment property.

On October 1, 2020, the Group leased out its own building to a third party based on its actual condition of use, and the property was reclassified to investment property at the fair value during the time of change of purpose thereof. The difference between the carrying amount and the fair value of the property at the date of purchase change is NT\$432,884 thousand, and it is recognized as gain on reversal of impairment loss (recognized in other gains and losses) of NT\$71,389 thousand and other comprehensive income - property revaluation surplus of NT\$361,495 thousand. The gain on reversal of impairment loss does not exceed the amount of the unrecognized impairment loss and the deduction of the carrying balance after recognition of depreciation. The fair value valuation technique used by the Company for the property at the date of change of purpose and the material observable inputs are consistent with the use of the investment property at the report date. Please refer to Note 6(7) for details.

(VII) Investment property

Investment properties refer to assets owned by the Group, and for the lease of investment

properties, the original non-cancellable period is 10 years. For investment properties already leased out, the rental incomes are fixed amounts.

Statement of changes in investment property of the Group is as follows:

	Own assets		Total
	Land	Houses and buildings	
Cost or deemed cost:			
Balance on January 1, 2020	\$ -	-	-
Transfer from property, plant and equipment	293,165	821,903	1,115,068
Balance on December 31, 2020	<u>\$ 293,165</u>	<u>821,903</u>	<u>1,115,068</u>

The inputs used in the fair value valuation technique for the subsequent measurement of investment property of the Group belongs to Level 3. Please refer to the aforementioned statement of change for details of the adjustment of carrying amounts at the beginning and end of the period for Level 3. After the transfer from property, plant and equipment in October 2020, the fair value has not indicated material changes.

For the subsequent measurement of investment property of the Group adopting the discounted cash flow analysis method under income approach for valuation, relevant important contract terms and valuation information is as follows:

Subject property	Miaoli Plant land and buildings
Important contract terms	1. Rent: NT\$5,867 thousand/month 2. Lease period: 136 months 3. Total future annual tax amount borne by lessor: NT\$7,421 thousand
Local rent status	NT\$130~160/3.3058 m ² /month
Rent status of similar property	NT\$140/3.3058 m ² /month
Current condition	Normal use
Past income amount	NT\$140/3.3058 m ² /month
Income capitalization rate	3.814%
Discount rate	2.90%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	2020-12-31
Outsourced appraisal fair value	NT\$1,115,068 thousand

Pursuant to Article 34 of the Regulations on Real Estate Appraisal, the procedures of income appraisal are estimating effective gross income, estimating total expenses,

calculating net operating income, determining the capitalization rate or discount rate, and calculating the income value. The estimation of the aforementioned parameters refers to relevant data of the subject property for appraisal and comparable property with identical or similar characteristics in the most recent three years. Adjustment is made through comprehensive determination of the continuity, stability and growth status in order to confirm the availability and reasonableness of the data. The change status of the income (cash inflow) and expense (cash outflow) of each period is determined based on the past income and expense (cash flow) of the subject property, comparable property income and expense (cash flow) in the same industry or substituting comparable property, idle or loss ratio and present or possible planned income and expense in the future. The objective net income after the deduction of total expense from the total revenue is based on the objective net income of the subject property under the most effective use, and the incomes of similar properties in the neighborhood under the most effective use conditions are used as a reference for the estimation.

The determination of the discount rate adopts the risk premium method, and it considers the factors of the time deposit interest rate of the bank, government bond interest rate, risk of property investment, currency change status and change trend of property price, etc., in order to determine the likely rate of return on the most common investment, thereby adjusting the differences of individual characteristics between the investment and the subject property. The present discount rate is determined based on the increased loan interest rate of 1.6% of the Company along with the consideration of the factors of the difficulty in terms of the liquidity, risk, appreciation, and management of the subject property income status, plus the risk premium of 1.3% on December 31, 2020, such that the discount rate of the subject property is determined to be 2.9%. Regarding the estimation of the capitalization rate, the net income of comparable property is divided by the price, followed by the weighted average method to obtain the capitalization rate as 3.814%.

The aforementioned fair value valuation technique and material unobservable inputs are explained in the following table:

Fair value valuation technique	Significant unobservable inputs	Relationship between material unobservable inputs and fair value measurement
<p>The discounted cash flow analysis (DCF) under income approach is used as the evaluation method, and the contract rent price provided by the Group during the lease period is used for evaluation. After the expiration of the lease period, the market rent price is used for evaluation.</p> <p>Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period during the future discounted cash flow of the subject property analysis period, and after discount at appropriate discount rate the sum of the estimated subject property values are added. Such method is applicable to the property investment evaluation for the purpose of investment.</p>	<ul style="list-style-type: none"> Discount rate after risk adjustment is 2.90%. 	<p>The estimated fair value will be increased (or decreased) if:</p> <ul style="list-style-type: none"> Discount rate after risk adjustment decreases (increases).

Investment property refers to facilities leased out to others, and the lease contract includes the original non-cancellable lease period, and the subsequent lease period is negotiated with the lessee, and rent is either collected or not yet collected. Please refer to Note 6(12) for relevant information. In addition, the Group changed the recognition of the land and houses of Miaoli Plant III from property, plant and equipment to investment property according to the actual condition of use in November 2020. Please refer to Note 6(6) for details.

For details on the status of the investment property of the Group provided as pledged assets as of December 31, 2020 and 2019, please refer to Note 8.

(VIII) Other financial assets

	<u>2020-12-31</u>	<u>2019-12-31</u>
Pledged deposits	\$ 101,126	132,040
Accrued rent receivable	4,009	44,300
Refundable deposits - non-current	6,518	5,869
Others	452	76
	<u>\$ 112,105</u>	<u>182,285</u>

(IX) Short-term borrowings

Statement of short-term borrowings of the Group is as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Unsecured bank loans	\$ 474,209	674,453
Secured bank loans	95,568	100,000
Total	<u>\$ 569,777</u>	<u>774,453</u>
Unused amount	<u>\$ 143,952</u>	<u>100,565</u>
Interest rate interval	<u>1.3191%~2.34%</u>	<u>1.75%~3.2232%</u>

1. Please refer to Note 8 for details on the status of the collaterals provided for short-term bank borrowings with a portion of assets under pledge setting of the Group.
2. Please refer to Note 6(21) for details on risk information related to the Group's interest rate, foreign currency and liquidity risk.

(X) Long-term Borrowings

Statement, criteria and terms of long-term borrowings of the Group are as follows:

	<u>2020-12-31</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured bank loans	NTD	0.72%~4.75%	2023~2028	\$ 1,398,150
Secured non-financial institution loans	NTD	3.1927%~3.6823%	2021	<u>3,376</u> 1,401,526
Less: Portion with maturity due in one year				<u>(232,993)</u>
Total				<u>\$ 1,168,533</u>
Unused amount				<u>\$ -</u>

	<u>2019-12-31</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.96%	2020	\$ 71,400
Secured bank loans	NTD	0.97%~1.81%	2020~2028	1,045,191
Secured non-financial loans	NTD	3.1927%~3.6823%	2021	<u>45,117</u> 1,161,708
Less: Portion with maturity due in one year				<u>(321,060)</u>
Total				<u>\$ 840,648</u>
Unused amount				<u>\$ -</u>

1. Please refer to Note 8 for details on the status of the collaterals provided for bank loans with a portion of assets under pledge setting of the Group.
2. Please refer to Note 6(21) for details on risk information related to the Group's interest rate, foreign currency and liquidity risk.

(XI) Bonds Payable

1. 2014 first issuance of domestic secured convertible corporate bonds

The Company issued 4,800 five-year secured convertible corporate bonds at a face interest rate of 0% and face value of NT\$100 thousand on August 25, 2014, and the effective interest rate was 1.07%.

The conversion price at the time of issuance was set to NT\$33.8 per share. In case where the issuance of common shares of the Company satisfies the criteria for the adjustment of the conversion price specified in the terms of issuance, the conversion price is adjusted according to the formula specified in the terms of issuance. No terms are re-established for these bonds.

The guarantor for the aforementioned secured corporate bond balance is Chang Hwa Commercial Bank. The Company entrusted the secured issuance of corporate bond agreement to Chang Hwa Commercial Bank. For the duration of the agreement, collateral is calculated according to 50% of the secured amount (including compensation interest), and pledge setting can be canceled proportionally according to the bond balance.

In addition, for the execution of capital reduction to compensate loss of the Company, the conversion price was adjusted to NT\$53.38 according to the resolution approved by the board of directors on November 9, 2016.

In August, 2019, the Company had redeemed the secured convertible corporate bonds that had matured, and the repayment amount totaled to NT\$480,000 thousand, and the interest compensation amount of NT\$12,144 thousand was paid. The pledge setting of relevant collaterals had been canceled during the repayment.

2. 2020 third issuance of domestic secured convertible corporate bonds

According to the resolution of the board of directors' meeting dated December 21, 2020,

the Group proposed to execute the third issuance of domestic secured convertible corporate bonds, and it is expected to issue 5,000 convertible corporate bonds with a face interest rate of 0% and face value of NT\$100 thousand, and an issuance period of three years. The total issuance face value is NT\$500,000 thousand. The aforementioned issuance of secured convertible corporate bonds has been reported to the Securities and Futures Bureau, FSC, on March 8, 2021, for effective registration.

(XII) Operating Leases

For the lease on the investment property and a portion of the facilities of the Group, since nearly all of the risks and remunerations associated with the ownership of the underlying asset are not transferred, the lease contracts are classified as operating lease. Please refer to Note 6(7) Investment Property for details.

The due lease payment is analyzed based on the undiscounted lease payment total amount that will be collected after the report date, as described in the following table:

	2020-12-31	2019-12-31
Less than one year	\$ 72,762	105,051
One to two years	72,762	105,051
Two to three years	72,762	105,051
Three to four years	72,762	105,051
Four to five years	72,762	99,383
More than five years	420,387	702,857
Undiscounted lease payment total amount	<u>\$ 784,197</u>	<u>1,222,444</u>

2020 rental income from investment property was NT\$18,381 thousand.

(XIII) Employee Benefits

1. Defined contribution plans

The Group has made monthly appropriations according to the appropriation rate of 6.00% and 19.00% of employees' monthly salary to the labor pension personal account at the Bureau of the Labor Insurance and the Social Insurance Bureau in accordance with the provisions of the Labor Pension Act and the Social Insurance Law of the People's Republic of China. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance and the Social Insurance Bureau without additional legal or constructive obligations.

The pension expense confirmed and appropriated by the Group according to the pension

regulations and the retirement premium recognized under each subsidiary of the consolidated financial statements are as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 8,461	8,790
Selling and marketing expenses	710	772
Administrative expenses	2,308	2,271
Research and development expenses	1,151	1,791
	<u>\$ 12,630</u>	<u>13,624</u>

2. Short-term leave with pay liabilities

	<u>2020-12-31</u>	<u>2019-12-31</u>
Short-term leave with pay liabilities	<u>\$ 7,911</u>	<u>7,218</u>

(XIV) Income Tax

1. Statement of the income tax expense of the Group recognized for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Current tax expenses		
Land value increment tax	\$ -	1,478
Deferred tax expenses		
Origination and reversal of temporary differences	2,604	242
Change of unrecognized deductible temporary differences	-	(1,167)
Income tax expense	<u>\$ 2,604</u>	<u>553</u>

Statement of the income tax benefits of the Group recognized under other comprehensive income is as follows:

	<u>2020</u>	<u>2019</u>
Items not reclassified subsequently to profit or loss:		
Revalued amount of property	<u>\$ 48,808</u>	-
Items that may subsequently be reclassified to profit or loss:		
Difference in exchange from the conversion of financial statements of overseas operating entities	<u>\$ -</u>	<u>(6,616)</u>

2. The reconciliation of the Group's income tax expense and loss before tax is as follows:

	<u>2020</u>	<u>2019</u>
Loss before tax	\$ (290,519)	(59,816)
Income tax calculated according to the domestic tax rate of the country of the Company	(58,104)	(11,963)
Effect of foreign jurisdiction tax rate differences	(3,383)	1,297
Change of unrecognized deductible temporary differences	64,091	(902)
Land value increment tax	-	1,478
Others	-	10,643
	<u>\$ 2,604</u>	<u>553</u>

3. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The items not recognized as deferred tax assets by the Group are as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Deductible temporary differences	\$ 50,593	12,187
Tax loss	1,242,499	1,487,606
	<u>\$ 1,293,092</u>	<u>1,499,793</u>

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. The reason for not recognizing such items as deferred income tax assets is because the Company is not very likely to have sufficient taxable income in the future for deductible temporary difference use.

As of December 31, 2020, the deduction time-limit for tax losses of the Company not recognized as deferred income tax assets is as follows:

<u>Year of loss</u>	<u>Loss not yet deducted</u>	<u>Final year for deduction</u>
Approved value for 2013	\$ 209,457	2023
Approved value for 2014	910,923	2024
Approved value for 2015	1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027
Declared value for 2018	1,083,544	2028
Declared value for 2019	355,068	2029
Expected value for 2020	259,491	2030
	<u>\$ 6,212,497</u>	

(2) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for 2020 and 2019 are as follows:

Deferred tax assets:

	Unrealized sales allowance	Unrealized valuation loss	Total
January 1, 2020	\$ 1,565	1,039	2,604
Recognized in income statement	(1,565)	(1,039)	(2,604)
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>
January 1, 2019	\$ 2,694	152	2,846
Recognized in income statement	(1,129)	887	(242)
December 31, 2019	<u>\$ 1,565</u>	<u>1,039</u>	<u>2,604</u>

Deferred income tax liabilities:

	Foreign operation exchange difference	Investment property	Total
January 1, 2020	\$ -	-	-
Recognized in other comprehensive income	-	48,808	48,808
December 31, 2020	<u>\$ -</u>	<u>48,808</u>	<u>48,808</u>
January 1, 2019	\$ 7,783	-	7,783
Recognized in income statement	(1,167)	-	(1,167)
Recognized in other comprehensive income	(6,616)	-	(6,616)
December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>

4. The Company's profit-seeking enterprise income tax returns through 2017 have been assessed and approved by the taxation authority.

(XV) Capital and Other Equity

1. Common stock

As of December 31, 2020 and 2019, the total value of authorized ordinary shares amounted to NT\$5,000,000 thousand, at a par value of NT\$10 per share, for 500,000 thousand shares. The number of shares issued is 206,394 thousand shares. All proceeds from shares issued have been collected.

2. Capital surplus

The capital surplus balance content of the Company is as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Share-based payments	\$ 16,711	17,488
Convertible corporate bonds	-	23,040
	<u>\$ 16,711</u>	<u>40,528</u>

In accordance with the Company Act, after having first offset losses using capital surplus, the realized capital surplus can be used to issue new shares or cash dividends according to the original percentage of shares of shareholders. The aforementioned realized capital surplus includes share premiums from the outstanding shares issued at a price above the par value and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10% of the paid-in capital amount.

The Company has passed the 2019 proposal for covering losses through the resolution of the ordinary shareholders' meeting on June 18, 2020, to cover losses with the capital surplus - lapsed stock option of NT\$24,570 thousand, and has also passed the 2018 proposal for covering losses through the resolution of the ordinary shareholders' meeting on June 24, 2019, to cover losses with the capital surplus - capital stock premium of NT\$207,111 thousand and the capital surplus - lapsed stock option of NT\$21,600 thousand. For relevant information, please inquire through the Market Observation Post System (MOPS) channel.

3. Retained earnings

According to the provisions of the Articles of Incorporation, when there are surplus earnings at the final account of a fiscal year, it is necessary to appropriate an amount for the payment of taxes, followed by covering losses of previous years, and then 10% shall be appropriated as legal reserve; provided that if the legal reserve has reached the paid-in capital of the Company, the appropriation may be exempted. In addition, special reserve shall be appropriated or reversed in accordance with the laws or regulations of the competent authority. When there are still surplus earnings, the balance plus the accumulated unappropriated earnings from the previous fiscal year may be for shareholders' bonuses, and the board of directors shall establish a distribution proposal.

When the distribution is to be made in the form of issuance of new shares, the proposal shall be submitted to the shareholders' meeting for resolution before distribution.

When all or a portion of the dividends and bonuses or legal reserve and capital reserve distributed by the Company are made in the form of cash, the board of directors may be authorized to execute the distribution in accordance with the resolution of the board of directors' meeting attended by more than two thirds of the directors and the consent of a majority of the attending directors. In addition, a report to the shareholders' meeting shall also be made.

The Company is currently in a developing stage, and to cope with the future business development and expansion, the distribution of earnings shall consider the future capital expense budget and the fund demands of the Company. However, the distribution of shareholders' dividends shall not be less than 20% of the lower value of the earnings after tax or the distributable earnings of the current period. Among the dividends distributed in the current year, cash dividends shall not be less than 50%.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash; however, it shall be limited to the portion of legal reserve exceeding 25% of the issued share capital.

(2) Distribution of earnings

The Company has passed the 2019 and 2018 proposals for covering losses through the resolutions of the shareholders' ordinary meetings on June 18, 2020, and June 24, 2019, respectively. Relevant information can be inquired via channels such as the MOPS.

4. Other equity (net after tax)

	Difference in exchange from the conversion of financial statements of overseas operating entities	Revalued amount of property	Total
Balance on January 1, 2020	\$ 164,257	-	164,257
Exchange differences arising form the translation of net assets of foreign operations	(1,401)	-	(1,401)
Share of translation difference of associates accounted for using the equity method	896	-	896
Revalued amount of property	-	312,687	312,687
Balance on December 31, 2020	<u>\$ 163,752</u>	<u>312,687</u>	<u>476,439</u>
Balance on January 1, 2019	\$ 230,341	-	230,341
Exchange differences arising form the translation of net assets of foreign operations	(1,204)	-	(1,204)
Share of translation difference of associates accounted for using the equity method	(183)	-	(183)
Reclassification of profit or loss from disposition of foreign operations to profit or loss	(64,697)	-	(64,697)
Balance on December 31, 2019	<u>\$ 164,257</u>	<u>-</u>	<u>164,257</u>

(XVI) Share-based Payments

1. As of December 31, 2020 and 2019, the Company has made the following share-based payments:

Type	Equity settlement		
	Employee stock options	Cash capital increase reserved for employee subscription	Employee stock option program
Grant date	2020-09-17	2018-08-10	2013-08-13
Grant quantity (thousand/unit)	3,000	1,800	3,000
Contract period	4 years	5 years	6 years
Vesting conditions	Immediate vesting	Immediate vesting	Service for next four years
Actual turnover rate of current period	-	-	-
Estimated turnover rate for the future	40%, 61%	-	-

The Company has passed the issuance of employee stock options through the resolution

of the board of directors' meeting on August 21, 2020. The present issuance of total number of new common shares is 3,000 thousand shares, and the subscription price is to be specified based on the closing price of common shares of the Company on that day. Such shares are to be issued within one year from the date when the notice of effective registration of the competent authority is served, and such shares may be issued all at once or at discreet times depending upon the actual needs. The aforementioned issuance of employee stock options has been registered effectively with the Securities and Futures Bureau, FSC on September 16, 2020, and according to the resolution of the board of directors' meeting on September 17, 2020, such shares are to be issued fully and the grant date fair value is NT\$10.4.

Except that subscribers shall comply with the transfer suspension period of two years after the grant of employee stock options according to the law, the accumulated exercisable subscription rights ratio is as follows:

Employee stock options grant period	2020	2013
Matured for two years	60%	20%
Matured for three years	100%	60%
Matured for four years	None	100%

2. Measurement parameter of fair value at grant date

The Company adopts the Black-Scholes option valuation model to estimate the fair value of the share-based payments at grant date, and the inputs for the model are as follows:

	2020	2018	2013
Dividend rate (Note)	-%	-%	1.59%
Expected volatility (%)	45.77%	26.32%	33.25%
Expected life of stock options (years)	4 years	Immediate vesting	6 years
Risk-free interest rate (%)	0.2916%	0.8144%	0.875%

Note: According to the 2020 Employee Stock Options Issuance Regulations of the Company, the subscription price will be adjusted (anti-dilution price adjustment) along with the issuance of dividends; therefore, it is not included in the calculation.

3. Detailed information on the aforementioned employee share options is as follows:

	2020		2019	
	Weighted-average exercise price (NT\$)	Subscription quantity (thousand shares)	Weighted-average exercise price (NT\$) (Note)	Subscription quantity (thousand shares)
Outstanding capital stock on January 1	\$ -	-	59.20	732
Grant quantity of current period	10.40	3,000	-	(732)
Loss quantity of current period	-	-	-	-
Outstanding capital stock on December 31	<u>\$ 10.40</u>	<u>3,000</u>	<u>59.20</u>	<u>-</u>

Note: Due to the capital reduction for covering losses executed by the Company, the conversion price was adjusted to NT\$59.20 according to the resolution approved by the board of directors on November 9, 2016.

The outstanding subscription right information of the Company on December 31, 2020, is as follows:

	2020-12-31
Exercise price interval	\$ 10.40
Weighted-average remaining contractual life (years)	4

4. Employee expenses and liabilities

The expenses and liabilities arising from the share-based payments of the Company for 2020 and 2019 are as follows:

	2020	2019
Expenses arising from employee stock options	<u>\$ 753</u>	<u>-</u>

(XVII) Earnings Per Share

	2020	2019
Basic loss per share		
Loss attributable to common shareholders of the Company	<u>\$ (293,123)</u>	<u>(60,369)</u>
Number of outstanding common shares	<u>206,394</u>	<u>206,394</u>
	<u>\$ (1.42)</u>	<u>(0.29)</u>

For 2020 and 2019, the covering of losses took place and there was no diluted effect. Accordingly, it is not necessary to disclose the diluted earnings per share.

(XVIII) Remuneration of Employees, Directors, Supervisors

According to the Articles of Incorporation of the Company, when there is a profit in a fiscal year, 8% of the profit shall be allocated as the remuneration of employees and no more than 0.1% of the profit as the remuneration of directors and supervisors. However, when the Company still has accumulated losses, an amount shall be reserved for making up the accumulated losses first. The remuneration of employees may be issued in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of a holding or subordinate company satisfying certain criteria, and the board of directors is authorized to specify such criteria. The preceding two paragraphs shall be executed in accordance with the resolution of the board of directors' meeting, and shall be reported to the shareholders' meeting.

For 2020 and 2019, the covering of losses took place for the Company. Accordingly, the Company is not required to estimate the remunerations of employees, directors and supervisors. Relevant information is available for inquiry on the MOPS.

(XIX) Revenue from Customer Contracts

1. Revenue details

	2020			
	Optoelectronics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 222,689	509,849	83,499	816,037
China	244,904	7,604	1,152,715	1,405,223
U.S.A.	15,163	156	147	15,466
Belize	125,143	-	-	125,143
Others	58,870	-	27,797	86,667
	\$ 666,769	517,609	1,264,158	2,448,536
Main products:				
Photoelectric glass	\$ 666,769	-	-	666,769
Green building glass	-	517,609	-	517,609
Others	-	-	1,264,158	1,264,158
	\$ 666,769	517,609	1,264,158	2,448,536

	2019			
	Optoelectronics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 140,320	497,814	20,321	658,455
China	355,735	171	1,232,982	1,588,888
U.S.A.	27,931	2,072	-	30,003
Belize	451,299	-	-	451,299
Others	99,258	6,266	31,905	137,429
	\$ 1,074,543	506,323	1,285,208	2,866,074
Main products:				
Photoelectric glass	\$ 1,074,543	-	-	1,074,543
Green building glass	-	506,323	-	506,323
Others	-	-	1,285,208	1,285,208
	\$ 1,074,543	506,323	1,285,208	2,866,074

2. Contract balance

	2020-12-31	2019-12-31	2019-01-01
Accounts receivable (including related parties)	\$ 885,207	826,509	1,300,853
Less: Allowance for loss	(235,703)	(11,986)	(14,747)
Total	\$ 649,504	814,523	1,286,106
Contract liabilities	\$ 7,592	5,957	6,653

Please refer to Note 6(2) for the details of the disclosure of accounts receivable and impairment thereof.

The contract liabilities of January 1, 2020 and 2019, recognized as income for 2020 and 2019 amounted to NT\$4,449 thousand and NT\$ 4,763 thousand, respectively.

(XX) Non-operating Income and Expenses

1. Interest income

Statement of interest income of the Group is as follows:

	2020	2019
Interest income	\$ 3,030	2,638

2. Other gains and losses

Statement of other gains and losses of the Group is as follows:

	<u>2020</u>	<u>2019</u>
Foreign exchange loss	\$ (5,024)	(871)
Gain on disposal of investment	-	60,952
Gain (loss) on disposal and retirement of property, plant and equipment	(7,056)	65,766
Gain on reversal of impairment	71,389	-
Other income		
Income from lease	101,333	90,496
Income from government subsidy	24,042	-
Other income	18,322	8,052
Other expenses	(28,435)	(33,225)
	<u>\$ 174,571</u>	<u>191,170</u>

3. Financial costs

Statement of financial costs of the Group is as follows:

	<u>2020</u>	<u>2019</u>
Interest expense		
Loans	\$ 32,334	36,516
Corporate bonds payable	-	4,891
Others	1,748	560
	<u>\$ 34,082</u>	<u>41,967</u>

(XXI) Financial instruments

1. Credit risk

(1) Credit risk exposure

The maximum credit risk exposure of financial assets is equal to their carrying amount.

(2) Concentration of credit risk

The main potential credit risk of the Group comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the Group is deposited at different financial institutions. The Group controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the Group.

Customers of the Group are concentrated in the optoelectronics industry, and to

reduce accounts receivable credit risk, the Group continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for doubtful accounts. As of December 21, 2020 and 2019, the accounts receivable of these customers of the Group were 38% and 52% respectively, indicating that the Group is subject to obvious concentration of credit risk.

(3) Credit risk of receivables and debt securities

Please refer to Note 6(2) for details on the credit risk exposure information related to notes receivable and accounts receivable. Other financial assets measured at amortized cost include other accounts receivable and time deposit certificates.

The aforementioned financial assets refer to financial assets with low credit risk; therefore, the allowance for losses for such periods is measured according to the 12-month expected credit loss amount (please refer to Note 4(6) for details on how the Group makes the judgment on low credit risk).

The changes of the allowance for losses for 2020 and 2019 are as follows:

	Other receivables
Balance on January 1, 2020	\$ 1,064
Impairment loss reversed	<u>(398)</u>
Balance on December 31, 2020	<u>\$ 666</u>
Balance on January 1, 2019	\$ 1,403
Impairment loss recognized	221
Effect of losing controlling power over subsidiaries	<u>(560)</u>
Balance on December 31, 2019	<u>\$ 1,064</u>

2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
December 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,493,718	1,592,851	361,872	385,769	401,065	444,145
Unsecured bank loans	474,209	479,368	479,368	-	-	-
Secured non-financial institution loans	3,376	3,395	3,395	-	-	-
Notes and accounts payable (including related parties)	286,994	286,994	286,994	-	-	-
Other payables	106,724	106,724	106,724	-	-	-
Construction and equipment payable	3,424	3,424	3,424	-	-	-
Lease liabilities	50,877	51,381	51,381	-	-	-
	\$ 2,419,322	2,524,137	1,293,158	385,769	401,065	444,145
January 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,145,191	1,190,751	322,620	353,542	480,131	34,458
Unsecured bank loans	745,853	727,535	727,535	-	-	-
Secured non-financial institution loans	45,117	45,471	41,851	3,620	-	-
Notes and accounts payable (including related parties)	241,034	241,034	241,034	-	-	-
Other payables	99,473	99,473	99,473	-	-	-
Construction and equipment payable	682	682	682	-	-	-
Lease liabilities (including non-current)	50,256	50,225	50,225	-	-	-
	\$ 2,327,606	2,355,171	1,483,420	357,162	480,131	34,458

The Group does not expect that the timing of the occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, or that the actual cash flow amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk

The Group's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	2020-12-31			2019-12-31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 22,497	28.48	640,715	20,900	29.98	626,582
<u>Non-monetary items</u>						
USD : NTD	1,667	28.48	47,473	1,549	29.98	46,437
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	9,870	28.48	281,098	13,311	29.98	399,064

(2) Sensitivity analysis

The Group's exposure to foreign currency risk mainly comes from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables, etc. that are denominated in foreign currencies, and foreign exchange gain or loss occurs during the translation. As of December 21, 2020 and 2019, in case of depreciation or appreciation of the NTD against the USD by 1% and other factors remaining unchanged, the net income after tax in 2020 and 2019 would have been increased or decreased by NT\$2,877 thousand and NT\$1,821 thousand, respectively. The analysis for the two periods adopted the same basis.

(3) Exchange gain or loss of monetary items

The information on the amount of exchange gain or loss (including realized and unrealized) of monetary items of the Group translated to the functional currency of NTD (i.e. the presentation currency of the Company) is as follows:

	2020		2019	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ (5,024)	29.53	(871)	30.87

4. Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The sensitivity analyses below were determined based on the exposure to interest rates for non-derivative instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the report date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting internally to the management personnel of the Group, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased or decreased by 1%, under conditions where other variables remained unchanged, then the Group's net income after tax would have increased or decreased by NT\$19,713 thousand and NT\$19,362 thousand in 2020 and 2019 respectively, which was mainly due to the loans at variable interest rate of the Group.

5. Fair value information

(1) Categories and fair value of financial instruments

The financial assets and liabilities measured at fair price through profit or loss, derivative financial assets and liabilities for hedging and financial assets measured at fair value through other comprehensive income of the Group are measured at fair price based on the repetitiveness. The information on the carrying amount and fair value of various financial assets and financial liabilities (including fair value and level information; however, for the carrying amount of financial instruments not measured at fair value as the reasonable close value of fair value, and lease liabilities, their fair values are not required to be disclosed according to the regulations) is as follows:

		2020-12-31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 499,504	-	-	-	-
Notes and accounts receivable (including related parties)	649,504	-	-	-	-
Other financial assets (including non-current)	112,105	-	-	-	-
Total	\$ 1,261,113	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 569,777	-	-	-	-
Notes and accounts payable (including related parties)	286,994	-	-	-	-
Other payables	106,724	-	-	-	-
Construction and equipment payable	3,424	-	-	-	-
Lease liabilities	50,877	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,401,526	-	-	-	-
Total	\$ 2,419,322	-	-	-	-
		2019-12-31			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 320,203	-	-	-	-
Notes and accounts receivable (including related parties)	814,523	-	-	-	-
Other financial assets - current	176,416	-	-	-	-
Other financial assets - non-current	5,869	-	-	-	-
Total	\$ 1,317,011	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 774,453	-	-	-	-
Notes and accounts payable (including related parties)	241,034	-	-	-	-
Other payables	99,473	-	-	-	-
Construction and equipment payable	682	-	-	-	-
Lease liabilities (including non-current)	50,256	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,161,708	-	-	-	-
Total	\$ 2,327,606	-	-	-	-

(2) Fair value valuation technique for financial instruments not measured at fair value

The methods and assumptions the Group adopted to estimate the instruments not measured at fair value are as follows:

(2.1) Financial assets and liabilities at amortized cost

If there is transaction or quote information from a market maker, then the latest transaction price and quote information are used as the basis for the evaluation of the fair value. If no market price is available for reference, then a valuation method is used for estimation. The estimation and assumption adopted for the valuation method refers to the discounted value of the cash flow estimated fair value.

(3) Fair value valuation technique for financial instruments measured at fair value

(3.1) Non-derivative financial instruments

When a financial instrument has an active market open quote, then the open quote of the active market is used for the fair value. For the market price of the main exchange and announced by the exchange center of the central government determined to be on-the-run securities, the publicly listed equity instruments and debt instruments with an active market open quote are determined to have a basis for fair value.

If an open quote of a financial instrument can be timely and frequently obtained from an exchange, broker, underwriter, industry association, pricing service institution or competent authority, and the price represents an actual and frequently occurring fair market transaction, then the financial instrument has an active market open quote. If the aforementioned criteria are not met, then the market is deemed to be inactive. In general, when the bid-ask spread is great, and the bid-ask spread obviously increases or the trading volume is small, then it serves as indicators of an inactive market.

Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. For the fair value of financial instruments measured by using valuation techniques, reference can be made to the current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculations by model using market information available at the balance sheet date.

If a financial instrument held by the Group has no active market, then its fair value is determined according to the following category and attribute:

- Equity instrument without open quote: The market comparable company method is used to estimate the fair value, and its main assumption is to use the rate of return on investees as the basis for measurement. For the estimated value, the discount effect of the lack of market liquidity of such

equity security has been adjusted.

(3.2) Derivative financial instruments

The valuation is based on the valuation model widely used and accepted by users in the market, such as discount method and option pricing model. Forward exchange agreement is typically evaluated based on the current forward exchange rate.

(4) Transfer between Level 1 and Level 2

The Group was not subject to any transfer of financial assets and liabilities for 2020 and 2019.

(XXII) Financial risk management

1. Overview

The Group is exposed to the following risks arising from the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies and procedures with regard to the Group's measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the consolidated financial statements.

2. Risk management framework

The board of directors is fully responsible for the establishment and oversight of the risk management framework of the Group. For the board of directors, the chairperson's office is responsible for the development and control of the financial risk management policies of the Group and to provide reports on the operation thereof to the board of directors periodically.

The establishment of the financial risk management policy of the Group is to identify and analyze the financial risk faced by the Group, and to set up appropriate financial risk limits and control, as well as to monitor risk and risk limit compliance. The financial risk management policy is reviewed periodically to reflect market conditions and changes in the operation of the Group. The Group, through training, management standards and operation procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors of the Group monitors the management, such as monitoring of the financial risk management policy and procedure compliance of the Group, and reviews the appropriateness of the relevant financial management framework for the risks faced by the Group. The internal auditing personnel of the Group provides

assistance to the board of directors of the Group to perform their role of supervision. Such personnel undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results thereof are reported to the board of directors.

3. Credit risk

Credit risk refers to the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers' notes and accounts as well as bank deposits and forward exchange agreements.

(1) Accounts receivable and other receivables

The credit risk exposure of the Group is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the Group, including the industry of customers and country default risk since such factors may affect the credit risk.

The Group has established a credit policy, and according to such policy, before the Group makes standard payment and delivery terms, it is necessary to analyze the credit rating of each new customer individually.

The Group has set up an allowance for bad debt account to reflect the estimated losses arising from notes receivable and others receivable as well as investments. The allowance for debt account mainly consists of a specific loss component relating to individually significant exposure, and a combinational loss component established for losses already occurred but not yet identified in similar asset groups. The combinational loss account allowance account is determined based on the statistical data of past payments of similar financial assets.

(2) Investments

The credit risk of bank deposits and forward exchange agreements is measured and monitored by the financial department of the Group. Since the transaction counterparties and the contract performance parties of the Group are banks with excellent credit standing, there are no non-compliance issues; therefore, there is no significant credit risk.

(3) Guarantees

The Group's policy is executed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of

December 31, 2020 and 2019, the Group has not provided any endorsements/guarantees.

4. Liquidity risk

Liquidity risk refers to the risk that the Group is unable to deliver cash or other financial assets for repayment of financial debts, and the risk of failure to perform relevant obligations. The Group's liquidity management method is to ensure that under general conditions and conditions of pressure, the Group is still able to have sufficient working capital capable of paying liabilities that are due for payment, such that unacceptable loss would not occur or the risk of the reputation of the Group being damaged would not occur. In recent years, to cope with the significant operating losses due to impact of the industrial economy such that the impact of the significantly increased liquidity risk can be reduced, the Group is currently actively improving cash flows; please refer to Note 6(25) for a detailed explanation. Accordingly, the Group has evaluated that there is no liquidity risk of failure to obtain sufficient capital to fulfill contract obligations in the next year.

As of December 31, 2020 and 2019, the unused amount of bank financing of the Group were NT\$143,952 thousand and NT\$100,565 thousand, respectively.

5. Market risk

Market risk refers to the risk in the change of market prices, such as foreign exchange rates and interest rates, affecting the Group's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within an acceptable range, and to optimize investment returns.

To manage market risks, the Group engages in derivative instrument transactions and also generates financial assets and liabilities accordingly. The all transactions were executed in accordance with the instructions of the board of directors.

(1) Exchange rate risk

The Group is exposed to currency risk on transactions of sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Group. The functional currencies of the Group are mainly NTD and USD. The main pricing currency for such transactions is NTD and USD.

In addition, based on the principle of natural hedging, the Group performs hedging

according to the capital demand of each currency and the net position with respect to the market exchange condition.

(2) Interest rate risk

The Group's policy is to ensure that the loan interest rate change risk exposure is evaluated according to the international economic status and market interest rates.

(XXIII) Capital Management

The Group's capital management objective is to safeguard the Group's ability to continue as a going concern in order to continue to provide returns for shareholders and interests of other stakeholders, as well as 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, execute capital reduction to return share capital to shareholders, issue new shares or sell assets in order to repay debts.

The Group, similar to others in the same industry, uses the debt-to-capital ratio as the basis for capital control and monitoring. Such ratio is calculated by dividing the net liabilities by the total capital. The net liabilities refer to the total liabilities indicated on the balance sheet less cash and cash equivalents. Total capital refers to all components (i.e. share capital, capital surplus, retained earnings and other equity) of equity plus net liabilities.

The capital management strategy of the Group in 2020 was to ensure that the Group is able to perform financing at a reasonable cost. Debt-to-capital ratio at report date is as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Total liabilities	\$ 2,509,998	2,367,135
Less: Cash and cash equivalent	<u>(499,504)</u>	<u>(320,203)</u>
Net liabilities	2,010,494	2,046,932
Total equity	<u>1,537,293</u>	<u>1,517,481</u>
Capital after adjustment	<u>\$ 3,547,787</u>	<u>3,564,413</u>
Debt-to-capital ratio	<u>56.67%</u>	<u>57.43%</u>

(XXIV) Non-cash transaction investments and financing activities

Statement of non-cash transaction investment activities of the Group for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment in the current period	\$ 9,885	30,835
Add: Equipment and construction payables at beginning of the period	682	591
Less: Equipment and construction payables at end of the period	<u>(3,424)</u>	<u>(682)</u>
	<u>\$ 7,143</u>	<u>30,744</u>

(XXV) Sound Financial Plan

Due to rapid changes in the industry, the Group has suffered continuous losses in recent years, and the management of the Group has consecutively adopted the following measures in order to ensure the operation of the Group and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the Group plans to adopt the following plans:

1. Operations

- (1) Actively combining various core technical developments for integrated applications in order to satisfy high customization demands and new technologies for terminal products, and continuing to enhance and adjust market order acceptance capability, thereby strengthening and expanding the market while satisfying customer demands and enhancing the foundation to improve the market share.
- (2) Extending the diverse operations of industrial on-board vehicle control and smart building related industries, reducing reliance on consumer electronics and continuing to develop new products and adjusting market position, in order to acquire sales of niche products.
- (3) Establishing strategic alliances and partnerships with overseas manufacturers with advanced key technologies, and engaging in joint development of electrochromic glass products with high economic value.
- (4) Future plans for Smart Vehicle and Smart Building Glass Products
 - (a) Development and promotion of 3D high transmittance multi-layer coating technology.
 - (b) Development and promotion of vehicle display multi-curved glass with advanced design.
 - (c) Continued promotion of power generating board adhesive products for curtain walls.
 - (d) Development and promotion of PDLC (Polymer Dispersed Liquid Crystal) adhesive product.

- (e) Development and promotion of manufacturing processes for Smart Windows (electrochromic glass) with integrated building adhesive/IGZO.
- (f) Development of LED layer glass curtain walls.

2. Management

- (1) Improving the organizational structure, implementing simplification policies, fully utilizing the advantages of outsourcing to rigorously control costs and expenditures.
- (2) Improving production management efficiency, reducing material loss and implementing inventory management, reducing idle loss. All of these measures are being executed actively by the manufacturing management department, and its outcome has started to take effect, and control and monitoring will continue to be implemented.
- (3) Improving the accuracy of sales forecasts, rigorously controlling raw material purchases, enhancing the flexibility of capital use, improving efficiency and reducing operating costs.
- (4) Expediting the introduction of second source materials in order to effectively control and reduce material costs.
- (5) Implementing rigorous review of the control of expenditures, reducing expenditures and unnecessary waste of resources. Proper implementation has started to demonstrate positive outcomes.
- (6) In the future, the focus will be on the introduction of new technologies or manufacturing processes, and the necessary capital expense for improving machinery and equipment production efficiency will be increased. In addition, rigorous investment benefit analysis will also be thoroughly executed in order to maximize the capital expenditure effect.

3. Finance

- (1) Implementing cost and expense reduction plans, saving expenditures and maintaining safe levels for capital and reducing the cumulation of working capital.
- (2) Continue negotiating bank quotas and limits, and enhancing the business dealings with banks in order to ensure sufficient working capital.

VII. Related Party Transactions

(I) Names of related parties and relationships

The related parties that have had transactions with the Group during the periods covered in the financial statements are as follows:

Related party name	Relationship with the Group
Hon Hai Precision Industry Co., Ltd.	Investment company using the indirect equity method on the Company
Chin Ming Glass Co., Ltd.	The chairperson of this company is a relative within the first degree of kinship of the chairperson of the Company
PT. Sharp Electronics Indonesia	Its ultimate parent company is an investment company using the indirect equity method on the Company
FIH (Hong Kong) Limited	"

Related party name	Relationship with the Group
Asia Pacific Telecom Co., Ltd.	"
Nanjing Innolux Optoelectronics Ltd.	"
General Interface Solution Ltd.	"
Shenzhen Futaihong Precision Industrial Co., Ltd.	"
Century Technology (Shenzhen) Co., Ltd.	"
Futaihua Industry (Shenzhen) Co., Ltd.	"
Foxconn Global Network Corporation	"
General Interface Solution Business (Shenzhen) Co., Ltd.	"
Innolux Corporation	"
Chiun Mai Communication Systems Inc.	"
Hongfujin Precision Industry (Wuhan) Co., Ltd.	"
CNTouch Inc.	"
VC3 Networks (Chengdu) Co., Ltd.	"
Zhengzhou Yuteng Precision Co., Ltd.	"
Foshan Innolux Optoelectronics Ltd.	"
Ennoconn Corporation	"
Ningbo Innolux Optoelectronics Ltd.	"
Brave Advance International Co., Ltd.	Associates of the Group
Win World Opto-Glass(Dongguan)co., Ltd.	"

(II) Significant related party transactions and balances

1. Operating revenue

The significant sales of the Group to related parties were as follows:

	2020	2019
Other related parties:		
Other related parties	\$ 397,089	480,372

The price and payment collection terms for the sales of the Group to other related parties are open account 45~120 days, and there are no major differences for general customers.

2. Purchases

Purchase costs of the Group from related parties were as follows:

	2020	2019
Other related parties:		
Futaihua Industry (Shenzhen) Co., Ltd.	\$ 802,845	570,237
Other related parties	162,809	121,475
	\$ 965,654	691,712

The purchases from related parties by the Group refer to single suppliers, and the payment terms are open account 45~90 days, and the payment terms for general suppliers are LC120 days and open account 45~90 days.

3. Receivables from related parties

Statement of receivables from related parties of the Group is as follows:

Accounts	Type of related party	2020-12-31	2019-12-31
Accounts receivable - related parties	Other related parties:		
	Nanjing Innolux Optoelectronics Ltd.	\$ 2,383	95,439
	Other related parties	126,780	59,973
		<u>\$ 129,163</u>	<u>155,412</u>
Other financial assets - current	Other related parties	\$ 16	39

4. Payables to related parties

Statement of payables to related parties of the Group is as follows:

Accounts	Type of related party	2020-12-31	2019-12-31
Accounts payable - related parties	Other related parties:		
	Futaihua Industry (Shenzhen) Co., Ltd.	\$ 165,587	109,471
	Chin Ming Glass Co., Ltd.	9,523	28,667
	Other related parties	4,337	15,840
		<u>\$ 179,447</u>	<u>153,978</u>
Other payables	Other related parties	\$ 13,039	15,282

5. Property transactions

(1) Disposal of property, plant and equipment

Statement of the Group's sale of property, plant and equipment to related parties is summarized in the following:

Type of related party	2019	
	Disposal proceeds	Disposal gain (loss)
Other related parties:		
Chin Ming Glass Co., Ltd.	\$ 151,680	65,498

The Group sold its land and buildings (including various equipment therein) in Tongluo

Township, Miaoli County in June 2019 to other related parties. The total area of the land was 5,088.20306 m², and the total price was NT\$151,680 thousand (tax excluded). The aforementioned amount has been collected completely.

6. Leases

The Group leased the facility office building at Tainan Science Park from other related parties and signed a three-year lease contract with reference to the office rental market price in the neighboring area, and the contract total price was NT\$164,724 thousand. The interest expenses recognized for 2020 and 2019 were NT\$505 thousand and NT\$560 thousand, respectively. Subsequently, the Group renewed a one-year lease contract with other related parties in December 2020, and the contract total price was NT\$51,381 thousand. As of December 31, 2020 and 2019, the lease liabilities balances were NT\$50,877 thousand and NT\$50,256 thousand, respectively.

(III) Personnel transactions from key management

Remuneration of key management includes:

	2020	2019
Salary	\$ 13,062	10,937
Short-term employee benefits	2,120	628
	<u>\$ 15,182</u>	<u>11,565</u>

VIII. Pledged Assets

Statement of the carrying value of pledged or secured assets of the Group is as follows:

Asset name	Pledged or secured subject matter	2020-12-31	2019-12-31
Time deposits (recognized as other financial assets - current)	Customs bonds and borrowings	\$ 101,126	132,040
Property, plant and equipment	Bank borrowings	685,689	1,775,381
Investment property	Bank borrowings	1,115,068	-
		<u>\$ 1,901,883</u>	<u>1,907,421</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Others

A summary of employee benefits, depreciation, depletion and amortization expenses, by function, is as follows:

By function By nature	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salary expense	207,224	91,062	298,286	199,249	93,174	292,423
Labor and health insurance expense	19,189	7,235	26,424	20,404	6,858	27,262
Pension expense	8,461	4,169	12,630	8,790	4,834	13,624
Other employee benefit expenses	10,138	3,019	13,157	10,790	3,260	14,050
Depreciation expense	231,549	18,290	249,839	254,587	21,569	276,156
Amortization expense	447	3,648	4,095	893	667	1,560

The depreciations of other gains and losses recognized under non-operating revenue and expenses of the Group for 2020 and 2019 were NT\$24,480 thousand and NT\$31,869 thousand, respectively.

XIII. Separately Disclosed Items

(I) Significant transactions information

In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for the year of 2020, the significant transactions related information required to be further disclosed by the Group is as follows:

1. Loaning funds to others: None.
2. Endorsements/guarantees made for others: None.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint venture equities): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Unit: NTD thousand

Company of purchase (sale)	Related party name	Relationship	Transaction details				Difference of transaction conditions with general transactions and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Payment term	Unit price	Payment term	Balance	Percentage of total notes and accounts receivable (payable)	
G-TECH Optoelectronics Corporation	Futaihua Industry (Shenzhen) Co., Ltd.	Other related parties	Purchase	764,689	46.72%	DA 45 DAYS	-		(148,026)	(63.74)%	
"	Chin Ming Glass Co., Ltd.	"	Purchase	140,286	8.57%	Open account 60 days T/T	-		(9,523)	(4.10)%	

8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

9. Trading in derivative instruments: None.

10. Business relationships and significant transactions between parent and subsidiaries: None.

(II) Information on investees:

The information on investees of the Group in 2020 (excluding investees in China) is as follows:

Unit: NTD thousand/USD thousand

Name of investor	Name of investee	Location	Main business items	Original investment amount		End of term holding			Mid-term highest shareholding or investment status	Current profit or loss of investee	Current investment profit/loss recognized	Remarks
				End of current period	End of last year	Number of shares	Ratio	Carrying amount				
G-TECH Optoelectronics Corporation	Fast Achievement Global Ltd.	Cayman Islands	Holding	15,379 (USD540)	15,379 (USD540)	540,000	100.00%	47,493	100.00%	2,588 (USD88)	2,588 (USD88)	
G-TECH Optoelectronics Corporation	Golden Start Global Corp.	Samoa	Holding	2,033,226 (USD71,391)	2,033,226 (USD71,391)	71,391,373	100.00%	104,041	100.00%	(67,414) (USD(2,283))	(67,414) (USD(2,283))	
Fast Achievement Global Ltd.	Brave Advance International Corp.	Samoa	Holding	14,240 (USD500)	14,240 (USD500)	500,000	25.00%	47,473 (USD1,667)	25.00%	10,348 (USD350)	2,588 (USD88)	
Golden Start Global Corp.	Charmtex Global Corp.	Samoa	Holding	2,032,657 (USD71,371)	2,032,657 (USD71,371)	71,371,373	100.00%	104,032 (USD3,653)	100.00%	(67,414) (USD(2,283))	(67,414) (USD(2,283))	

Note: Except for Brave Advance International Corp., the aforementioned transactions have been written off during the preparation of the consolidated financial statements.

(III) Information on Investments in China:

1. Information of name of investees in China, and main business items:

Unit: NTD thousand

Name of investee in China:	Main business items	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount at beginning of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period	Current profit or loss of investee	% of ownership of direct or indirect investment by the Company	Mid-term highest shareholding or investment status	Current investment profit/loss recognized	Investment carrying value at end of the period	Accumulated repatriation of investment income as of end of current period
					Outward remittance	Repatriation							
Win World Opto-Glass(Dongguan)co., Ltd	Manufacturing and sale of TFT-LCD panel display screen materials	676,115 (USD23,740)	Note 1	676,115 (USD23,740)	-	-	676,115 (USD23,740)	6,442 (USD218)	25.00%	25.00%	1,611 (USD55)	15,069 (USD529)	-
G-TECH Optoelectronics (Chengdu) co., Ltd	Manufacturing and sale of TFT-LCD panel display screen materials	1,993,600 (USD70,000)	Note 2	1,993,600 (USD70,000)	-	-	1,993,600 (USD70,000)	(67,660) (USD(2,291))	100.00%	100.00%	(67,660) (USD(2,291))	99,699 (USD3,510)	-

Note 1: The Company invested in Win World Opto-Glass (Dongguan) Co., Ltd. in China indirectly via the investee Brave Advance International Corp. of the investment enterprise Fast Achievement Global Ltd. in a third region. In January 2019, due to the cash capital increase executed by Brave Advance International Corp. and the Group not subscribing according to the shareholding ratio, the Group lost its controlling power over the investee.

Note 2: The Company invested in G-TECH Optoelectronics (Chengdu) Co., Ltd. in China indirectly via the investee Charmtex Global Corp. of the investment enterprise Golden Start Global Corp. in a third region.

Note 3: Except for Win World Opto-Glass (Dongguan) Co., Ltd., the aforementioned transactions have been written off during the preparation of the consolidated financial statements.

2. Upper limit on the amount of investment in China region:

Accumulated outward remittance for investment in China region at end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
2,669,715 (USD93,740)	2,669,715 (USD93,740)	-
(Including machine construction fee of 244,444) (USD8,583)	(Including machine construction fee of 264,180) (USD9,276)	-

Note: The Company has received the certificate for compliance with operational headquarter business scope issued by the Industrial Development Bureau, MOEA, on August 26, 2019. Accordingly the Company is not restricted by the investment limit requirement.

3. Significant transactions with investees in China: None.

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Shareholding	Shareholding percentage
Hong Yuan International Investment Co., Ltd.		15,728,165	7.62%
Bao Xin International Investment Co., Ltd.		10,922,337	5.29%

XIV. Information on Segments

(I) General information

Since April 2016, the Group has made organization segment adjustments, and the reportable segments and operations thereof after the adjustment respectively refer to the Optoelectronics Business Unit (referred to as "Optoelectronics BU") and the Green Building Business Unit (referred to as "Green Building BU"). The Optoelectronics BU is mainly responsible for the R&D, design, manufacturing and sales of general consumer electronics, vehicle glass and protective touch control glass for industrial control computers. The Green

Building BU is mainly responsible for the R&D and sales of green building material glass, and provides various sorts of building glass surface treatment and reinforcement, abnormality processing services.

(II) Information on profit/loss, assets, liabilities and measurement basis and adjustment of reportable segments

The Group uses the income before tax of segments (excluding gain/loss occurred infrequently and exchange gain/loss) from the internal management reports reviewed by key operating decision makers as a basis for management resource allocation and performance evaluation. Since the income tax, gain/loss occurred infrequently and exchange gain/loss are managed with the Group as the basis, the Group does not amortize the income tax expense (profit), gain/loss occurred infrequently and exchange gain/loss to the reportable segments. In addition, not all of the gain/loss of reportable segments includes material non-monetary items other than the depreciation and amortization. The amounts reported and the reports used by the operating decision makers are consistent.

The pension expense of each operating segment is recognized and measured based on the pension program paid in cash, and the accounting policies of operating segments are the same as Note 4 "Summary of Significant Accounting Policies".

The Group treats the sales and transfers among segments as transactions with third parties. The transactions are measured at current market prices.

Information and adjustment of operating segments of the Group are as follows:

2020	Optoelectronics	Green building	Others	Adjustment and elimination	Total
Revenue					
Revenue from external customers	\$ 666,769	517,609	1,264,158	-	2,448,536
Inter-segment revenue	-	-	-	-	-
Interest income	3,030	-	-	-	3,030
Total revenue	<u>\$ 669,799</u>	<u>517,609</u>	<u>1,264,158</u>	<u>-</u>	<u>2,451,566</u>
Interest expense	\$ (34,082)	-	-	-	(34,082)
Depreciation and amortization	(209,673)	(68,741)	-	-	(278,414)
Investment gain	2,588	-	-	-	2,588
Segment profit or loss	<u>\$ (520,628)</u>	<u>167,706</u>	<u>62,331</u>	<u>-</u>	<u>(290,591)</u>
Segment total assets	<u>\$ 3,514,350</u>	<u>532,941</u>	<u>-</u>	<u>-</u>	<u>4,047,291</u>
Segment liabilities	<u>\$ 2,035,659</u>	<u>474,339</u>	<u>-</u>	<u>-</u>	<u>2,509,998</u>

<u>2019</u>	<u>Optoelectronics</u>	<u>Green building</u>	<u>Others</u>	<u>Adjustment and elimination</u>	<u>Total</u>
Revenue					
Revenue from external customers	\$ 1,074,543	506,323	1,285,208	-	2,866,074
Inter-segment revenue	-	-	-	-	-
Interest income	<u>2,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,638</u>
Total revenue	<u>\$ 1,077,181</u>	<u>506,323</u>	<u>1,285,208</u>	<u>-</u>	<u>2,868,712</u>
Interest expense	\$ (41,967)	-	-	-	(41,967)
Depreciation and amortization	(241,390)	(68,195)	-	-	(309,585)
Investment gain	2,259	-	-	-	2,259
Segment profit or loss	<u>\$ (330,099)</u>	<u>210,772</u>	<u>59,511</u>	<u>-</u>	<u>(59,816)</u>
Non-current assets capital expenditure	<u>\$ 30,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,744</u>
Segment total assets	<u>\$ 2,778,883</u>	<u>1,105,733</u>	<u>-</u>	<u>-</u>	<u>3,884,616</u>
Segment liabilities	<u>\$ 2,052,387</u>	<u>314,748</u>	<u>-</u>	<u>-</u>	<u>2,367,135</u>

(III) Information on Product Type and Labor Type

Information on revenue from external customers of the Group is as follows:

Product name	<u>2020</u>	<u>2019</u>
Photoelectric glass	\$ 666,769	1,074,543
Green building	517,609	506,323
Others	<u>1,264,158</u>	<u>1,285,208</u>
Total	<u>\$ 2,448,536</u>	<u>2,866,074</u>

(IV) Geographical Information

The geographical information of the Group is as follows. The income described in the following is classified according to the geographical location of customers. In addition, non-current assets are classified according to the geographical location of assets.

Geography	<u>2020</u>	<u>2019</u>
Revenue from external customers:		
China	\$ 1,405,223	1,588,888
Taiwan	816,037	658,455
Belize	125,143	451,299
U.S.A.	15,466	30,003
Others	<u>86,667</u>	<u>137,429</u>
	<u>\$ 2,448,536</u>	<u>2,866,074</u>

Geography	<u>2020</u>	<u>2019</u>
Non-current assets:		
Taiwan	\$ 2,518,773	2,302,113
China	<u>25,978</u>	<u>24,925</u>
Total	<u>\$ 2,544,751</u>	<u>2,327,038</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, investment property and other assets; however, financial instruments, deferred income tax assets, assets of retirement benefits and non-current assets arising from rights of insurance policies are excluded.

(V) Information on Major Customers

	<u>2020</u>	<u>2019</u>
Customer B	\$ 730,713	579,893
Customer F	<u>125,143</u>	<u>451,299</u>
	<u>\$ 855,856</u>	<u>1,031,192</u>

Independent Auditor's 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.

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and generally accepted auditing standards. 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 Norms for Professional Ethics for Certified Public Accountants 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 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 audit of the financial statements are stated as follows:

I. Revenue Recognition

Please refer to Note 4(16) of the unconsolidated financial statements for the detailed accounting policy on revenue recognition. Please refer to Note 6(18) of the unconsolidated financial statements for detailed descriptions of the revenue 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 according to 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. A stop-point test is conducted at a certain

period before and after the report date of the financial statements in order to obtain samples and verify relevant certificates, thereby ensuring the reasonableness of the recognition time point for transactions. Furthermore, a certain period before and after the financial statement report date, the Company 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 unconsolidated 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 recommendations of external real estate appraiser reports 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 material judgment and estimation uncertainty. Accordingly, 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 judgments 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 regulations.
- Verify the 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 generally accepted auditing standards 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 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risk of material misstatement in the unconsolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence 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. If we conclude that a material uncertainty exists, then relevant disclosures 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 the equity method, and express an opinion on the unconsolidated financial statements. We handle the guidance, supervision and execution of the audit on the Company and are responsible for preparing the opinion on the Company.

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, 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 could 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.

KMPG

Taipei, Taiwan (Republic of China)

March 24, 2021

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

Unit: NTD thousand

		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	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
	Net operating loss	(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 the equity method	(64,826)	(3)	57,442	2
	Total non-operating income and expenses	75,681	4	149,299	5
	Net loss before tax from continuing operating segments	(290,519)	(12)	(59,816)	(3)
7950	Less: Income tax expenses (Note 6(13))	2,604	-	553	-
	Net loss of current period	(293,123)	(12)	(60,369)	(3)
8300	Other comprehensive income:				
8310	Items that will not be reclassified to profit or loss				
8312	Revalued amount of property (Note 6(5))	361,495	16	-	-
8349	Less: Income tax related to items not reclassified	48,808	2	-	-
	Total items that will not be reclassified to profit or loss	312,687	14	-	-
8360	Items that may subsequently be reclassified to profit or loss				
8380	Share of other comprehensive income of associates and 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 that may be reclassified to profit or loss	-	-	(6,616)	-
	Total of items that may subsequently be reclassified to profit or loss	(505)	-	(66,084)	(3)
8300	Other comprehensive income (net of tax)	312,182	14	(66,084)	(3)
	Total comprehensive income of current period	\$ 19,059	2	(126,453)	(6)
	Earnings per share (Note 6(16))				
	Basic loss per share (Unit: NTD)	\$ (1.42)		(0.29)	

(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: NTD thousand

	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 on January 1, 2019	\$ 2,063,936	269,239	(919,582)	230,341	-	230,341	1,643,934
Net loss of current period	-	-	(60,369)	-	-	-	(60,369)
Other comprehensive income (loss) of current period	-	-	-	(66,084)	-	(66,084)	(66,084)
Total comprehensive income of current period	-	-	(60,369)	(66,084)	-	(66,084)	(126,453)
Covering loss from capital surplus	-	(228,711)	228,711	-	-	-	-
Balance on December 31, 2019	2,063,936	40,528	(751,240)	164,257	-	164,257	1,517,481
Net loss of current period	-	-	(293,123)	-	-	-	(293,123)
Other comprehensive income (loss) of current period	-	-	-	(505)	312,687	312,182	312,182
Total comprehensive income of current period	-	-	(293,123)	(505)	312,687	312,182	19,059
Covering loss from capital surplus	-	(24,570)	24,570	-	-	-	-
Share-based compensation	-	753	-	-	-	-	753
Balance on 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: NTD thousand

	2020	2019
Cash Flows from Operating Activities:		
Net loss before tax in the period	\$ (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 payment cost	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)
Decrease in accounts receivable - related parties	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 net changes in assets related to operating activities	47,875	405,136
Net changes in liabilities related to operating activities:		
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 net changes in liabilities related to operating activities	32,595	(220,233)
Total net changes in assets and liabilities related to operating activities	80,470	184,903
Total adjustments	561,890	408,531
Cash inflow generated 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 inflow generated 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 corporate bonds	-	(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

G-TECH Optoelectronics Corporation
Notes to the Unconsolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

(Unless otherwise specified, all amounts are in NTD thousand)

I. Organization and Business Scope

G-TECH Optoelectronics Corporation (hereinafter referred to as the “Company”) was approved by the Ministry of Economic Affairs (MOEA) for establishment on June 27, 1996. The place of registration is No. 99, Zhongxing Rd., Tongluo Township, Miaoli County. The main business items of the Company include glass and glass products, electronics parts manufacturing and international trade business, etc.

II Date and Procedure for Approval of Financial Statements

The unconsolidated financial statements were approved and authorized for issue by the Board of Directors on March 24, 2021.

III. Application of New and Revised Standards, Amendments and Interpretations

(I) The impact of the new announcements and revisions of the standards and interpretations endorsed by the Financial Supervisory Commission (“FSC”)

The initial application of the amendments of the IFRSs endorsed and issued into effect since January 1, 2020, did not have a significant effect on the unconsolidated financial statements of the Company.

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS 39, and IFRS 7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions”

(II) Effect of not adopting the IFRS endorsed by the FSC

The initial application of the following newly amended IFRSs endorsed and issued into effect since January 1, 2021, evaluated to be applicable to the Company will not have a significant effect on the unconsolidated financial statements of the Company.

- Amendment to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS 39, and IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

(III) New standards and Interpretations not yet endorsed by the FSC

The standards and interpretations issued by the IASB but not yet endorsed and issued into effect by the FSC that may be relevant to the Company are as follows:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

New Announcement or Amendment of Standards	Main Content of Amendment	Effective Date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amended clause is to increase the consistency of the standard application in order to assist enterprises to determine whether the debts with uncertain repayment dates or other liabilities shall be classified as current (or possibly due in one year) or non-current on the balance sheet. The amended clause also specifies the classification rules that enterprises may adopt conversion of equity for repayment of debt.	2023-01-01

The Company is currently assessing the impact of the aforementioned standards and interpretations on the financial status and business results of the Company, and relevant impacts will be disclosed after the completion of the assessment.

The following newly promulgated and amended standards not yet approved are not expected to have material impact on the unconsolidated financial statements of the Company.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”
- Annual Improvements to IFRSs 2018-2020 Cycle
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

IV. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the unconsolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the unconsolidated financial statements.

(I) Statement of Compliance

The unconsolidated financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(II) Basis of Preparation

1. Basis of measurement

The unconsolidated financial statements have been prepared on the historical cost basis

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

expect for investment property measured at fair values.

2. Functional and presentation currency

The functional currency of the Company is determined based on the currency of the primary economic environment in which it operates. The unconsolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information is presented in NTD thousand.

(III) Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rate at the dates of the transactions. At the end of each subsequent reporting period (referred to as the "report date"), foreign currency items are translated to the functional currency at the exchange rate at that date. Non-monetary items measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

The foreign exchange difference arising from the conversion is typically recognized in profit or loss; however, it shall be recognized under other comprehensive income for the following conditions:

- (1) When it is designated as equity instruments at fair value through other comprehensive income;
- (2) When the translation of a financial liability designated as a net investment in a foreign operation is within the effective extend of the hedge; or
- (3) When the qualified cash flow hedge is within the effective extend of the hedge.

2. Foreign operations

The assets and liabilities of foreign operations include the reputation and fair value adjustment at the time of acquisition, and it is converted into NTD according to the exchange rate on the report date. The profit and loss items are converted into NTD according to the average exchange rate of the current period. The exchange difference generated is recognized as other comprehensive income.

In case of disposal of foreign operation leading to loss of control, joint control or material

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. During partial disposal of subsidiaries involving foreign operations, relevant accumulated exchange difference shall be reclassified as non-controlling interest proportionally. During partial disposal of affiliated enterprise or joint venture investment involving foreign operations, relevant accumulated exchange difference shall be reclassified as profit or loss proportionally.

For monetary accounts receivable or payable of a foreign operation, if there is no repayment plan and repayment cannot be made in the foreseeable future, the foreign exchange profit or loss arising therefrom shall be treated as part of the net investment on such foreign operation and shall be recognized as other comprehensive income.

(IV) Classification of current and non-current assets and liabilities

Assets satisfying one of the following criteria shall be classified as current assets; all other assets that are not current assets shall be classified as non-current assets:

1. Assets expected to be realized or intended to be sold or consumed during their normal operating cycle;
2. Assets primarily held for the purpose of trading;
3. Assets expected to be realized within twelve months after the reporting period; or
4. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Liabilities satisfying one of the following criteria shall be classified as current liabilities; all other liabilities that are not current liabilities shall be classified as non-current liabilities:

1. Liabilities expected to be settled in their normal operating cycle;
2. Liabilities primarily held for the purpose of trading;
3. Liabilities due to be settled within twelve months after the reporting period; or
4. Liabilities without an unconditional right to defer settlement for at least twelve

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuing of equity instruments do not affect its classification.

(V) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents refer to short-term investments with high liquidity that are subject to insignificant risk of changes in their fair value and can be cashed into fixed amounts of money. The definition of time deposit is similar to that of cash equivalent; however, the purpose of holding time deposit is for short-term cash commitment rather than investment, to be classified as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities are initially recognized upon receipt. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets not measured at fair value through profit or loss (excluding account receivables not containing a significant financial component) or financial liabilities were initially measured at fair value plus the transaction cost directly attributed to the acquisition or issuance thereof. Accounts receivable not containing a significant financial component were initially measured at the transaction price.

1. Financial assets

For the purchase or sale of financial assets complying with regular trading, the Company uses the same method to classify the financial assets. All of the purchases and sales of financial assets are recognized using trade-date or settlement-date accounting.

During the initial recognition, the financial assets are classified as: financial assets measured at amortized cost.

The Company reclassifies all affected financial assets starting on the first day of the next reporting period only when it changes its business model for managing its financial assets.

(1) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Such assets subsequently use the initially recognized amount plus or less the accumulated amortized value using the effective interest method, and adjust any allowance loss measured at amortized cost. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Gains or losses on derecognition are recognized in profit or loss.

(2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured at 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

To determine whether the credit risk has significantly increased after the initial recognition, the Company considers reasonable and verifiable information (information that can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis conducted by the Company based on past experience, credit assessment and prospective information.

If the credit rating of a financial instrument is equivalent to the globally understood definition of “investment grade” (investment level of BBB- per Standard & Poor’s, Baa3 per Moody’s or twA per Taiwan Ratings, or higher levels thereof), then the Company considers such debt security to have a low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company assumes that the credit risk on the financial asset has been breached if it

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events during the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured as the present value of all cash shortfalls, i.e. the difference between the cash flows due to the Company in accordance with contracts and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assess whether financial assets measured at amortized cost are subject to credit impairment. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observation data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- For economic or contractual reasons related to the borrower's financial difficulty, having granted to the borrower a concession that the Company would not otherwise consider;
- It is probable that the borrower will file for bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security due to financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off, either in full or partially, to the extent that there is no realistic prospect of recovery for the Company. For corporate accounts, the Company individually analyzes the write-off timing and

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

amount based on whether it is reasonably expected to be recovered. The Company expects that the written off amount will not have significant reversal. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights of the cash flows from the asset are terminated, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or when nearly all risks and rewards of ownership are not transferred and not retained and the control of the financial asset is not retained.

When the Company signs a transaction for transferring financial assets, if all or nearly all of the risks and rewards of the ownership of the assets transferred are retained, then it is still continued to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debts and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of contract agreements and the definition of financial liabilities and equity instruments.

(2) Equity transaction

Equity instrument refers to any contract representing the Company with remaining equity from assets after all liabilities have been subtracted. The equity instruments issued by the Company are recognized based on the amount obtained from the payment amount less the direct issuance cost.

(3) Compound financial instruments

The compound financial instruments issued by the Company refer to convertible corporate bonds (valued in NTD) of options held by the owner for converting into capital share, and the quantity of the shares issued does not change along with changes of the fair value.

For the liability component of compound financial instruments, its amount initially recognized is measured at the fair value of similar liabilities excluding the equity

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

conversion right. The initially recognized amount of the equity component is measured based on the difference between the overall compound financial instrument fair value and the liability component fair value. Any transaction costs that can be attributed directly are amortized to the liability and equity component according to the initial carrying amount ratio of the liability and equity.

After initial recognition, the liability component of the compound financial instruments is subsequently measured at amortized cost calculated using the effective interest method. For the equity component of compound financial instruments, it shall not be remeasured after initial recognition.

The interest related to the financial liabilities is recognized in profit or loss. When financial liabilities are reclassified as equity during the conversion, such conversion is not recognized in profit or loss.

(4) Financial liabilities

Financial liabilities are subsequently measured either at amortized cost or at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading, is a derivative instrument, or is designated at initial recognition. Financial liabilities measured at fair value through profit or loss are measured at fair value, with any relevant net gains or losses, including any interest expense, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost calculated using the effective interest method. Interest expense and exchange gain and loss are recognized in the profit or loss. On derecognition, any profits or losses are recognized in profit or loss.

(5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged, canceled or has expired. When there are changes in the terms of the financial liabilities and there is significant difference in the cash flow of liabilities after revision, then the original financial liabilities are derecognized, and the revised terms are used as the basis for the recognition of the new financial liabilities at fair value.

During the derecognition of a financial liability, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

(6) Offsetting of financial assets and liabilities

The Company only presents financial assets and liabilities on a net basis when the Company currently has the legally enforceable right to offset them, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(VII) Inventories

Inventory is measured based on the lower of the cost and the net realizable value. The cost of inventories consists of all costs of acquisition, production or processing costs and other costs arising from the location and state of use, and the weighted average method is used. The costs of finished products and work in process include the manufacturing expense amortized according to the appropriate ratio under normal production capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(VIII) Investment in Associates

Associate refers to an entity where the Company has material impact on its financial and operational policies, but has no control or joint control over.

The Company adopts the equity method for the equity of an associate. Under the equity method, it is recognized at cost during the initial acquisition, and the investment cost includes the transaction cost. The carrying amount of the invested associate includes the goodwill identified during the initial investment, less any accumulated impairment loss.

The unconsolidated financial statements includes the amount of profit or loss and the amount of other comprehensive income of each invested associate, from the date of having material impact to the date of losing material impact, after adjustments to make the accounting policy consistent with the Company, recognized by the Company according to the equity ratio. When the an associate is subject to equity change not for profit or loss or other comprehensive income and when the shareholding percentage of the Company in the associate is not affected, the Company then recognizes the equity change under the share of the associate for the Company as capital reserve according to the shareholding percentage.

The unrealized profit and loss arising from the transactions between the Company and associates is recognized in the company's financial statements only within the equity scope of the non-related party on the associate. When the loss amount of the associate required

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

for recognition proportionally by the Company is equal to or exceeds its equity in the associate, its loss is no longer recognized, and additional loss and relevant liabilities are recognized only within the scope of occurrence of statutory obligation, presumed obligation or payments made on behalf of the investee.

During the issuance of new shares by an associate, if the Company fails to subscribe according to the shareholding percentage such that there is a change in the shareholding percentage, leading to change in the equity net value of the investment, the change is used to adjust the capital surplus and the investment under equity method. If such adjustment is to offset the capital surplus, but the capital surplus remaining balance from the investment under the equity method is insufficient, the deficit is debited as retained earnings. However, if the Company fails to subscribe according to the shareholding percentage such that its ownership equity on an associate is reduced, the amount related to the associate previously recognized in the other comprehensive income or loss is then reclassified according to the reduced ratio. The basis of the accounting procedure shall be identical to the basis the associate is required to comply with when directly disposing of relevant assets or liabilities.

(IX) Investment in Subsidiaries

During the preparation of the unconsolidated financial statements, the Company uses the equity method for valuation of investees with controlling power. Under the equity method, profit or loss of the current period and other comprehensive income in the unconsolidated financial statements shall be equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the unconsolidated financial statements shall be equal to the equity attributable to owners of the parent in the consolidated financial statement.

Changes to the ownership interest of the subsidiaries made by the Company that have not caused the loss of the control thereof are handled as interest transactions with the owner.

(X) Investment Property

Investment property refers to property held for the purpose of earning rents or capital value increase or both, and excluding property provided for normal business sales, for production, for product or labor or for administrative management purposes. Investment property is measured at cost initially, and subsequently measured at fair value. Any change thereof is recognized in profit or loss.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

The profit or loss from disposition of investment property (calculated based on the difference between the net disposition amount and the carrying amount of such item) is recognized in profit or loss. If an investment property for sale was previously classified as property, plant and equipment, any relevant "Other equity - revalued amount of property" is changed to be recognized as retained earnings.

The rental income from investment property is recognized as non-operating income under the straight-line method during the lease period, and the lease incentive offered during the lease period is recognized as part of the rental income.

(XI) Property, Plant and Equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) less subsequent accumulated depreciation and any subsequent accumulated impairment loss.

When the useful lifetimes of the major components of the property, plant and equipment are different, then it is handled as an independent item (main component) of the property, plant and equipment.

The gain or loss arising from the disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent cost

Subsequent expenditure is capitalized only when it is possible that the future economic benefits associated with the expenditure will flow to the Company.

3. Depreciation

The depreciation of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life in order to be recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for current and comparative years are as follows:

(1) Houses and buildings	9~25 years
(2) Machinery and equipment	3~8 years
(3) Other equipment	3~10 years
(4) Leasehold Improvements	1~10 years

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

The key components of houses and buildings mainly include the facility main building, electric power equipment and construction, and cleanroom systems, etc., and depreciation is calculated based on their useful lifetimes of 25 years, 10 years and 10 years respectively.

Depreciation methods, useful lives and residual values are reviewed by the Company at each reporting date, and are adjusted appropriately when it is determined necessary.

4. Reclassification to investment property

When the purpose of a property for own use is changed to an investment property, such property is reclassified to investment property based on the fair value at the time of change of its purpose. The profit generated is then remeasured, and it is recognized in profit or loss within the scope of the accumulated impairment previously recognized for such property. The remaining difference is then recognized under other comprehensive income, and it is cumulated to "Other equity - revalued amount of property". Any loss is recognized in profit or loss; however, if the reduced value is still within the revalued amount of the property, then the reduced amount is recognized in other comprehensive income, and the revalued amount in the equity is offset and reduced.

(XII) Leases

1. Determination of a lease

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract is a lease, the Company assesses whether:

- (1) The contract involves the use of an identified asset, and this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, but the asset has not been identified; and
- (2) It has the right to obtain substantially all of the economic benefits from the use of the asset during the period of use; and
- (3) When any one of the following conditions is satisfied, the right to direct the use of an identified asset is obtained:
 - The customer has the right to direct how and for what purpose the identified asset is used throughout the period of use.
 - The decision on how and for what purpose the identified asset is predetermined,

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

and:

- The customer has the right to operate the asset throughout the period of use, and the supplier does not have the right to change such operation instructions; or
- The customer designed the asset in way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception or on reassessment of a contract that contains a lease, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and to account for lease and non-lease components as a single lease component.

2. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Company periodically assesses whether the right-of-use asset has any impairment and handles any impairment loss already incurred, and under the condition where remeasurement on the lease liability occurs, the right-of-use-asset is adjusted.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. It is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements

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- (1) Fixed payments, including in-substance fixed payments;
- (2) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) Amounts expected to be payable under a residual value guarantee; and
- (4) The exercise price under a purchase option or lease termination that the Company is reasonably certain to exercise, or penalties required for a lease.

The lease liability is measured at amortized cost using the effective interest method, and it is remeasured under the following conditions:

- (1) When there is a change in future lease payments arising from a change in index or rate;
- (2) When there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- (3) When there is change in the assessment of whether to exercise a purchase option of the underlying asset;
- (4) If there is a change in the assessment of whether to exercise an extension or termination option, and a change to the assessment of the lease period;
- (5) When there is change to the lease subject matter, scope or other terms.

When the lease liability is remeasured due to the aforementioned change in future lease payments arising from a change in an index or rate, change in residual value guarantee and change in purchase, extension or termination option assessment, a corresponding adjustment is made to the carrying amount of the right-of-use asset, and it is recorded in profit or loss when the carrying amount of the right-of-use asset has been reduced to zero.

For change of lease in the reduction of the scope of lease, the carrying amount of the right-of-use asset is reduced in order to reflect the termination of all or a portion of the lease, and the amount of difference with the lease liability is remeasured for recognition in profit or loss.

The Company presents right-of-use assets and lease liability that do not meet the definition of investment property in single items in the balance sheet respectively.

For short-term leases of other equipment and low-value underlying asset leases, the Company chooses not to recognize them as right-of-use assets or lease liabilities, but recognizes relevant lease payments associated with these leases as expenses on a straight-line basis over the lease term.

3. As a lessor

For transactions with the Company as the lessor, the lease contracts are classified on the lease establishment date depending on whether nearly all of the risks and remunerations

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

associated with the underlying asset ownership are transferred. If true, it is classified as financial lease; if false, it is classified as operating lease. During evaluation, the Company considers relevant specific indicators including whether the lease period covers the key components of the underlying asset economic lifetime.

If the Company is a sub-lessor, the primary lease and sub-lease transactions are dealt with separately, and the right-of-use assets generated from the primary lease are used to evaluate the classification of the sub-lease transactions. If the primary lease refers to a short-term lease and is exempted for recognition, then the sub-lease transaction shall be classified as operating lease.

If the agreement includes lease and non-lease components, the Company uses the consideration for an amortization contract specified in IFRS 15.

For operating lease, the Company adopts the straight-line basis to recognize the lease payment collected during the lease period as the rental income.

(XIII) Intangible Assets

1. Recognition and measurement

Research and development activity related expenses are recognized in profit or loss when such expenses are incurred.

A development expense is capitalized only when it can be measured reliably, product or process technology or commercial feasibility has been reached, future economic benefit is likely to flow into the Company, and the Company has the intention and sufficient resources to complete such development and has further used or sold the asset. Other development expenses are recognized in profit or loss when such expenses are incurred. After the initial recognition, the capitalized development expense is measured based on the amount obtained from the cost less the accumulated amortization and cumulative impairment.

Other intangible assets with limited useful life acquired by the Company, including computer software and other intangible assets, etc., are measured by the cost less the cumulative amortization and cumulative impairment.

2. Subsequent expenditure

Subsequent expenditure is only capitalized when future economic benefits can be added

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

to relevant specific assets. All other expenses are recognized in profit or loss when such expenses are incurred, including internally developed goodwill and brands.

3. Amortization

Amortization is calculated according to the asset cost less the estimated residual value, and starting from the available-for-use state of the intangible asset, the straight-line approach is used to recognize it in profit or loss for its estimated useful life.

The estimated useful lives for current and comparative years are as follows:

- (1) Computer software 3 years
- (2) Other intangible assets 1 year

Amortization methods, useful lives and residual values of the intangible assets are reviewed by the Company at each reporting date, and are adjusted appropriately when it is determined necessary.

(XIV) Impairment of Non-financial Assets

The Company assesses whether there is any indication that there might be an impairment in the carrying amount of non-financial assets (excluding inventory, deferred income tax assets and investment property measured at fair value) on each reporting day. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

For the purpose of testing the impairment, a group of assets of most of the cash inflow that is independent from the cash inflow of other individual assets or asset groups is used as the smallest identifiable asset group. The goodwill obtained from the merger of enterprises is amortized to each cash generating unit or cash generating unit group that is expected to gain benefits from the synergy of the merger.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs of disposal or its value in use. During the assessment of the use value, the future cash flow estimation uses a pre-tax discount rate for calculating the current value, and the discount rate shall reflect the current market assessment on the currency time value and the unit specific risk arising from the asset or cash.

If the recoverable amount of an asset is less than its carrying amount, it is recognized as an impairment loss.

An impairment loss shall be recognized immediately in profit or loss, and the carrying amount of each of the assets is reduced proportionally to the carrying amount of other

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

assets in the unit.

Non-financial assets are reversed only in the range not exceeding the carrying amount (less depreciation or amortization) of the asset that has not been determined during the recognition of the impairment loss in the previous year.

(XV) Provision for Liabilities

Provisions for liabilities are recognized when the Company has an obligation as a result of past events, and the Company is likely to be subject to an outflow of economic resources that will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions for liabilities are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as interest expense.

1. Restoration

According to applicable contracts, when the Company bears the obligation to disassemble, remove or restore the site location for parts of the property, plant and equipment, the present value of cost expected to be incurred due to the disassembly, removal or restoration of the site location is recognized as provision for liabilities.

2. Sales return and allowance

Possible goods return and allowance are estimated according to the empirical value, and they are recognized as the deduction of the sales revenue at the year when the goods are sold. For current obligations arising from past events, the amount and time of occurrence are uncertain; therefore, it is classified as provision for liabilities.

(XVI) Recognition of Revenue

1. Income from customer contracts

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering services to its customers. Revenue is recognized in the reporting period when the Company satisfies a performance obligation by transferring its control of the product or service to the customer. The main revenue items of the Company are explained as follows:

(1) Sales of goods

The Company manufactures panel display screen materials and glass products, and

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

also sells such products. The Company recognizes revenue when the control of products is transferred. Product control transfer refers to when the product has been delivered to the customer, and the customer has the full discretion on the sales channel and price of the product, and the unfulfilled obligations of the customer for accepting the product have not been affected. Delivery refers to a product being transferred to a specific location, and its obsolete and loss risks have been transferred to the customer, and the customer has accepted the product according to the sales contract, the acceptance clauses have become invalid, or the Company has objective evidence to consider that all acceptance criteria have been satisfied.

The company recognizes the accounts receivable upon the delivery of goods since the Company has the right to collect consideration unconditionally at such time point.

2. Financial component

The Company expects that the time period between the time in the customer contract of transferring products or services to the customer and the time when the customer makes payment for such products or services is less than one year; therefore, the Company has not adjusted the currency time value of the transaction price.

(XVII) Government Grants

When the Company receives government grants, the grants without attachment are recognized as other income. For other grants related to assets, when the Company is reasonably assured to comply with the conditions attached to the government grants and is able to receive such grants, they are then recognized in the deferred revenue at fair value. In addition, the deferred revenue is recognized as other income within the useful lifetime of the asset according to the system basis. Government grants compensating expenses or losses incurred by the Company are recognized in profit or loss for the same period of relevant expenses according to the system basis.

(XVIII) Employee Benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the period during which services are rendered by employees.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

2. Short-term employee benefits

Obligations for short-term employee benefits are recognized as expenses in the period when services are provided. When the Company is required to bear current statutory or presumed payment obligation due to the service previously provided by an employee, and when such obligation can be estimated reliably, such amount is recognized as liabilities.

3. Separation benefits

Separation benefits refer to when the Company cannot cancel the offer of such benefits or recognizes relevant restructuring costs, and whichever occurs first is recognized as expense. When the separation benefits are not expected to be fully repaid within 12 months after the report date, they are discounted.

(XIX) Share-based Payment Transactions

Equity-settled share-based payment agreements are recognized as expenses based on the fair value of the provision date and within the receipt period of such compensation, and the relative equity is increased. The expense recognized is adjusted based on the expected compensation amount satisfying the service conditions and the non-market vesting conditions. In addition, the amount finally recognized uses the compensation amount complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

The non-vesting conditions of share-based compensation have been reflected in the measurement of the share-based payments and payment date fair value, and it is not required to make verified adjustments for the difference between the expected result and actual result.

The fair value amount of cash-settled share appreciation rights offered to employees is recognized as expense and the relative liabilities are increased during the period when the employees satisfy the condition for obtaining the compensation. The liabilities are remeasured according to the fair value of the share appreciation rights on each report date and settlement date, and any change thereof is recognized in profit or loss.

The payment date for the share-based payments of the Company refers to the subscription price approved by the board of directors and the date when employees are permitted to subscribe the shares.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(XX) Income tax

Income tax includes both current tax and deferred tax. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income (or loss) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount uses the statutory rate or the substantive legislative rate on the reporting date to measure the most optimal estimation value of the expected payment or receipt amount.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Temporary differences resulting from the following circumstances shall not be recognized as deferred taxes:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction;
2. Temporary differences arising from equity investments in subsidiaries, associates and joint ventures, where the Company is able to control the reversal of the temporary difference and where there is a high probability that such temporary differences will not reverse in the future; and
3. Taxable temporary difference arising from initial recognition of goodwill.

Deferred tax shall be measured at the tax rates that are expected to apply to the period when expected temporary difference is reversed, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The deferred tax assets and liabilities of the Company are only offset against each other when the following criteria are met:

1. The Company has the legal right to settle tax assets and liabilities on a net basis; and
2. The taxing of deferred tax assets and liabilities is related to one of the following

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

taxing authorities of one identical taxation agent for the income tax:

- (1) Levied by the same taxing authority; or
- (2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities of significant amounts on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation matches with each other.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is possible that future taxable profit will be available against which it can be utilized. In addition, such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; or the originally reduced amount is reversed within the scope that it is likely to become sufficient taxable income.

(XXI) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of the basic earnings per share of the Company is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding. The calculation of the diluted earnings per share is based on the profit attributable to the ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after the adjustment of the effects of all dilutive potential ordinary shares.

Potential diluted common shares of the Company include convertible corporate bonds and employee stock options.

(XXII) Information on segments

The Company has disclosed the information of segments in the consolidated financial statements; therefore, information of segments is not disclosed in the unconsolidated financial statements.

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

When the management performs the preparation of these unconsolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the management is required to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. Any changes in accounting estimates during the period and the impact in the next period are recognized.

There are no critical judgments in applying accounting policies that have significant effect on the

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

amounts recognized in the unconsolidated financial statements.

The following assumptions and uncertainties have major risks that may lead to material adjustments in assets and liability carrying amounts in the next fiscal year, and also reflect the impact caused by the COVID-19 pandemic, and relevant information is as follows:

(I) Impairment assessment of accounts receivable

The loss allowance for accounts receivable of the Company is estimated based on the assumption of the risk of breach and the expected loss rate. The Company considers the historical experience, current market condition and prospective estimation on each reporting date in order to determine the assumption required to be adopted and selection of inputs during the calculation of impairment loss. Changes in the economic and industrial environment may cause material adjustment in the loss allowance for accounts receivable.

Please refer to Note 6(2) for detailed explanation on relevant assumption and inputs.

(II) Property, plant and equipment impairment assessment

During the process of asset impairment assessment, the Company must rely on subjective judgment to determine the useful life of the independent cash flow assets and possible income and expense in the future for certain asset groups based on the operating model of assets and industrial characteristics. Any change in the estimation due to changes in the economic situation or the Company's strategies may result in significant impairment or reversal of impairment loss recognized in the future. Please refer to Note 6(5) for detailed explanation on the critical assumption used for the recoverable amount.

(III) Investment property fair value

The subsequent measurement of investment property of the Company adopts the discounted cash flow analysis method under the income approach for valuation. The input used in the fair value valuation technique is Level 3.

The accounting policies and disclosures of the Company include the use of fair value to measure its financial, non-financial assets and liabilities. The Company establishes a relevant internal control system for the fair value measurement, and the Financial Department is responsible for verifying all material fair value measurements (including Level 3 fair value) and periodically verifies the material inputs and adjustment that cannot be observed. If the inputs used in the measurement of fair value use external third party information, the Financial Department evaluates the evidence that supports the inputs provided by the third party in order to determine that the valuation and its fair value level classification comply with the requirements of the IFRSs.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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For the property of the Company, it is assumed that the Company has retained an external appraiser to perform appraisal according to the valuation method and parameters announced by the FSC.

When the Company measures its assets and liabilities, it uses the observable inputs in the market as much as possible. The levels of fair value are classified in the following different levels according to the inputs used in the valuation technique:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input parameters 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).
- Level 3: Input parameters of assets or liabilities not based on the observable market information (non-observable parameters).

In case of any transfer event or condition of fair value among levels, the Company recognizes such transfer at the report date.

Please refer to the following Note 6(6) Investment Property for relevant information on the assumption used for measurement of fair value.

VI. Description of Significant Accounts

(I) Cash and cash equivalents

	2020-12-31	2019-12-31
Cash on hand and petty cash	\$ 686	537
Demand deposits	326,828	217,645
Checking accounts	40	40
Time deposits	100,000	-
	<u>\$ 427,554</u>	<u>218,222</u>

The Company's exposure to interest rate risk and the sensitivity analysis on the financial assets and liabilities of the Company are disclosed in Note 6(20).

(II) Notes and accounts receivable (including related parties)

	2020-12-31	2019-12-31
Notes receivable	\$ 90,329	148,799
Accounts receivable	580,951	460,175
Accounts receivable - related parties	96,107	129,795
Less: Allowance for loss	<u>(182,811)</u>	<u>(11,986)</u>
	<u>\$ 584,576</u>	<u>726,783</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all notes and account receivables. To measure the expected credit losses, the notes and accounts receivables have been grouped

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including overall economic and relevant industry information. The expected credit loss analysis for notes and accounts receivables of the Company is as follows:

	2020-12-31		
	Carrying amount of notes and accounts receivables	Weighted-aver age expected credit loss rate	Loss allowance provision
Not overdue	\$ 509,554	0.17%	884
Overdue less than 90 days	50,651	0.04%	20
Overdue more than 91 days	<u>207,182</u>	1%~100%	<u>181,907</u>
	<u>\$ 767,387</u>		<u>182,811</u>
	2019-12-31		
	Carrying amount of notes and accounts receivables	Weighted-aver age expected credit loss rate	Loss allowance provision
Not overdue	\$ 604,697	0.04%	1,507
Overdue less than 90 days	119,912	0.56%	671
Overdue more than 91 days	<u>14,160</u>	1%~100%	<u>9,808</u>
	<u>\$ 738,769</u>		<u>11,986</u>

The movement in the allowance for impairment with respect to notes and accounts receivable of the Company is as follows:

	2020	2019
Balance at beginning of the period	\$ 11,986	13,401
Impairment loss recognized	170,825	-
Impairment loss reversed	-	(681)
Written off amount	-	(734)
Balance at end of the period	<u>\$ 182,811</u>	<u>11,986</u>

1. The amount in the accounts receivable that is overdue for more than 90 days mainly comes from key customers, the purchase of optical cement from the Company by such customers and the sale of LCD displays to various large manufacturers in Shenzhen, China. However, due to the COVID-19 pandemic, the upstream and downstream supply chain operations were affected so that payments were delayed. To protect its own interest, the Company has filed civil lawsuits with the Xiamen

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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Intermediate People's Court in China and it is recognized as allowance for loss.

2. As of December 31, 2020 and 2019, the accounts receivable of the Company were not provided as pledged assets.

(III) Inventories

	<u>2020-12-31</u>	<u>2019-12-31</u>
Raw materials and supplies	\$ 92,249	61,976
Work in progress	6,024	10,491
Finished goods	57,953	103,058
Products	473	-
	<u><u>\$ 156,699</u></u>	<u><u>175,525</u></u>

1. The details of the inventory related expenses of the Company recognized for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Inventory sale recognition	\$ 2,346,178	2,715,120
(Reversal of) write-down of inventories	(11,359)	7,079
	<u><u>\$ 2,334,819</u></u>	<u><u>2,722,199</u></u>

2. As of December 31, 2020 and 2019, the inventories of the Company were not provided as pledged assets.

(IV) Investment Accounted for Using Equity Method

The investments of the Company accounted for using the equity method at the report date are as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Subsidiaries	<u><u>\$ 151,534</u></u>	<u><u>216,865</u></u>

1. Subsidiaries

Please refer to the 2020 consolidated financial statements for details.

2. Guarantee

As of December 31, 2020 and 2019, the investments of the Company using the equity method were not provided as pledged assets.

(V) Property, Plant and Equipment

Details of the cost, depreciation and impairment of property, plant and equipment of the

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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Company for 2020 and 2019 are as follows:

	<u>Land</u>	<u>Houses and buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Leasehold improvements</u>	<u>Unfinished construction and equipment pending for inspection</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2020	\$ 495,360	2,322,163	2,050,039	249,495	421,524	195	5,538,776
Additions	-	-	840	675	-	5,331	6,846
Disposals and retirements	-	(260)	(103,796)	(37,062)	-	-	(141,118)
Reclassifications	(175,712)	(908,429)	1,527	-	-	(1,527)	(1,084,141)
Balance on December 31, 2020	<u>\$ 319,648</u>	<u>1,413,474</u>	<u>1,948,610</u>	<u>213,108</u>	<u>421,524</u>	<u>3,999</u>	<u>4,320,363</u>
Balance on January 1, 2019	\$ 553,942	2,460,344	2,103,070	306,463	421,524	844	5,846,187
Additions	-	2,792	94	-	-	195	3,081
Disposals and retirements	(58,582)	(140,973)	(53,969)	(56,968)	-	-	(310,492)
Reclassifications	-	-	844	-	-	(844)	-
Balance on December 31, 2019	<u>\$ 495,360</u>	<u>2,322,163</u>	<u>2,050,039</u>	<u>249,495</u>	<u>421,524</u>	<u>195</u>	<u>5,538,776</u>
Depreciation and impairment loss:							
Balance on January 1, 2020	\$ -	889,493	1,882,512	233,921	282,106	-	3,288,032
Depreciation in the current year	-	115,744	50,218	20,353	34,703	-	221,018
Disposals and retirements	-	(260)	(95,454)	(36,898)	-	-	(132,612)
Reclassifications	-	(401,957)	4,268	(4,268)	-	-	(401,957)
Balance on December 31, 2020	<u>\$ -</u>	<u>603,020</u>	<u>1,841,544</u>	<u>213,108</u>	<u>316,809</u>	<u>-</u>	<u>2,974,481</u>
Balance on January 1, 2019	\$ -	874,831	1,883,376	262,764	245,049	-	3,266,020
Depreciation in the current year	-	131,557	53,105	27,921	37,057	-	249,640
Disposals and retirements	-	(116,895)	(53,969)	(56,764)	-	-	(227,628)
Balance on December 31, 2019	<u>\$ -</u>	<u>889,493</u>	<u>1,882,512</u>	<u>233,921</u>	<u>282,106</u>	<u>-</u>	<u>3,288,032</u>
Carrying value:							
December 31, 2020	<u>\$ 319,648</u>	<u>810,454</u>	<u>107,066</u>	<u>-</u>	<u>104,715</u>	<u>3,999</u>	<u>1,345,882</u>
January 1, 2019	<u>\$ 553,942</u>	<u>1,585,513</u>	<u>219,694</u>	<u>43,699</u>	<u>176,475</u>	<u>844</u>	<u>2,580,167</u>
December 31, 2019	<u>\$ 495,360</u>	<u>1,432,670</u>	<u>167,527</u>	<u>15,574</u>	<u>139,418</u>	<u>195</u>	<u>2,250,744</u>

1. For the idle production capacity due to industrial and economic impacts, the Company conducts impairment evaluation on the recoverable amount of assets for operating purposes on the report date, and the use value is used as the calculation

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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basis for the recoverable amount. The calculation of use value uses the cash flow of the financial forecast of the Company for the next five years as the estimation basis. The cash flow of the financial forecast considers the comprehensive factors of the changes in the industry, market competition status, expected annual income in the future, gross profit and other operating cost change, etc. in order to establish the preparation basis. For 2020 and 2019, the Company has adopted a discount rate of 13.5% to reflect specific risks of relevant cash generating units. According to the aforementioned evaluation result, the asset impairment losses recognized for 2020 and 2019 are both NT\$0.

2. As of December 31, 2020 and 2019, some parts have been provided to the financial institution as mortgage guarantee. Please refer to Note 8 for details.

3. Reclassification to investment property

On October 1, 2020, the Company recognized its own land and facility as investment property according to the actual condition of use, and such property was reclassified at fair value during the time of change of purpose thereof. The difference between the carrying amount and the fair value of the property at the date of purchase change is NT\$432,884 thousand, and it is recognized as gain on reversal of impairment loss (recognized in other gains and losses) of NT\$71,389 thousand and other comprehensive income - property revaluation surplus of NT\$361,495 thousand. The gain on reversal of impairment loss does not exceed the amount of the unrecognized impairment loss and the deduction of the carrying balance after recognition of depreciation. The fair value valuation technique by the Company used for the property at the date of change of purpose and the material observable inputs are consistent with the use of the investment property at the report date. Please refer to Note 6(6) for details.

(VI) Investment Property

Investment properties refer to assets owned by the Company, and for the lease of investment properties, the original non-cancellable period is 10 years. For investment properties already leased out, the rental incomes are fixed amounts.

Statement of changes in investment property of the Company is as follows:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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	Own assets		
	Land	Houses and buildings	Total
Cost or deemed cost:			
Balance on January 1, 2020	\$ -	-	-
Transfer from property, plant and equipment	293,165	821,903	1,115,068
Balance on December 31, 2020	<u>\$ 293,165</u>	<u>821,903</u>	<u>1,115,068</u>

The inputs used in the fair value valuation technique for the subsequent measurement of investment property of the Company belongs to Level 3. Please refer to the aforementioned statement of change for details of the adjustment of carrying amounts at the beginning and end of the period for Level 3. After the transfer from property, plant and equipment in October 2020, the fair value has not indicated material changes.

For the subsequent measurement of investment property of the Company adopting the discounted cash flow analysis method under income approach for valuation, relevant important contract terms and valuation information is as follows:

<u>Subject property</u>	<u>Miaoli Plant land and buildings</u>
Important contract terms	1. Rent: NT\$5,867 thousand/month 2. Lease period: 136 months 3. Total future annual tax amount borne by lessor: NT\$7,421 thousand
Local rent status	NT\$130~160/3.3058 m ² /month
Rent status of similar property	NT\$140/3.3058 m ² /month
Current condition	Normal use
Past income amount	NT\$140/3.3058 m ² /month
Income capitalization rate	3.814%
Discount rate	2.90%
Outsourced or own appraisal	Outsourced appraisal
Appraisal firm	Hua Shin Appraisers Firm
Name of appraiser	Chen-Hsu Chiang, Chih-Ming Cheng
Date of appraisal	2020-12-31
Outsourced appraisal value	fair NT\$1,115,068 thousand

Pursuant to Article 34 of the Regulations on Real Estate Appraisal, the procedures of income appraisal are estimating effective gross income, estimating total expenses, calculating net operating income, determining the capitalization rate or discount rate,

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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and calculating the income value. The estimation of the aforementioned parameters refers to relevant data of the subject property for appraisal and comparable property with identical or similar characteristics in the most recent three years. Adjustment is made through comprehensive determination of the continuity, stability and growth status in order to confirm the availability and reasonableness of the data. The change status of the income (cash inflow) and expense (cash outflow) of each period is determined based on the past income and expense (cash flow) of the subject property, comparable property income and expense (cash flow) in the same industry or substituting comparable property, idle or loss ratio and present or possible planned income and expense in the future. The objective net income after the deduction of total expense from the total revenue is based on the objective net income of the subject property under the most effective use, and the incomes of similar properties in the neighborhood under the most effective use conditions are used as a reference for the estimation.

The determination of the discount rate adopts the risk premium method, and it considers the factors of the time deposit interest rate of the bank, government bond interest rate, risk of property investment, currency change status and change trend of property price, etc., in order to determine the likely rate of return on the most common investment, thereby adjusting the differences of individual characteristics between the investment and the subject property. The present discount rate is determined based on the increased loan interest rate of 1.6% of the Company along with the consideration of the factors of the difficulty in terms of the liquidity, risk, appreciation, and management of the subject property income status, plus the risk premium of 1.3% on December 31, 2020, such that the discount rate of the subject property is determined to be 2.9%. Regarding the estimation of the capitalization rate, the net income of comparable property is divided by the price, followed by the weighted average method to obtain the capitalization rate as 3.814%.

The aforementioned fair value valuation technique and material unobservable inputs are explained in the following table:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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Fair value valuation technique	Significant unobservable inputs	Relationship between material unobservable inputs and fair value measurement
<p>The discounted cash flow analysis (DCF) under income approach is used as the evaluation method, and the contract rent price provided by the Group during the lease period is used for evaluation. After the expiration of the lease period, the market rent price is used for evaluation.</p> <p>Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period during the future discounted cash flow of the subject property analysis period, and after discount at appropriate discount rate the sum of the estimated subject property values are added. Such method is applicable to the property investment evaluation for the purpose of investment.</p>	<ul style="list-style-type: none"> Discount rate after risk adjustment is 2.90%. 	<p>The estimated fair value will be increased (or decreased) if:</p> <ul style="list-style-type: none"> Discount rate after risk adjustment decreases (increases).

Investment property refers to facilities leased out to others, and the lease contract includes the original non-cancellable lease period, and the subsequent lease period is negotiated with the lessee, and rent is either collected or not yet collected. Please refer to Note 6(11) for relevant information. In addition, the Company changed the recognition of the land and houses of Miaoli Plant III from property, plant and equipment to investment property according to the actual condition of use in November 2020. Please refer to Note 6(5) for details.

For details on the status of the investment property of the Company provided as pledged assets as of December 31, 2020 and 2019, please refer to Note 8.

(VII) Other Financial Assets

	<u>2020-12-31</u>	<u>2019-12-31</u>
Pledged deposits	\$ 101,126	132,040
Accrued rent receivable	4,009	44,300
Refundable deposits - non-current	6,518	5,860
Others	79	76
	<u>\$ 111,732</u>	<u>182,276</u>

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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(VIII) Short-term Borrowings

Statement of short-term borrowings of the Company is as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Unsecured bank loans	\$ 474,209	674,453
Secured bank loans	<u>95,568</u>	<u>100,000</u>
	<u>\$ 569,777</u>	<u>774,453</u>
Unused amount	<u>\$ 143,952</u>	<u>100,565</u>
Interest rate interval	<u>1.3191%~2.34%</u>	<u>1.75%~3.2232%</u>

1. Please refer to Note 8 for details on the status of the collaterals provided for short-term bank borrowings with a portion of assets under pledge setting of the Company.
2. Please refer to Note 6(20) for details on risk information related to the Company's interest rate, foreign currency and liquidity risk.

(IX) Long-term Borrowings

Statement, criteria and terms of long-term borrowings of the Company are as follows:

	<u>2020-12-31</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured bank loans	NTD	0.72%~4.75%	2023~2028	\$ 1,398,150
Secured non-financial institution loans	NTD	3.1927%~3.6823%	2021	<u>3,376</u> 1,401,526
Less: Portion with maturity due in one year				<u>(232,993)</u>
Total				<u>\$ 1,168,533</u>
Unused amount				<u>\$ -</u>
	<u>2019-12-31</u>			
	<u>Currency</u>	<u>Interest rate interval</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.96%	2020	\$ 71,400
Secured bank loans	NTD	0.97%~1.81%	2020~2028	1,045,191
Secured non-financial institution loans	NTD	3.1927%~3.6823%	2021	<u>45,117</u> 1,161,708
Less: Portion with maturity due in one year				<u>(321,060)</u>
Total				<u>\$ 840,648</u>
Unused amount				<u>\$ -</u>

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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1. Collaterals for bank borrowings

Please refer to Note 8 for details on the status of the collaterals provided for bank loans with a portion of assets under pledge setting of the Company.

2. Please refer to Note 6(20) for details on risk information related to the Company's interest rate, foreign currency and liquidity risk.

(X) Bonds Payable

1. 2014 first issuance of domestic secured convertible corporate bonds

The Company issued 4,800 five-year secured convertible corporate bonds at a face interest rate of 0% and face value of NT\$100 thousand on August 25, 2014, and the effective interest rate was 1.07%.

The conversion price at the time of issuance was set to NT\$33.8 per share. In case where the issuance of common shares of the Company satisfies the criteria for the adjustment of the conversion price specified in the terms of issuance, the conversion price is adjusted according to the formula specified in the terms of issuance. No terms are re-established for these bonds.

The guarantor for the aforementioned secured corporate bond balance is Chang Hwa Commercial Bank. The Company entrusted the secured issuance of corporate bond agreement to Chang Hwa Commercial Bank. For the duration of the agreement, collateral is calculated according to 50% of the secured amount (including compensation interest), and pledge setting can be canceled proportionally according to the bond balance.

In addition, for the execution of capital reduction to compensate loss of the Company, the conversion price was adjusted to NT\$53.38 according to the resolution approved by the board of directors on November 9, 2016.

In August, 2019, the Company had redeemed the secured convertible corporate bonds that had matured, and the repayment amount totaled to NT\$480,000 thousand, and the interest compensation amount of NT\$12,144 thousand was paid. The pledge setting of relevant collaterals had been canceled during the repayment.

2. 2020 third issuance of domestic secured convertible corporate bonds

According to the resolution of the board of directors' meeting dated December 21, 2020, the Company proposed to execute the third issuance of domestic secured convertible

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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corporate bonds, and it is expected to issue 5,000 convertible corporate bonds with a face interest rate of 0% and face value of NT\$100 thousand, and an issuance period of three years. The total issuance face value is NT\$500,000 thousand. The aforementioned issuance of secured convertible corporate bonds has been reported to the Securities and Futures Bureau, FSC, on March 8, 2021, for effective registration.

(XI) Operating Leases

For the lease on the investment property and a portion of the facilities of the Company, since nearly all of the risks and remunerations associated with the ownership of the underlying asset are not transferred, the lease contracts are classified as operating lease. Please refer to Note 6(6) Investment Property for details.

The due lease payment is analyzed based on the undiscounted lease payment total amount that will be collected after the report date, as described in the following table:

	2020-12-31	2019-12-31
Less than one year	\$ 72,762	105,051
One to two years	72,762	105,051
Two to three years	72,762	105,051
Three to four years	72,762	105,051
Four to five years	72,762	99,383
More than five years	420,387	702,857
Undiscounted lease payment total amount	<u>\$ 784,197</u>	<u>1,222,444</u>

2020 rental income from investment property was NT\$18,381 thousand.

(XII) Employee Benefits

1. Defined contribution plans

The Company has made monthly contributions equal to 6.00% of each employee's monthly salary to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan for the years 2020 and 2019 were as follows:

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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	<u>2020</u>	<u>2019</u>
Operating costs	\$ 8,461	8,790
Selling and marketing expenses	710	772
Administrative expenses	2,294	2,142
Research and development expenses	<u>1,152</u>	<u>1,791</u>
	<u>\$ 12,617</u>	<u>13,495</u>

For the Company's pension costs under the defined contribution plan, amounts of NT\$14,045 thousand and NT\$15,493 thousand for the years 2020 and 2019 had respectively been appropriated to the Bureau of Labor Insurance.

2. Short-term employee benefit liabilities

	<u>2020-12-31</u>	<u>2019-12-31</u>
Short-term leave with pay liabilities	<u>\$ 7,911</u>	<u>7,218</u>

(XIII) Income Tax

1. Statement of the income tax expense of the Company recognized for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Current tax expenses		
Land value increment tax	\$ -	1,478
Deferred tax expenses		
Origination and reversal of temporary differences	2,604	242
Change of unrecognized deductible temporary differences	-	<u>(1,167)</u>
	<u>2,604</u>	<u>(925)</u>
Income tax expense	<u>\$ 2,604</u>	<u>553</u>

Statement of the income tax expense (benefit) of the Company recognized under other comprehensive income for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Items not reclassified subsequently to profit or loss:		
Revalued amount of property	<u>\$ 48,808</u>	-
Items that may subsequently be reclassified to profit or loss:		
Difference in exchange from the conversion of financial statements of overseas operating entities	<u>\$ -</u>	<u>(6,616)</u>

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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2. The reconciliation of the Company's income tax expense and loss before tax is as follows:

	<u>2020</u>	<u>2019</u>
Loss before tax	\$ (290,519)	(59,816)
Income tax calculated according to the domestic tax rate of the country of the Company	(58,104)	(11,963)
Change of unrecognized temporary differences	60,708	395
Land value increment tax	-	1,478
Others	-	10,643
Income tax expense	<u>\$ 2,604</u>	<u>553</u>

3. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The items not recognized as deferred tax assets by the Company are as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Deductible temporary differences	\$ 50,593	12,187
Aggregate amount of temporary differences related to investments in subsidiaries	808,388	821,353
Tax loss	1,242,499	1,143,995
	<u>\$ 2,101,480</u>	<u>1,977,535</u>

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. The reason for not recognizing such items as deferred income tax assets is because the Company is not very likely to have sufficient taxable income in the future for deductible temporary difference use.

As of December 31, 2020, the deduction time-limit for tax losses of the Company not recognized as deferred income tax assets is as follows:

<u>Year of loss</u>	<u>Loss not yet deducted</u>	<u>Final year for deduction</u>
Approved value for 2013	\$ 209,457	2023
Approved value for 2014	910,923	2024
Approved value for 2015	1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027
Declared value for 2018	1,083,544	2028
Declared value for 2019	355,068	2029
Expected value for 2020	259,491	2030
	<u>\$ 6,212,497</u>	

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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(2) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for 2020 and 2019 are as follows:

Deferred tax assets:

	Unrealized sales allowance	Unrealized exchange loss	Total
January 1, 2020	\$ 1,565	1,039	2,604
Recognized in income statement	<u>(1,565)</u>	<u>(1,039)</u>	<u>(2,604)</u>
December 31, 2020	<u>\$ -</u>	<u>-</u>	<u>-</u>
January 1, 2019	\$ 2,694	152	2,846
Recognized in income statement	<u>(1,129)</u>	<u>887</u>	<u>(242)</u>
December 31, 2019	<u>\$ 1,565</u>	<u>1,039</u>	<u>2,604</u>

Deferred income tax liabilities:

	Difference in exchange from the conversion of financial statements of overseas operating entities	Investment property	Total
January 1, 2020	\$ -	-	-
Recognized in other comprehensive income	<u>-</u>	<u>48,808</u>	<u>48,808</u>
December 31, 2020	<u>\$ -</u>	<u>48,808</u>	<u>48,808</u>
January 1, 2019	\$ 7,783	-	7,783
Recognized in income statement	<u>(1,167)</u>	<u>-</u>	<u>(1,167)</u>
Recognized in other comprehensive income	<u>(6,616)</u>	<u>-</u>	<u>(6,616)</u>
December 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>

4. The Company's profit-seeking enterprise income tax returns through 2017 have been assessed and approved by the taxation authority.

(XIV) Capital and Other Equity

1. Common stock

As of December 31, 2020 and 2019, the total value of authorized ordinary shares

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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amounted to NT\$5,000,000 thousand, at a par value of NT\$10 per share, for 500,000 thousand shares. The aforementioned authorized total capital refers to common shares, and the number of shares issued is 206,394 thousand. All proceeds from shares issued have been collected.

2. Capital surplus

The capital surplus balance content of the Company is as follows:

	<u>2020-12-31</u>	<u>2019-12-31</u>
Share-based payments	\$ 16,711	17,488
Convertible corporate bonds	-	23,040
	<u>\$ 16,711</u>	<u>40,528</u>

In accordance with the Company Act, after having first offset losses using capital surplus, the realized capital surplus can be used to issue new shares or cash dividends according to the original percentage of shares of shareholders. The aforementioned realized capital surplus includes share premiums from the outstanding shares issued at a price above the par value and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10% of the paid-in capital amount.

The Company has passed the 2019 proposal for covering losses through the resolution of the ordinary shareholders' meeting on June 18, 2020, to cover losses with the capital surplus - lapsed stock option of NT\$24,570 thousand, and has also passed the 2018 proposal for covering losses through the resolution of the ordinary shareholders' meeting on June 24, 2019, to cover losses with the capital surplus - capital stock premium of NT\$207,111 thousand and the capital surplus - lapsed stock option of NT\$21,600 thousand. For relevant information, please inquire through the Market Observation Post System (MOPS) channel.

3. Retained earnings

According to the provisions of the Articles of Incorporation, when there are surplus earnings at the final account of a fiscal year, it is necessary to appropriate an amount for the payment of taxes, followed by covering losses of previous years, and then 10% shall be appropriated as legal reserve; provided that if the legal reserve has reached the

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

paid-in capital of the Company, the appropriation may be exempted. In addition, special reserve shall be appropriated or reversed in accordance with the laws or regulations of the competent authority. When there are still surplus earnings, the balance plus the accumulated unappropriated earnings from the previous fiscal year may be for shareholders' bonuses, and the board of directors shall establish a distribution proposal. When the distribution is to be made in the form of issuance of new shares, the proposal shall be submitted to the shareholders' meeting for resolution before distribution.

When all or a portion of the dividends and bonuses or legal reserve and capital reserve distributed by the Company are made in the form of cash, the board of directors may be authorized to execute the distribution in accordance with the resolution of the board of directors' meeting attended by more than two thirds of the directors and the consent of a majority of the attending directors. In addition, a report to the shareholders' meeting shall also be made.

The Company is currently in a developing stage, and to cope with the future business development and expansion, the distribution of earnings shall consider the future capital expense budget and the fund demands of the Company. However, the distribution of shareholders' dividends shall not be less than 20% of the lower value of the earnings after tax or the distributable earnings of the current period. Among the dividends distributed in the current year, cash dividends shall not be less than 50%.

(1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash; however, it shall be limited to the portion of legal reserve exceeding 25% of the issued share capital.

(2) Distribution of earnings

The Company has passed the 2019 and 2018 proposals for covering losses through the resolutions of the shareholders' ordinary meetings on June 18, 2020, and June 24, 2019, respectively. Relevant information can be inquired via channels such as the MOPS.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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4. Other equity (net after tax)

	Difference in exchange from the conversion of financial statements of overseas operating entities		Revalued amount of property	Total
Balance on January 1, 2020	\$ 164,257	-		164,257
Share of translation difference of subsidiaries under the equity method	(505)	-		(505)
Revalued amount of property	-	312,687		312,687
Balance on December 31, 2020	\$ 163,752	312,687		476,439
Balance on January 1, 2019	\$ 230,341	-		230,341
Share of translation difference of subsidiaries under the equity method	(66,084)	-		(66,084)
Balance on December 31, 2019	\$ 164,257	-		164,257

(XV) Share-based Payments

1. As of December 31, 2020 and 2019, the Company has made the following share-based payments:

Type	Equity settlement		
	Employee stock options	Cash capital increase reserved for employee subscription	Employee stock option program
Grant date	2020-09-17	2018-08-10	2013-08-13
Grant quantity (thousand/unit)	3,000	1,800	3,000
Contract period	4 years	5 years	6 years
Vesting conditions	Immediate vesting	Immediate vesting	Service for next four years
Actual turnover rate of current period	-	-	-
Estimated turnover rate for the future	40%, 61%	-	-

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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The Company has passed the issuance of employee stock options through the resolution of the board of directors' meeting on August 21, 2020. The present issuance of total number of new common shares is 3,000 thousand shares, and the subscription price is to be specified based on the closing price of common shares of the Company on that day. Such shares are to be issued within one year from the date when the notice of effective registration of the competent authority is served, and such shares may be issued all at once or at discreet times depending upon the actual needs. The aforementioned issuance of employee stock options has been registered effectively with the Securities and Futures Bureau, FSC on September 16, 2020, and according to the resolution of the board of directors' meeting on September 17, 2020, such shares are to be issued fully and the grant date fair value is NT\$10.4.

Except that subscribers shall comply with the transfer suspension period of two years after the grant of employee stock options according to the law, the accumulated exercisable subscription rights ratio is as follows:

Employee stock options grant period	2020	2013
Matured for two years	60%	20%
Matured for three years	100%	60%
Matured for four years	None	100%

2. Measurement parameter of fair value at grant date

The Company adopts the Black-Scholes option valuation model to estimate the fair value of the share-based payments at grant date, and the inputs for the model are as follows:

	2020	2018	2013
Dividend rate (Note)	-%	-%	1.59%
Expected volatility (%)	45.77%	26.32%	33.25%
Expected life of stock options (years)	4 years	Immediate vesting	6 years
Risk-free interest rate (%)	0.2916%	0.8144%	0.875%

Note: According to the 2020 Employee Stock Options Issuance Regulations of the Company, the subscription price will be adjusted (anti-dilution price adjustment) along with the issuance of dividends; therefore, it is not included in the calculation.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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3. Detailed information on the aforementioned employee share options is as follows:

	2020		2019	
	Weighted-average exercise price (NT\$)	Subscription quantity (thousand shares)	Weighted-average exercise price (NT\$) (Note)	Subscription quantity (thousand shares)
Outstanding capital stock on January 1	\$ -	-	59.20	732
Grant quantity of current period	10.40	3,000	-	(732)
Loss quantity of current period	-	-	-	-
Outstanding capital stock on December 31	\$ 10.40	3,000	59.20	-

Note: Due to the capital reduction for covering losses executed by the Company, the conversion price was adjusted to NT\$59.20 according to the resolution approved by the board of directors on November 9, 2016.

The outstanding subscription right information of the Company on December 31, 2020, is as follows:

	2020-12-31
Exercise price interval	\$ 10.40
Weighted-average remaining contractual life (years)	4

4. Employee expenses and liabilities

The expenses and liabilities arising from the share-based payments of the Company for 2020 and 2019 are as follows:

	2020	2019
Expenses arising from employee stock options	\$ 753	-

(XVI) Earnings Per Share

	2020	2019
Basic loss per share		
Loss attributable to common shareholders of the Company	\$ (293,123)	(60,369)
Number of common shares with retroactive adjustment outstanding shares for basic loss per share	206,394	206,394
	\$ (1.42)	(0.29)

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

For 2020 and 2019, the covering of losses took place and there was no diluted effect. Accordingly, it is not necessary to disclose the diluted earnings per share.

(XVII) Remuneration of Employees, Directors, Supervisors

According to the Articles of Incorporation of the Company, when there is a profit in a fiscal year, 8% of the profit shall be allocated as the remuneration of employees and no more than 0.1% of the profit as the remuneration of directors and supervisors. However, when the Company still has accumulated losses, an amount shall be reserved for making up the accumulated losses first. The remuneration of employees may be issued in the form of shares or cash, and the subjects for receiving the shares or cash may include employees of a holding or subordinate company satisfying certain criteria, and the board of directors is authorized to specify such criteria. The preceding two paragraphs shall be executed in accordance with the resolution of the board of directors' meeting, and shall be reported to the shareholders' meeting.

For 2020 and 2019, the covering of losses took place for the Company. Accordingly, the Company is not required to estimate the remunerations of employees, directors and supervisors. Relevant information is available for inquiry on the MOPS.

(XVIII) Revenue from Customer Contracts

1. Revenue details

	2020			
	Optoelectron ics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 222,689	509,849	83,499	816,037
China	244,904	7,603	1,026,277	1,278,784
U.S.A.	15,163	156	147	15,466
Belize	125,143	-	-	125,143
Others	58,911	-	27,797	86,708
	\$ 666,810	517,608	1,137,720	2,322,138
Primary product/service line:				
Photoelectric glass	\$ 666,810	-	-	666,810
Green building glass	-	517,608	-	517,608
Others	-	-	1,137,720	1,137,720
	\$ 666,810	517,608	1,137,720	2,322,138

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

	2019			
	Optoelectron ics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 140,320	497,814	19,798	657,932
China	198,253	171	1,049,095	1,247,519
U.S.A.	27,931	2,072	-	30,003
Belize	451,299	-	-	451,299
Hong Kong	151,835	-	26,146	177,981
Others	104,905	6,266	21,642	132,813
	<u>\$ 1,074,543</u>	<u>506,323</u>	<u>1,116,681</u>	<u>2,697,547</u>
Main products:				
Photoelectric glass	\$ 1,074,543	-	-	1,074,543
Green building glass	-	506,323	-	506,323
Others	-	-	1,116,681	1,116,681
	<u>\$ 1,074,543</u>	<u>506,323</u>	<u>1,116,681</u>	<u>2,697,547</u>

2. Contract balance

	2020-12-31	2019-12-31	2019-01-01
Accounts receivable	\$ 767,387	738,769	821,100
Less: Allowance for loss	(182,811)	(11,986)	(13,401)
Total	<u>\$ 584,576</u>	<u>726,783</u>	<u>807,699</u>
Contract liabilities	<u>\$ 3,594</u>	<u>5,957</u>	<u>6,653</u>

For the disclosures of notes and accounts receivable and impairment thereof, please refer to Note 6(2).

The initial balances of contract liabilities of January 1, 2020 and 2019, recognized as income for 2020 and 2019 amounted to NT\$4,449 thousand and NT\$4,763 thousand respectively.

(XIX) Non-operating Income and Expenses

1. Interest income

Statement of interest income of the Company is as follows:

	2020	2019
Interest income	<u>\$ 331</u>	<u>2,364</u>

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

2. Other gains and losses

Statement of other gains and losses of the Company is as follows:

	<u>2020</u>	<u>2019</u>
Foreign exchange loss	\$ (5,024)	(871)
Gain (loss) on disposal and retirement of property, plant and equipment	(7,056)	65,766
Rental income	101,333	90,496
Income from government subsidy	22,390	-
Gain on reversal of impairment	71,389	-
Other income	17,214	7,402
Other expenses	<u>(25,988)</u>	<u>(31,333)</u>
	<u>\$ 174,258</u>	<u>131,460</u>

3. Financial costs

Statement of financial costs of the Company is as follows:

	<u>2020</u>	<u>2019</u>
Interest expense		
Bank borrowings	\$ 32,334	36,516
Corporate bonds payable	-	4,891
Others	<u>1,748</u>	<u>560</u>
	<u>\$ 34,082</u>	<u>41,967</u>

(XX) Financial Instruments

1. Credit risk

(1) Maximum credit risk exposure amount

The maximum credit risk exposure of financial assets is equal to their carrying amount.

(2) Concentration of credit risk

The main potential credit risk of the Company comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the Company is deposited at different financial institutions. The Company controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the Company.

Customers of the Company are concentrated in the optoelectronics industry, and to reduce accounts receivable credit risk, the Company continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for losses, and impairment loss is within the

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

expectations of the management. As of December 31, 2020 and 2019, the accounts receivable of these customers of the Company were 38% and 52% respectively, indicating that the Company is subject to obvious concentration of credit risk.

(3) Credit risk of receivables and debt securities

Please refer to Note 6(2) for details on the credit risk exposure information related to notes receivable and accounts receivable. Other financial assets measured at amortized cost include other accounts receivable and time deposit certificates.

The aforementioned financial assets refer to financial assets with low credit risk; therefore, the allowance for losses for such periods is measured according to the 12-month expected credit loss amount (please refer to Note 4(6) for details on how the Company makes the judgment on low credit risk). The changes of the allowance for losses for 2020 and 2019 are as follows:

	Other receivables
Balance on January 1, 2020	\$ 1,064
Impairment loss reversed	<u>(398)</u>
Balance on December 31, 2020	<u>\$ 666</u>
Balance on January 1, 2019	\$ 843
Impairment loss recognized	<u>221</u>
Balance on December 31, 2019	<u>\$ 1,064</u>

2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

	Contractual	cash	Within 1	1-3 years	3-5 years	More than
December 31, 2020	Carrying	flows	year	1-3 years	3-5 years	5 years
December 31, 2020	amount	flows	year	1-3 years	3-5 years	5 years
Non-derivative financial liabilities						
Secured bank loans	\$ 1,493,718	1,592,851	361,872	385,769	401,065	444,145
Unsecured bank loans	474,209	479,368	479,368	-	-	-
Secured non-financial institution loans	3,376	3,395	3,395	-	-	-
Notes and accounts payable (including related parties)	232,246	232,246	232,246	-	-	-
Other payables	98,249	98,249	98,249	-	-	-
Construction and equipment payable	3,424	3,424	3,424	-	-	-
Lease liabilities	50,877	51,381	51,381	-	-	-
	<u>\$ 2,356,099</u>	<u>2,460,914</u>	<u>1,229,935</u>	<u>385,769</u>	<u>401,065</u>	<u>444,145</u>

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5 years	More than 5 years
December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,145,191	1,192,751	322,620	355,542	480,131	34,458
Unsecured bank loans	745,853	758,163	758,163	-	-	-
Secured non-financial institution loans	45,117	45,471	41,851	3,620	-	-
Notes and accounts payable (including related parties)	205,591	205,591	205,591	-	-	-
Other payables	91,052	91,052	91,052	-	-	-
Construction and equipment payable	682	682	682	-	-	-
Lease liabilities	50,256	50,225	50,225	-	-	-
	\$ 2,283,742	2,343,935	1,470,184	359,162	480,131	34,458

The Company does not expect that the timing of the occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, or that the actual cash flow amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The Company's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	2020-12-31			2019-12-31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD : NTD	\$ 22,497	28.48	640,715	20,900	29.98	626,582
<u>Non-monetary items</u>						
USD : NTD	5,321	28.48	151,534	7,234	29.98	216,865
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	9,870	28.48	281,098	13,311	29.98	399,064

(2) Sensitivity analysis

The Company's exposure to foreign currency risk mainly comes from cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currencies, and foreign exchange gain or loss occurs during the

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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translation. As of December 31, 2020 and 2019, in case of depreciation or appreciation of the NTD against the USD by 1% and other factors remaining unchanged, the net income after tax in 2020 and 2019 would have been increased or decreased by NT\$2,877 thousand and NT\$1,821 thousand, respectively. The analysis for the two periods adopted the same basis.

(3) Exchange gain or loss of monetary items

The information on the amount of exchange gain or loss (including realized and unrealized) of monetary items of the Company translated to the functional currency of NTD (i.e. the presentation currency of the Company) is as follows:

	2020		2019	
	Exchange gain (loss)	Average exchange rate	Exchange gain (loss)	Average exchange rate
TWD	\$ (5,024)	29.53	(871)	30.87

4. Interest rate analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The sensitivity analyses below were determined based on the exposure to interest rates for non-derivative instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the report date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting internally to the management personnel of the Company, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased or decreased by 1%, under conditions where other variables remained unchanged, then the Company's net income after tax would have increased or decreased by NT\$19,713 thousand and NT\$19,362 thousand in 2020 and 2019 respectively, which was mainly due to the loans at variable interest rate of the Company.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

5. Fair value information

(1) Categories and fair value of financial instruments

The financial assets and liabilities measured at fair price through profit or loss of the Company are measured at fair price based on the repetitiveness. The information on the carrying amount and fair value of various financial assets and financial liabilities (including fair value and level information; however, for the carrying amount of financial instruments not measured at fair value as the reasonable close value of fair value, and lease liabilities, their fair values are not required to be disclosed according to the regulations) is as follows:

	2020-12-31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at amortized cost					
Cash and cash equivalents	\$ 427,554	-	-	-	-
Notes and accounts receivable (including related parties)	584,576	-	-	-	-
Other financial assets - current	105,214	-	-	-	-
Other financial assets - non-current	6,518	-	-	-	-
Total	\$ 1,123,862	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 569,777	-	-	-	-
Notes and accounts payable (including related parties)	232,246	-	-	-	-
Other payables	98,249	-	-	-	-
Construction and equipment payable	3,424	-	-	-	-
Lease liabilities	50,877	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,401,526	-	-	-	-
Total	\$ 2,356,099	-	-	-	-

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

	2019-12-31				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at amortized cost					
Cash and cash equivalents	\$ 218,222	-	-	-	-
Notes and accounts receivable (including related parties)	726,783	-	-	-	-
Other financial assets - current	176,416	-	-	-	-
Other financial assets - non-current	5,860	-	-	-	-
Total	\$ 1,127,281	-	-	-	-
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 774,453	-	-	-	-
Notes and accounts payable (including related parties)	205,591	-	-	-	-
Other payables	91,052	-	-	-	-
Construction and equipment payable	682	-	-	-	-
Lease liabilities (including non-current)	50,256	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)	1,161,708	-	-	-	-
Total	\$ 2,283,742	-	-	-	-

(2) Fair value valuation technique for financial instruments not measured at fair value

The methods and assumptions the Company adopted to estimate the instruments not measured at fair value are as follows:

(2.1) Financial assets and liabilities at amortized cost

If there is transaction or quote information from a market maker, then the latest transaction price and quote information are used as the basis for the evaluation of the fair value. If no market price is available for reference, then a valuation method is used for estimation. The estimation and assumption adopted for the valuation method refers to the discounted value of the cash flow estimated fair value.

(3) Fair value valuation technique for financial instruments measured at fair value

(3.1) Non-derivative financial instruments

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

When a financial instrument has an active market open quote, then the open quote of the active market is used for the fair value. For the market price of the main exchange and announced by the exchange center of the central government determined to be on-the-run securities, the publicly listed equity instruments and debt instruments with an active market open quote are determined to have a basis for fair value.

If an open quote of a financial instrument can be timely and frequently obtained from an exchange, broker, underwriter, industry association, pricing service institution or competent authority, and the price represents an actual and frequently occurring fair market transaction, then the financial instrument has an active market open quote. If the aforementioned criteria are not met, then the market is deemed to be inactive. In general, when the bid-ask spread is great, and the bid-ask spread obviously increases or the trading volume is small, then it serves as indicators of an inactive market.

Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. For the fair value of financial instruments measured by using valuation techniques, reference can be made to the current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculations by model using market information available at the balance sheet date.

If a financial instrument held by the Company has no active market, then its fair value is determined according to the following category and attribute:

- Equity instrument without open quote: The market comparable company method is used to estimate the fair value, and its main assumption is to use the rate of return on investees as the basis for measurement. For the estimated value, the discount effect of the lack of market liquidity of such equity security has been adjusted.

(3.2) Derivative financial instruments

The valuation is based on the valuation model widely used and accepted by users in the market, such as discount method and option pricing model. Forward exchange agreement is typically evaluated based on the current forward exchange rate.

(4) Transfer between Level 1 and Level 2

The Company was not subject to any transfer of financial assets and liabilities for 2020 and 2019.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(XXI) Financial Risk Management

1. Overview

The Company is exposed to the following risks arising from the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the unconsolidated financial statements.

2. Risk management framework

The board of directors is fully responsible for the establishment and oversight of the risk management framework of the Company. For the board of directors, the chairperson's office is responsible for the development and control of the financial risk management policies of the Company and to provide reports on the operation thereof to the board of directors periodically.

The establishment of the financial risk management policy of the Company is to identify and analyze the financial risk faced by the Company, and to set up appropriate financial risk limits and control, as well as to monitor risk and risk limit compliance. The financial risk management policy is reviewed periodically to reflect market conditions and changes in the operation of the Company. The Company, through training, management standards and operation procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company monitors the management personnel, such as monitoring of the financial risk management policy and procedure compliance of the Company, and reviews the appropriateness of relevant financial management framework for the risks faced by the Company. The internal auditing personnel of the

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

Company provides assistance to the board of directors of the Company to perform their role of supervision. Such personnel undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results thereof are reported to the audit committee.

3. Credit risk

Credit risk refers to the risk of financial loss of the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers' notes and accounts as well as bank deposits.

(1) Accounts receivable and other receivables

The credit risk exposure of the Company is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the Company, including the industry of customers and country default risk since such factors may affect the credit risk.

The Company has established a credit policy, and according to such policy, before the Company makes standard payment and delivery terms, it is necessary to analyze the credit rating of each new customer individually.

The Company has set up an allowance for bad debt account to reflect the estimated losses arising from notes receivable and others receivable as well as investments. The allowance for debt account mainly consists of a specific loss component relating to individually significant exposure, and a combinational loss component established for losses already occurred but not yet identified in similar asset groups. The combinational loss account allowance account is determined based on the statistical data of past payments of similar financial assets.

(2) Investments

The credit risk of bank deposits and other financial instruments is measured and monitored by the financial department of the Company. Since the transaction counterparties and the contract performance parties of the Company are banks with excellent credit standing, there are no non-compliance issues; therefore, there is no significant credit risk.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(3) Guarantees

The Company's policy is executed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. As of December 31, 2020 and 2019, the Company has not provided any endorsements/guarantees.

4. Liquidity risk

Liquidity risk refers to the risk that the Company is unable to deliver cash or other financial assets for repayment of financial debts, and the risk of failure to perform relevant obligations. The Company's liquidity management method is to ensure that under general conditions and conditions of pressure, the Company is still able to have sufficient working capital capable of paying liabilities that are due for payment, such that unacceptable loss would not occur or the risk of the reputation of the Company being damaged would not occur. In recent years, to cope with the significant operating loss due to impact of the industrial economy such that the impact of the significantly increased liquidity risk can be reduced, the Company is currently actively improving cash flows; please refer to Note 6(24) for a detailed explanation. Accordingly, the Company has evaluated that there is no liquidity risk of failure to obtain sufficient capital to fulfill contract obligations in the next year.

As of December 31, 2020 and 2019, the unused amount of bank financing of the Company were NT\$143,952 thousand and NT\$100,565 thousand, respectively.

5. Market risk

Market risk refers to the risk in the change of market prices, such as foreign exchange rates and interest rates, affecting the Company's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within an acceptable range, and to optimize investment returns.

To manage the market risk, the Company engages in derivative instrument transactions and also generates financial assets and liabilities accordingly. The all transactions were executed in accordance with the instructions of the board of

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

directors.

(1) Exchange rate risk

The Company is exposed to currency risk on transactions of sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Group. The functional currencies of the Group are mainly NTD and USD. The main pricing currency for such transactions is NTD and USD.

In addition, based on the principle of natural hedging, the Company performs hedging according to the capital demand of each currency and the net position with respect to the market exchange condition.

(2) Interest rate risk

The Company's policy is to ensure that the loan interest rate change risk exposure is evaluated according to the international economic status and market interest rates.

(XXII) Capital Management

The Company's capital management objective is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for shareholders and interests of other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, execute capital reduction to return share capital to shareholders, issue new shares or sell assets in order to repay debts.

The Company, similar to others in the same industry, uses the debt-to-capital ratio as the basis for capital control and monitoring. Such ratio is calculated by dividing the net liabilities by the total capital. The net liabilities refer to the total liabilities indicated on the balance sheet less cash and cash equivalents. Total capital refers to all components (i.e. share capital, capital surplus, retained earnings and other equity) of equity plus net liabilities.

The capital management strategy of the Company in 2020 was consistent with the one in 2019, and the strategy was to ensure that the Company is able to perform financing at a reasonable cost. For the years ended December 31, 2020 and 2019, the debt-to-capital ratio is as follows:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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	<u>2020-12-31</u>	<u>2019-12-31</u>
Total liabilities	\$ 2,442,732	2,322,133
Less: Cash and cash equivalent	<u>(427,554)</u>	<u>(218,222)</u>
Net liabilities	2,015,178	2,103,911
Total equity	<u>1,537,293</u>	<u>1,517,481</u>
Capital after adjustment	<u>\$ 3,552,471</u>	<u>3,621,392</u>
Debt-to-capital ratio	<u>56.73%</u>	<u>58%</u>

(XXIII) Non-cash Transaction Investments and Financing Activities

Statement of the change to the acquisition of property, plant and equipment of the Company for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment in the current \$ period	6,846	3,081
Add: Equipment and construction payables at beginning of the period	682	591
Less: Equipment and construction payables at end of the period	<u>(3,424)</u>	<u>(682)</u>
	<u>\$ 4,104</u>	<u>2,990</u>

(XXIV) Sound Financial Plan

Due to rapid changes in the industry, the Company has suffered continuous loss in recent years, and the management of the Company has consecutively adopted the following measures in order to ensure the operation of the Company and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the Company plans to adopt the following plans:

1. Operations

- (1) Actively combining various core technical developments for integrated applications in order to satisfy high customization demands and new technologies for terminal products, and continuing to enhance and adjust market order acceptance capability, thereby strengthening and expanding the market while satisfying customer demands and enhancing the foundation to improve the market share.
- (2) Extending the diverse operations of industrial on-board vehicle control and smart building related industries, reducing reliance on consumer electronics and continuing to develop new products and adjusting market position, in order to acquire sales of niche products.
- (3) Establishing strategic alliances and partnerships with overseas manufacturers with advanced key technologies, and engaging in joint development of electrochromic

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

glass products with high economic value.

- (4) Future plans for Smart Vehicle and Smart Building Glass Products
 - (a) Development and promotion of 3D high transmittance multi-layer coating technology.
 - (b) Development and promotion of vehicle display multi-curved glass with advanced design.
 - (c) Continued promotion of power generating board adhesive products for curtain walls.
 - (d) Development and promotion of PDLC (Polymer Dispersed Liquid Crystal) adhesive product.
 - (e) Development and promotion of manufacturing processes for Smart Windows (electrochromic glass) with integrated building adhesive/IGZO.
 - (f) Development of LED layer glass curtain walls.

2. Management

- (1) Adjusting the organizational structure, implementing simplification policies, fully utilizing the advantages of outsourcing to rigorously control costs and expenditures.
- (2) Improving production management efficiency, reducing material loss and implementing inventory management, reducing idle loss. All of these measures are being executed actively by the manufacturing management department, and its outcome has started to take effect, and control and monitoring will continue to be implemented.
- (3) Improving the accuracy of sales forecasts, rigorously controlling raw material purchases, enhancing the flexibility of capital use, improving efficiency and reducing operating costs.
- (4) Expediting the introduction of second source materials in order to effectively control and reduce material costs.
- (5) Implementing rigorous review of the control of expenditures, reducing expenditures and unnecessary waste of resources. Proper implementation has started to demonstrate positive outcomes.
- (6) In the future, the focus will be on the introduction of new technologies or manufacturing processes, and the necessary capital expense for improving machinery and equipment production efficiency will be increased. In addition, rigorous investment benefit analysis will also be thoroughly executed in order to maximize the capital expenditure effect.

3. Finance

- (1) Implementing cost and expense reduction plans, saving expenditures and maintaining safe levels for capital and reducing the cumulation of working capital.
- (2) Continue negotiating bank quotas and limits, and enhancing the business dealings with banks in order to ensure sufficient working capital.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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VII. Related Party Transactions

(I) Names of related parties and relationships

The related parties of subsidiaries of the Company and others that have had transactions with the Company during the periods covered in these unconsolidated financial statements are as follows:

<u>Related party name</u>	<u>Relationship with the Company</u>
Hon Hai Precision Industry Co., Ltd.	Investment company using the indirect equity method on the Company
Chin Ming Glass Co., Ltd.	The chairperson of this company is a relative within the second degree of kinship of the chairperson of the Company
PT. Sharp Electronics Indonesia	Its ultimate parent company is an investment company using the indirect equity method on the Company
FIH (Hong Kong) Limited	"
Asia Pacific Telecom Co., Ltd.	"
Nanjing Innolux Optoelectronics Ltd.	"
General Interface Solution Ltd.	"
Futaihua Industry (Shenzhen) Co., Ltd.	"
Foxconn Global Network Corporation	"
General Interface Solution Business (Shenzhen) Co., Ltd.	"
Innolux Corporation	"
Chiun Mai Communication Systems Inc.	"
Hongfujin Precision Industry (Wuhan) Co., Ltd.	"
Foshan Innolux Optoelectronics Ltd.	"
Ennoconn Corporation	"
Lankao Yufu Precision Technology Co., Ltd.	"
Ningbo Innolux Optoelectronics Ltd.	"
Zhengzhou Yuteng Precision Co., Ltd.	"
Fast Achievement Global Ltd.	Subsidiary of the Company
Golden Start Global Corp.	"
Charmtex Global Corp.	"
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	"
Brave Advance International Corp.	Associate of subsidiary of the Company

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

Related party name	Relationship with the Company
	under direct equity method (Note)
Win World Opto-Glass(Dongguan)co., Ltd.	"

(Note) The Company lost the controlling power on Brave Advance International Corp. and Win World Opto-Glass(Dongguan)co., Ltd. In January 2019.

(II) Significant related party transactions and balances

1. Operating revenue

The significant sales of the Company to related parties were as follows:

	2020	2019
Other related parties	\$ <u>334,688</u>	<u>395,172</u>

The price and payment collection terms for the sales of the Company to other related parties are open account 45~120 days, and there are no major differences for general customers.

2. Purchases

Purchase costs of the Company from related parties were as follows:

	2020	2019
Other related parties:		
Futaihua Industry (Shenzhen) Co., Ltd.	\$ 764,689	570,237
Other related parties	<u>157,885</u>	<u>107,216</u>
	\$ <u>922,574</u>	<u>677,453</u>

The purchases from related parties by the Company refer to single suppliers, and the payment terms are open account 45~90 days, and the payment terms for general suppliers are LC120 days and open account 45~90 days.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

3. Receivables from related parties

Statement of receivables from related parties of the Company is as follows:

Accounts	Type of related party	2020-12-31	2019-12-31
Accounts receivable - related parties	Other related parties: Nanjing Innolux Optoelectronics Ltd.	\$ 2,383	95,439
	Other related parties	93,724	34,356
Other financial assets - current	Other related parties	16	38
		\$ 96,123	129,833

4. Payables to related parties

Statement of payables to related parties of the Company is as follows:

Accounts	Type of related party	2020-12-31	2019-12-31
Accounts payable - related parties	Other related parties: Futaihua Industry (Shenzhen) Co., Ltd.	\$ 148,026	109,471
	Chin Ming Glass Co., Ltd.	9,523	28,667
	Other related parties	4,337	7,655
Other payables	Other related parties	6,511	8,881
		\$ 168,397	154,674

5. Property transactions

Disposal of property, plant and equipment

Type of related party	2019	
	Disposal proceeds	Disposal gain (loss)
Other related parties: Chin Ming Glass Co., Ltd.	\$ 151,680	65,498

The Company sold its land and buildings (including various equipment therein) in Tongluo Township, Miaoli County in June 2019 to other related parties. The total area of the land was 5,088.20306 m², and the total price was NT\$151,680 thousand (tax excluded). The aforementioned amount has been collected completely.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

6. Leases

The Company leased the facility office building at Tainan Science Park from other related parties and signed a three-year lease contract with reference to the office rental market price in the neighboring area, and the contract total price was NT\$164,724 thousand. The interest expenses recognized for 2020 and 2019 were NT\$505 thousand and NT\$560 thousand respectively. Subsequently, the Company renewed a one-year lease contract with other related parties in December 2020, and the contract total price was NT\$51,381 thousand. As of December 31, 2020 and 2019, the lease liabilities balances were NT\$50,877 and NT\$50,256 thousand, respectively.

(III) Personnel transactions from key management

Remuneration of key management includes:

	2020	2019
Salary	\$ 10,406	10,841
Short-term employee benefits	910	628
	<u>\$ 11,316</u>	<u>11,469</u>

VIII. Pledged Assets

Statement of the carrying value of pledged or secured assets of the Company is as follows:

Asset name	Pledged or secured subject matter	2020-12-31	2019-12-31
Time deposits (recognized as other financial assets-current)	Customs bonds and borrowings	\$ 101,126	132,040
Property, plant and equipment	Bank borrowings	685,689	1,775,381
Investment property	"	1,115,068	-
		<u>\$ 1,901,883</u>	<u>1,907,421</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments: None.

X. Significant Disaster Loss: None.

XI. Significant Subsequent Events: None.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

XII. Others

A summary of employee benefits, depreciation, depletion and amortization expenses, by function, is as follows:

By nature	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salary expense	207,224	84,582	291,806	199,149	87,049	286,198
Labor and health insurance expense	19,189	7,184	26,373	20,404	8,252	28,656
Pension expense	8,461	4,156	12,617	8,790	4,705	13,495
Remuneration of directors	-	1,145	1,145	-	1,065	1,065
Other employee benefit expenses	10,138	2,838	12,976	10,790	2,768	13,558
Depreciation expense	231,549	18,290	249,839	254,589	21,567	276,156
Amortization expense	447	3,648	4,095	893	667	1,560

The depreciations of other gains and losses recognized under non-operating revenue and expenses of the Company for 2020 and 2019 were NT\$22,062 thousand and NT\$29,997 thousand, respectively.

Additional information on the number of employees and employee benefit expenses of the Company for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Number of employees	<u>456</u>	<u>503</u>
Number of directors without concurrent position as employee	<u>4</u>	<u>4</u>
Average employee benefit expenses	<u>\$ 761</u>	<u>685</u>
Average employee salary expense	<u>\$ 646</u>	<u>574</u>
Adjustment status of average employee salary expense	<u>12.54%</u>	
Remuneration of supervisors	<u>\$ 560</u>	<u>560</u>

Information on remuneration policy (including directors, supervisors, managerial officers and employees) of the Company is as follows:

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(I) Directors, Supervisors

In terms of the remuneration to directors and supervisors such as transportation fees, business operation expenses, and surplus distribution, after the Company's remuneration for directors and supervisors has been reviewed by the Salary and Remuneration Committee according to the Company's Articles of Incorporation, the board of directors is authorized to set the salaries for the directors and supervisors based on their participation in the Company's operations, contribution value, as well as the industry standards. The remuneration distribution standard for surplus distribution to directors and supervisors is based on the Company's Articles of Incorporation, and shall be submitted to the board of directors for review and be issued after it has passed the shareholders' meeting resolution.

(II) President and Vice Presidents

The remuneration of the president and vice president includes salary, employee dividends, employee stock options, and new restricted shares for subscription. Salary standards are based on contributions to the Company and reference to peer standards. The employee dividend distribution standard shall be based on the Company's Articles of Incorporation, be submitted to the Remuneration Committee for deliberation, and then issued after the proposal has passed the resolution of the board of directors' or shareholders' meeting. Employee stock options, and new restricted shares for subscription issuance standards were evaluated based on contributions to the Company and its future development.

(III) Employees

The remuneration of employees include the full salary (base salary, meal allowance and duty allowance), other allowances, cash gift, performance bonus, year-end bonus, employee bonus, and employee stock option, etc. The full salary payment standard references to the common standard adopted in the market of the same industry, job duty at the Company and contribution to the Company. In addition, the salary adjustment policy is established based on the operating status of the Company along with the consideration of the domestic economic growth rate, price index, industry salary adjustment status, etc., in conjunction with personal work performance and value

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

contribution. The issuance of other allowances, cash gift, performance bonus, year-end bonus, employee bonus and employee stock option is handled in accordance with the articles of Incorporation and management regulations of the Company.

XIII. Separately Disclosed Items

(I) Significant transactions information

In accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for the year of 2020, the significant transactions related information required to be further disclosed by the Company is as follows:

1. Loaning funds to others: None.
2. Endorsements/guarantees made for others: None.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint venture equities): None.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Unit: NTD thousand

Company of purchase (sale)	Related party name	Relationship	Transaction details				Difference of transaction conditions with general transactions and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Payment term	Unit price	Payment term	Balance	Percentage of total notes and accounts receivable (payable)	
G-TECH Optoelectronics Corporation	Futaihua Industry (Shenzhen) Co., Ltd.	Other related parties	Purchase	764,689	46.72%	DA 45 DAYS	-	-	(148,026)	(63.74)%	
G-TECH Optoelectronics Corporation	Chin Ming Glass Co., Ltd.	Other related parties	Purchase	140,286	8.57%	Open account 60 days T/T	-	-	(9,523)	(4.10)%	

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

8. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

9. Trading in derivative instruments: None.

(II) Information on investees:

The information on investees of the Company in 2020 (excluding investees in China) is as follows:

Unit: NTD thousand/USD thousand

Name of investor	Name of investee	Location	Main business items	Original investment amount		End of term holding			Current profit or loss of investee	Current investment profit/loss recognized	Remarks
				End of current period	End of last year	Number of shares	Ratio	Carrying amount			
G-TECH Optoelectronics Corporation	Fast Achievement Global Ltd.	Cayman Islands	Holding	15,379 (USD540)	15,379 (USD540)	540,000	100.00%	47,493	2,588 (USD88)	2,588 (USD88)	
G-TECH Optoelectronics Corporation	Golden Start Global Corp.	Samoa	Holding	2,033,226 (USD71,391)	2,033,226 (USD71,391)	71,391,373	100.00%	104,041	(67,414) (USD(2,283))	(67,414) (USD(2,283))	
Fast Achievement Global Ltd.	Brave Advance International Corp.	Samoa	Holding	14,240 (USD500)	14,240 (USD500)	500,000	25.00%	47,473 (USD1,667)	10,348 (USD350)	2,588 (USD88)	
Golden Start Global Corp.	Charmtex Global Corp.	Samoa	Holding	2,032,657 (USD71,371)	2,032,657 (USD71,371)	71,371,373	100.00%	104,032 (USD3,653)	(67,414) (USD(2,283))	(67,414) (USD(2,283))	

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

(III) Information on Investments in China:

1. Information of name of investees in China, and main business items:

Unit: NTD thousand

Name of investee in China:	Main business items	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount at beginning of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period	Current profit or loss of investee	% of ownership of direct or indirect investment by the Company	Current investment profit/loss recognized	Investment carrying value at end of the period	Accumulated repatriation of investment income as of end of current period
					Outward remittance	Repatriation						
Win World Opto-Glass(Dongguan)co., Ltd	Manufacturing and sale of TFT-LCD panel display screen materials	676,115 (USD23,740)	Note 1	676,115 (USD23,740)	-	-	676,115 (USD23,740)	6,442 (US218)	25.00%	1,611 (USD55)	15,069 (USD529)	-
G-TECH Optoelectronics (Chengdu) co., Ltd	Manufacturing and sale of TFT-LCD panel display screen materials	1,993,600 (USD70,000)	Note 2	1,993,600 (USD70,000)	-	-	1,993,600 (USD70,000)	(67,660) (USD(2,291))	100.00%	(67,660) (USD(2,291))	99,966 (USD3,510)	-

Note 1: The Company invested in Win World Opto-Glass(Dongguan)co., Ltd. in China indirectly via the investee Brave Advance International Corp. of the investment enterprise Fast Achievement Global Ltd. in a third region. In January 2019, due to the cash capital increase executed by Brave Advance International Corp. and the Group not subscribing according to the shareholding ratio, the Group lost its controlling power over the investee.

Note 2: The Company invested in G-TECH Optoelectronics (Chengdu) Co., Ltd. in China indirectly via the investee Charmtex Global Corp. of the investment enterprise Golden Start Global Corp. in a third region.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

2. Upper limit on the amount of investment in China region:

Accumulated outward remittance for investment in China region at end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
2,669,715 (USD93,740)	2,669,715 (USD93,740)	-
(Including machine construction fee of 244,444) (USD8,583)	(Including machine construction fee of 264,180) (USD9,276)	-

Note: The Company has received the certificate for compliance with operational headquarter business scope issued by the Industrial Development Bureau, MOEA, on August 26, 2019. Accordingly the Company is not restricted by the investment limit requirement.

3. Significant transactions with investees in China:

Please refer to the explanation provided in the “Significant Transactions Information” for direct and indirect significant transactions between the Company and investees in China in 2020.

(IV) Information on Major Shareholders:

Name of major shareholder	Shares	Shareholding	Shareholding percentage
Hong Yuan International Investment Co., Ltd.	15,728,165	15,728,165	7.62%
Bao Xin International Investment Co., Ltd.	10,922,337	10,922,337	5.29%

XIV. Information on Segments

Please refer to the 2020 consolidated financial statements for details.

G-Tech Optoelectronics Corp.
Chairman: Chung, Chih-Ming