Stock Code: 3149

# G-TECH Optoelectronics Corporation

# Unconsolidated Financial Statements and Independent Auditor's Report

**For the Years Ended December 31, 2021 and 2020**

**Company Address: No. 99, Zhongxing Rd., Tongluo Township, Miaoli County**
**Telephone: (037) 236-988**

The reader is advised that these financial statements have been prepared originally in Chinese. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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## Independent Auditor's Report

The Board of Directors G-TECH Optoelectronics Corporation

**Audit 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, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows and notes to parent company only financial statements, including a summary of significant accounting policies, for the years ended December 31, 2020 and 2019.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2021 and 2020 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, 2021. 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) of the parent company only financial statements for detailed accounting policy on investment property fair value evaluation. Please refer to Note 5(2) of the parent company only financial statements for detailed accounting estimation and assumption uncertainty for the investment property fair value. Please refer to Note 6(6) of the parent company only 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 26% 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 professionality, 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.
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 2021 parent company only 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 Shi-Ching, Chi.

KMPG
Taipei, Taiwan (Republic of China)
March 21, 2022

**G-TECH Optoelectronics Corporation**

**Balance Sheet**

**For the years ended December 31, 2021 and 2020**

**Unit: NTD thousand**

| | | 2021-12-31 | | 2020-12-31 | |
|---|---|---|---|---|---|
| | **Assets** | **Amount** | **%** | **Amount** | **%** |
| | **Current assets:** | | | | |
| 1100 | Cash and cash equivalents (Note 6(1) and (20)) | $ 556,396 | 13 | 427,554 | 11 |
| 1170 | Net notes and accounts receivable (Note 6(2), (18) and (20)) | 506,084 | 12 | 488,469 | 12 |
| 1180 | Net notes and accounts receivable - related parties (Note 6(2), (18) and (20) and 7) | 106,897 | 2 | 96,107 | 2 |
| 1220 | Current income tax assets | 5 | - | 230 | - |
| 130X | Inventories (Note 6(3)) | 211,533 | 5 | 156,699 | 4 |
| 1476 | Other financial assets - current (Note 6(7), (20) and 8) | 96,572 | 2 | 105,214 | 3 |
| 1479 | Other current assets - others | 18,479 | - | 28,927 | 1 |
| | | 1,495,966 | 34 | 1,303,200 | 33 |
| | **Non-current assets:** | | | | |
| 1510 | Financial asset at fair value through profit or loss—Non-current(Note 6(10),(20)) | 1,250 | - | - | - |
| 1551 | Investment accounted for under the equity method (Note 6(4)) | 127,243 | 3 | 151,534 | 4 |
| 1600 | Property, plant and equipment (Note 6(5), (23), 7 and 8) | 1,225,552 | 28 | 1,345,882 | 34 |
| 1755 | Right-of-use assets | 115,575 | 2 | 50,877 | 1 |
| 1760 | Net investment property (Note 6(6) and 8) | 1,138,062 | 26 | 1,115,068 | 28 |
| 1780 | Intangible assets | 5,163 | - | 6,946 | - |
| 1915 | Prepayments for equipment | 146,228 | 3 | - | - |
| 1840 | Deferred income tax assets (Note 6(13)) | 4,643 | - | - | - |
| 1980 | Other financial assets - non-current (Note 6(7) and (20)) | 183,809 | 4 | 6,518 | - |
| | | 2,947,525 | 66 | 2,676,825 | 67 |
| | **Total assets** | $ 4,443,491 | 100 | 3,980,025 | 100 |

| | | 2021-12-31 | | 2020-12-31 | |
|---|---|---|---|---|---|
| | **Liabilities and equity** | **Amount** | **%** | **Amount** | **%** |
| | **Current liabilities:** | | | | |
| 2100 | Short-term borrowings (Note 6(8), (20) and 8) | $ 534,361 | 12 | 569,777 | 15 |
| 2130 | Contract liabilities - current (Note 6(18)) | 3,880 | - | 3,594 | - |
| 2170 | Notes and accounts payable (Note 6(20)) | 147,585 | 3 | 70,360 | 2 |
| 2180 | Notes and accounts payable - related parties (Note 6(20) and 7) | 152,306 | 4 | 161,886 | 4 |
| 2200 | Other payables (Note 6(20) and 7) | 120,117 | 3 | 98,249 | 2 |
| 2213 | Payables on equipment (Note 6(20) and (23)) | 2,871 | - | 3,424 | - |
| 2250 | Liability reserve - current (Note 6(12)) | 42,970 | 1 | 15,931 | - |
| 2280 | Lease liabilities - current (Note 6(20) and 7) | 56,792 | 1 | 50,877 | 1 |
| 2322 | Long-term borrowings due in one year or one business cycle (Note 6(9), (20) and 8) | 273,781 | 6 | 232,993 | 6 |
| | | 1,334,663 | 30 | 1,207,091 | 30 |
| | **Non-current liabilities:** | | | | |
| 2530 | Corporate bonds payable (Note 6(10), (20) and 8) | 487,048 | 11 | - | - |
| 2540 | Long-term borrowings (Note 6(9), (20) and 8) | 1,065,449 | 25 | 1,168,533 | 30 |
| 2550 | Liability reserve - non-current | 18,300 | - | 18,300 | - |
| 2570 | Deferred income tax liabilities (Note 6(13)) | 53,451 | 1 | 48,808 | 1 |
| 2580 | Lease liabilities - non-current (Note 6(20) and 7) | 51,821 | 1 | - | - |
| | | 1,676,069 | 38 | 1,235,641 | 31 |
| | **Total liabilities** | 3,010,732 | 68 | 2,442,732 | 61 |
| | **Equity (Note 6(14)):** | | | | |
| 3100 | Share capital | 2,063,936 | 46 | 2,063,936 | 52 |
| 3200 | Capital surplus | 18,948 | - | 16,711 | - |
| 3300 | Losses to be covered | (1,124,630) | (25) | (1,019,793) | (26) |
| 3400 | Other equity (Note 6(5)) | 474,505 | 11 | 476,439 | 13 |
| | **Total equity** | 1,432,759 | 32 | 1,537,293 | 39 |
| | **Total liabilities and equity** | $ 4,443,491 | 100 | 3,980,025 | 100 |

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

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

## G-TECH Optoelectronics Corporation

## Statements of Comprehensive Income

## For the years ended December 31, 2021 and 2020

**Unit: NTD thousand**

| | | 2021 | | 2020 | |
|---|---|---|---|---|---|
| | | Amount | % | Amount | % |
| 4000 | **Operating revenues (Note 6(18) and 7)** | $ 2,431,645 | 100 | 2,322,138 | 100 |
| 5000 | **Operating costs (Note 6(3), (12) and 7)** | 2,400,251 | 99 | 2,334,819 | 101 |
| | **Gross profit (loss)** | 31,394 | 1 | (12,681) | (1) |
| | **Operating expenses (Notes 6(12), (15) and 7):** | | | | |
| 6100 | Selling and marketing expenses | 29,288 | 1 | 24,470 | 1 |
| 6200 | Administrative expenses | 133,221 | 5 | 119,179 | 5 |
| 6300 | Research and development expenses | 64,105 | 3 | 39,443 | 2 |
| 6450 | Expected credit losses (Gain from price recovery) (Note 6(2)) | (4,943) | - | 170,427 | 7 |
| 6300 | **Total operating expenses** | 221,671 | 9 | 353,519 | 15 |
| | **Net operating loss** | (190,277) | (8) | (366,200) | (16) |
| | **Non-operating income and expenses (Note 6(19)):** | | | | |
| 7100 | Interest income | 18,733 | 1 | 331 | - |
| 7020 | Other gains and losses (Note 6(6), (10), (11) and 7) | 111,997 | 5 | 174,258 | 8 |
| 7050 | Finance costs (Note 6(10) and 7) | (38,904) | (2) | (34,082) | (1) |
| 7070 | Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | (22,357) | (1) | (64,826) | (3) |
| | **Total non-operating income and expenses** | 69,469 | 3 | 75,681 | 4 |
| | **Net loss before tax from continuing operating segments** | (120,808) | (5) | (290,519) | (12) |
| 7950 | **Less: Income tax expenses (Note 6(13))** | (13) | - | 2,604 | - |
| | **Net loss of current period** | (120,795) | (5) | (293,123) | (12) |
| 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 (Note 6(14))** | | | | |
| 8380 | Share of other comprehensive income of associates and joint ventures accounted for using equity method - Items may be reclassified into profit or loss | (1,934) | - | (505) | - |
| 8399 | Less: Income tax related to items that may be reclassified to profit or loss | - | - | - | - |
| | **Total of items that may subsequently be reclassified to profit or loss** | (1,934) | - | (505) | - |
| 8300 | **Other comprehensive income (net of tax)** | (1,934) | - | 312,182 | 14 |
| | **Total comprehensive income of current period** | **$ (122,729)** | **(5)** | **19,059** | **2** |
| | **Earnings per share (Note 6(16))** | | | | |
| | **Basic loss per share (Unit: NTD)** | **$** | **(0.59)** | | **(1.42)** |

**(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, 2021 and 2020

**Unit: NTD thousand**

| | Common share capital | Capital surplus | Losses to be covered | Other equity: Financial statements of foreign operations Exchange differences translated | Other equity: Revalued amount of property | Other equity: Total | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance on January 1, 2020** | $ 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 |
| Net loss of current period | - | - | (120,795) | - | - | - | (120,795) |
| Other comprehensive income (loss) of current period | - | - | - | (1,934) | - | (1,934) | (1,934) |
| Total comprehensive income of current period | - | - | (120,795) | (1,934) | - | (1,934) | (122,729) |
| Other capital surplus changes: | | | | | | | |
| Items of the -equity recognized due to issuance of convertible corporate bonds (preferred share)) | - | 12,724 | - | - | - | - | 12,724 |
| Covering loss from capital surplus | - | (15,958) | 15,958 | - | - | - | - |
| Share-based compensation | - | 5,471 | - | - | - | - | 5,471 |
| **Balance on December 31, 2021** | **$ 2,063,936** | **18,948** | **(1,124,630)** | **161,818** | **312,687** | **474,505** | **1,432,759** |

**(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, 2021 and 2020

**Unit: NTD thousand**

| | | 2021 | 2020 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| **Net loss before tax in the period** | $ | (120,808) | (290,519) |
| **Adjustments:** | | | |
| Income/expenses items | | | |
| Depreciation expense | | 203,694 | 271,901 |
| Amortization expense | | 4,691 | 4,095 |
| Expected (Gain from price recovery) credit losses | | (4,943) | 170,427 |
| Net loss on financial asset or financial liability at fair value through profit or loss | | 726 | - |
| Interest expense | | 38,904 | 34,082 |
| Interest income | | (18,733) | (331) |
| Share-based payment cost | | 5,471 | 753 |
| Share of loss of subsidiaries, associates and joint ventures accounted for using the equity method | | 22,357 | 64,826 |
| Loss (gain) on disposal and retirement of property, plant and equipment | | (985) | 7,056 |
| Gain on reversal of impairment | | - | (71,389) |
| Gain on fair value adjustment of investment property | | (22,994) | - |
| Total adjustments to reconcile profit and loss | | 228,188 | 481,420 |
| Change in assets/liabilities relating to operating activities: | | | |
| Net changes in assets related to operating activities: | | | |
| Increase in notes and accounts receivable | | (12,672) | (62,306) |
| Decrease in accounts receivable - related parties | | 8,171 | 33,688 |
| (Increase) decrease in Inventory | | (54,834) | 18,826 |
| Decrease (increase) in other current assets | | 10,448 | (13,933) |
| Decrease in other financial assets | | 7,739 | 71,600 |
| Total net changes in assets related to operating activities | | (41,148) | 47,875 |
| Net changes in liabilities related to operating activities: | | | |
| Net changes in liabilities related to operating activities: | | | |
| Increase (decrease) in contract liabilities | | 286 | (2,363) |
| Increase in notes and accounts payable | | 77,225 | 10,562 |
| Increase (decrease) in accounts payable - related party | | (9,580) | 16,093 |
| Increase in other payables | | 21,837 | 7,420 |
| Increase in provision for liabilities | | 27,039 | 886 |
| Decrease in other current liabilities | | - | (3) |
| Total net changes in liabilities related to operating activities | | 116,807 | 32,595 |
| Total net changes in assets and liabilities related to operating activities | | 75,659 | 80,470 |
| Total adjustments | | 303,847 | 561,890 |
| Cash inflow generated by operating activities | | 183,039 | 271,371 |
| Interest received | | 675 | 331 |
| Interest paid | | (33,934) | (32,892) |
| Income tax refunded | | 238 | 2 |
| Net cash inflow generated by operating activities | | 150,018 | 238,812 |

**(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, 2021 and 2020

**Unit: NTD thousand**

| | 2021 | 2020 |
|---|---|---|
| Cash flow from investing activities: | | |
| Acquisition of financial assets at fair value through profit or loss | (14,078) | - |
| Disposal of financial assets at fair value through profit or loss | 14,352 | - |
| Property, plant and equipment acquired | (31,768) | (4,104) |
| Disposal of property, plant and equipment | 985 | 1,450 |
| Acquisition of intangible assets | (2,908) | (9,928) |
| Decrease in other financial assets | (177,291) | (658) |
| Increase in prepayments for equipment | (146,228) | - |
| Net cash used in investing activities | (356,936) | (13,240) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 1,193,541 | 2,108,310 |
| Decrease in short-term borrowings | (1,228,957) | (2,312,986) |
| Proceeds from issuing bonds | 493,178 | - |
| Proceeds from long-term borrowings | 196,000 | 730,000 |
| Repayments of long-term borrowings | (258,296) | (490,182) |
| Lease principle repayment | (59,706) | (51,382) |
| Net cash generated from (used in) financing activities | 335,760 | (16,240) |
| Increase of cash and cash equivalents in current period | 128,842 | 209,332 |
| Balance of cash and cash equivalents at beginning of period | 427,554 | 218,222 |
| Balance of cash and cash equivalents at end of period | $ 556,396 | 427,554 |

**(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, 2021 and 2020
**(Unless otherwise specified, all amounts are in NTD thousand)**

**I. Company Profile**

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 parent company only financial statements were approved and authorized for issue by the Board of Directors on March 21, 2022.

**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, 2021, did 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 FRS 16 "Interest Rate Benchmark Reform — Phase 2"

The initial application of the amendments of the IFRSs endorsed and issued into effect since April 1, 2021, did not have a significant effect on the unconsolidated financial statements of the Company.

- Amendments to IFRS 16 "Covid-19-Related Rent Concessions after June 30, 2021"

(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, 2022, evaluated to be applicable to the Company will not have a significant effect on the unconsolidated financial statements of the Company.

- 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"

(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:

| 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.<br>The amended clause also specifies the classification rules that enterprises may adopt conversion of equity for repayment of debt. | January 1, 2023 |

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 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

## 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, except for the following significant balance sheet items.

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

(2) Investment property at fair value

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 impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. 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 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.

(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 or financial assets at fair value through profit or loss.

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.
- 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 outstanding principle amount.

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) Financial assets at fair value through profit or loss

The financial instruments that are not measured at amortized cost as described above are measured at fair value through profit or loss, including derivative financial assets. When making initial recognition, the Company may irrevocably recognize the financial assets that qualify as financial assets measured at amortized cost as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch.

Such assets are subsequently measured at fair value, and the net gain or loss (including any dividends and interest income) is recognized as profit or loss.

(3) 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 Compay 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 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 extend that there is no realistic prospect of recovery for the Company. For corporate accounts, the Company individually analyzes the write-off timing and 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.

(4) 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 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 derivate 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.

(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 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 scope of the non-related party on the associate. When the loss amount of the associate required 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.

(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 vale. 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 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 | 2~25 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 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

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.

1. 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:

(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.

2. 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 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 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 1~3 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 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 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.

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.

(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 is measured according to the statutory rate or the substantive legislative rate on the reporting date in order to present 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.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extend 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 extend 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.

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 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.

(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, 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 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) 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. 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

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Cash on hand and petty cash | $ 645 | 686 |
| Demand deposits | 361,940 | 326,828 |
| Checking accounts | 51 | 40 |
| Time deposits | 193,760 | 100,000 |
| | **$ 556,396** | **427,554** |

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)

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Notes receivable | $ 74,044 | 90,329 |
| Accounts receivable | 609,908 | 580,951 |
| Accounts receivable - related parties | 106,897 | 96,107 |
| Less: Allowance for loss | (177,868) | (182,811) |
| | **$ 612,981** | **584,576** |

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 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:

| | 2021-12-31 | | |
|---|---|---|---|
| | **Carrying amount of notes and accounts receivables** | **Weighted-average expected credit loss rate** | **Loss allowance lifetime expected credit losses** |
| Not overdue | $ 571,717 | 0.64% | 4,167 |
| Overdue less than 90 days | 46,736 | 14.15% | 6,832 |
| Overdue more than 91 days | 172,396 | 1%~100% | 166,869 |
| | $ 790,849 | | 177,868 |

| | 2020-12-31 | | |
|---|---|---|---|
| | **Carrying amount of notes and accounts receivables** | **Weighted-average expected credit loss rate** | **Loss allowance lifetime expected credit losses** |
| Not overdue | $ 509,554 | 0.17% | 884 |
| Overdue less than 90 days | 50,651 | 0.04% | 20 |
| Overdue more than 91 days | 207,182 | 1%~100% | 181,907 |
| | $ 767,387 | | 182,811 |

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

| | **2021** | **2020** |
|---|---|---|
| Balance at beginning of the period | $ 182,811 | 11,986 |
| Impairment loss recognized | - | 170,825 |
| Impairment loss reversed | (4,943) | - |
| Balance at end of the period | $ 177,868 | 182,811 |

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 Intermediate People’s Court in China and it is recognized as allowance for loss.
2. As of December 31, 2021 and 2020, the accounts receivable of the Company were not provided as pledged assets.

(III) Inventories

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Raw materials and supplies | $ 127,589 | 92,249 |
| Work in progress | 16,072 | 6,024 |
| Finished goods | 67,869 | 57,953 |
| Products | 3 | 473 |
| | $ 211,533 | 156,699 |

1. The details of the inventory related expenses of the Company recognized for 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Inventory sale recognition | $ 2,397,730 | 2,346,178 |
| (Reversal of) write-down of inventories | 2,521 | (11,359) |
| | $ 2,400,251 | 2,334,819 |

2. On December 31, 2021 and 2020, 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:

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Subsidiaries | $ 127,243 | 151,534 |

1. Subsidiaries

Please refer to the 2021 consolidated financial statements for details.

2. Guarantee

On December 31, 2021 and 2020, 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 Company for 2021 and 2020 are as follows:

| | | Land | Houses and buildings | Machinery and equipment | Other equipment | Leasehold improvements | Unfinished construction and equipment pending for inspection | Total |
|---|---|---|---|---|---|---|---|---|
| Cost or deemed cost: | | | | | | | | |
| Balance on January 1, 2021 | $ | 319,648 | 1,413,474 | 1,948,610 | 213,108 | 421,524 | 3,999 | 4,320,363 |
| Additions | | - | 1,984 | 1,346 | 1,403 | 1,400 | 25,082 | 31,215 |
| Disposals and retirements | | - | - | (39,803) | (39,895) | - | - | (79,698) |
| Reclassifications | | - | 1,680 | 4,534 | 2,327 | - | (8,541) | - |
| Balance on December 31, 2021 | $ | 319,648 | 1,417,138 | 1,914,687 | 176,943 | 422,924 | 20,540 | 4,271,880 |
| 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 | $ | 319,648 | 1,413,474 | 1,948,610 | 213,108 | 421,524 | 3,999 | 4,320,363 |
| Depreciation and impairment loss: | | | | | | | | |
| Balance on January 1, 2021 | $ | - | 557,843 | 1,867,723 | 204,234 | 344,681 | - | 2,974,481 |
| Depreciation in the current year | | - | 72,627 | 38,711 | 7,693 | 32,514 | - | 151,545 |
| Disposals and retirements | | - | - | (39,803) | (39,895) | - | - | (79,698) |
| Balance on December 31, 2021 | $ | - | 630,470 | 1,866,631 | 172,032 | 377,195 | - | 3,046,328 |
| Balance on January 1, 2020 | $ | - | 844,316 | 1,912,959 | 220,779 | 309,978 | - | 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) | - | - | - | - | (401,957) |
| Balance on December 31, 2020 | $ | - | 557,843 | 1,867,723 | 204,234 | 344,681 | - | 2,974,481 |
| Carrying value: | | | | | | | | |
| December 31, 2021 | $ | 319,648 | 786,668 | 48,056 | 4,911 | 45,729 | 20,540 | 1,225,552 |
| January 1, 2020 | $ | 495,360 | 1,477,847 | 137,080 | 28,716 | 111,546 | 195 | 2,250,744 |
| December 31, 2020 | $ | 319,648 | 855,631 | 80,887 | 8,874 | 76,843 | 3,999 | 1,345,882 |

1. On December 31, 2021 and 2020, some parts were provided to the financial institution as mortgage guarantee. Please refer to Note 8 for details.
2. 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:

| | Own assets | | |
|---|---|---|---|
| | **Land** | **Houses and buildings** | **Total** |
| Cost or deemed cost: | | | |
| Balance on January 1, 2021 | $ 293,165 | 821,903 | 1,115,068 |
| Net (loss) gain arising from fair value adjustments | 82,807 | (59,813) | 22,994 |
| Balance on December 31, 2021 | **$ 375,972** | **762,090** | **1,138,062** |
| Balance on January 1, 2020 | $ - | - | - |
| Transfer from property, plant and equipment | 293,165 | 821,903 | 1,115,068 |
| Balance on December 31, 2020 | **$ 293,165** | **821,903** | **1,115,068** |

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. Besides, there were no transfers to or from Level 3 of the fair value hierarchy in the current period.

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:

1. December 31, 2021

| Subject property | Miaoli Plant land and buildings |
|---|---|
| Important contract terms | 1. Rent: NT$5,867 thousand/month<br>2. Lease period: 136 months<br>3. Total future annual tax amount borne by lessor: NT$7,421 thousand |
| Local rent status | NT$130~160/3.3058 m2/month |
| Rent status of similar property | NT$140/3.3058 m2/month |
| Current condition | Normal use |
| Past income amount | NT$140/3.3058 m2/month |
| Income capitalization rate | 4.503% |
| Discount rate | 3.60% |
| Outsourced or own appraisal | Outsourced appraisal |
| Appraisal firm | Hua Shin Appraisers Firm |
| Name of appraiser | Chen-Hsu Chiang, Chih-Ming Cheng |
| Date of appraisal | 2021/9/30 |
| Outsourced appraisal fair value | $1,138,062 thousand |

2. December 31, 2020

| Subject property | Miaoli Plant land and buildings |
|---|---|
| Important contract terms | 1. Rent: NT$5,867 thousand/month<br>2. Lease period: 136 months<br>3. Total future annual tax amount borne by lessor: NT$7,421 thousand |
| Local rent status | NT$130~160/3.3058 m2/month |
| Rent status of similar property | NT$140/3.3058 m2/month |
| Current condition | Normal use |
| Past income amount | NT$140/3.3058 m2/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 | 109-12-31 |
| 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 2.0% and 1.3% on December 31, 2021 and 2020, such that the discount rates of the subject property are determined to be 3.6% and 2.9% respectively. 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 4.503% and 3.814% respectively.

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 |
|---|---|---|
| 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.<br>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. | • Discount rate after risk adjustment (3.6% and 2.9% on December 31, 2021 and 2020, respectively | The estimated fair value will be increased (or decreased) if:<br>• 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 October 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 on December 31, 2021 and 2020, please refer to Note 8.

(VII) Other financial assets (including non-current)

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Pledged deposits | $ 64,830 | 101,126 |
| Restricted demand deposit | 203,000 | - |
| Accrued rent receivable | 3,045 | 4,009 |
| Income tax refund receivable | 4,586 | - |
| Refundable deposits - non-current | 4,809 | 6,518 |
| Others | 111 | 79 |
| | **$ 280,381** | **111,732** |

(VIII) Short-term Borrowings

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

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Unsecured bank loans | $ 140,000 | 474,209 |
| Secured bank loans | 394,361 | 95,568 |
| | **$ 534,361** | **569,777** |
| Unused amount | **$ 95,639** | **143,952** |
| Interest rate interval | **1.0499%~1.825%** | **1.3191%~2.34%** |

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:

| | 2021-12-31 | | | |
|---|---|---|---|---|
| | **Currency** | **Interest rate interval** | **Year of maturity** | **Amount** |
| Unsecured bank loans | NTD | 1.48% | 2026 | $ 38,000 |
| Secured bank loans | NTD | 0.72%~2.405% | 2022~2028 | 1,301,230 |
| | | | | 1,339,230 |
| Less: Portion with maturity due in one year | | | | (273,781) |
| Total | | | | **$ 1,065,449** |
| Unused amount | | | | **$ -** |

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

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

Information on the Company's issuance of secured convertible bonds is as follows.

| | 2021-12-31 |
|---|---|
| Total amount of issued convertible bonds | $ 500,000 |
| Unamortized amount of discount on bonds payable | (12,952) |
| Ending balance of bonds payable | $ 487,048 |

| | 2021 |
|---|---|
| Embedded derivative—repurchase agreement (recognized as financial assets at fair value through profit or loss) | $ 1,250 |
| Equity component-—conversion option (recognized as capital surplus—-share option) | $ 12,724 |

| | |
|---|---|
| Embedded derivative–loss on remeasurement at fair value of repurchase options (recognized as other gains and losses) | $ (1,000) |
| Interest expense | $ 4,344 |

The Company issued 5,000 three-year secured convertible corporate bonds at a face interest rate of 0% and face value of NT$100 thousand on March 26, 2021, and the effective interest rate was 1.33%.

The conversion price at the time of issuance was set to NT$35.86 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.

Regarding the convertible bonds, from three months after the date of issuance (June 27, 2021) to 40 days before the expiration of the issuance period (February 15, 2024), if the closing price of the Company's common share over the counter exceeds the prevailing conversion price by 30% (inclusive) for 30 consecutive business days, or if the outstanding amount of the convertible bonds is less than 10% of the original issue amount, The Company may collect the convertible bonds from the bondholders in cash at the par value of the bonds within five business days after the collection record date of the bonds.

The convertible bonds are repayable in cash at par value upon maturity.

(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:

| | | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| Less than one year | $ | 72,762 | 72,762 |
| One to two years | | 72,762 | 72,762 |
| Two to three years | | 72,762 | 72,762 |
| Three to four years | | 72,762 | 72,762 |
| Four to five years | | 72,762 | 72,762 |
| More than five years | | 347,625 | 420,387 |
| Undiscounted lease payment total amount | **$** | **711,435** | **784,197** |

2021 and 2020 rental incomes from investment property were NT$72,762 thousand and 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 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|---|---|
| Operating cost | $ 10,236 | 8,461 |
| Selling and marketing expenses | 846 | 710 |
| Administrative expenses | 2,319 | 2,294 |
| Research and development expenses | 1,021 | 1,152 |
| | $ 14,422 | 12,617 |

For the Company's pension costs under the defined contribution plan, amounts of NT$15,519 thousand and NT$14,045 thousand for the years 2021 and 2020 had respectively been appropriated to the Bureau of Labor Insurance.

2. Short-term employee benefit liabilities

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Short-term leave with pay liabilities | $ 9,348 | 7,911 |

(XIII) Income Tax

1. Statement of the income tax expense of the Company recognized for 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Current tax expenses | | |
| Adjustment of current income tax for the previous period | $ (13) | - |
| Deferred tax expenses | | |
| Origination and reversal of temporary differences | - | 2,604 |
| Income tax expense | $ (13) | 2,604 |

Statement of the income tax expense (benefit) of the Company recognized under other comprehensive income for 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Items not reclassified subsequently to profit or loss: | | |
| Revalued amount of property | $ - | 48,808 |

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

| | 2021 | 2020 |
|---|---|---|
| Loss before tax | $ (120,808) | (290,519) |
| Income tax calculated according to the domestic tax rate of the country of the Company | (24,161) | (58,104) |
| Change of unrecognized temporary differences | 24,161 | 60,708 |
| Overestimation in the previous period | (13) | - |
| Income tax expense | $ (13) | 2,604 |

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:

| | | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| Deductible temporary differences | $ | 52,655 | 50,593 |
| Aggregate amount of temporary differences related to investments in subsidiaries | | 404,182 | 416,590 |
| Tax loss | | 1,142,203 | 1,242,499 |
| | $ | 1,599,040 | 1,709,682 |

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.

Up to December 31, 2021, the deduction time-limit for tax losses of the Company not recognized as deferred income tax assets is as follows:

| Year of loss | | Loss not yet deducted | Final year for deduction |
|---|---|---|---|
| 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 |
| Approved value for 2018 | | 337,430 | 2028 |
| Approved value for 2019 | | 346,172 | 2029 |
| Declared value for 2020 | | 284,681 | 2030 |
| Expected value for 2021 | | 228,338 | 2031 |
| | $ | 5,711,015 | |

(2) Recognized deferred tax assets and liabilities

Changes in the deferred tax assets and liabilities for 2021 and 2020 are as follows:

Deferred tax assets:

| | | Covering Losses | Unrealized sales allowance | Unrealized exchange loss | Total |
|---|---|---|---|---|---|
| January 1, 2021 | $ | - | - | - | - |
| Recognized in income statement | | 4,643 | - | - | 4,643 |

| | Covering Losses | Unrealized sales allowance | Unrealized exchange loss | Total |
|---|---|---|---|---|
| December 31, 2021 | $ 4,643 | - | - | 4,643 |
| January 1, 2020 | $ - | 1,565 | 1,039 | 2,604 |
| Recognized in income statement | - | (1,565) | (1,039) | (2,604) |
| December 31, 2020 | $ - | - | - | - |

Deferred income tax liabilities:

| | Investment property |
|---|---|
| January 1, 2021 | $ 48,808 |
| Recognized as profit or loss | 4,643 |
| December 31, 2021 | $ 53,451 |
| January 1, 2020 | $ - |
| Recognized in other comprehensive income | 48,808 |
| December 31, 2020 | $ 48,808 |

4. The Company's profit-seeking enterprise income tax returns through 2019 have been assessed and approved by the taxation authority.

(XIV) Capital and Other Equity

1. Ordinary shares

As of December 31, 2021 and 2020, 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 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.

On December 20, 2021, the Company's board of directors approved the issuance of common shares for cash. 17,000,000 common shares are proposed to be issued at a tentative price of NT$24 per share, and the total amount to be raised is expected to be $408,000 thousand, which has been effective and registered to the Financial Supervisory Commission on January 26, 2022.

2. Capital surplus

The capital surplus balance content of the Company is as follows:

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Share-based payments | $ 6,224 | 16,711 |
| Convertible corporate bonds | 12,724 | - |
| | $ 18,948 | 16,711 |

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 2020 and 2019 proposals for covering losses through the resolutions of the annual shareholders meetings on July 15, 2021, and June 18, 2020, which covered the losses by capital surplus of NT$15,958 thousand and NT$24,570 thousand, respectively. Relevant information can be inquired via channels such as the MOPS.

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 estimating retained employee remuneration, and then 10% shall be appropriated as legal reserve; provided that if the legal reserve has reached the total 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; however, when the distribution is to be made in the form of cash, the distribution shall be resolved by the board of directors.

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 2/3 of the entire board members attending and approval of over half of those present at the meeting, and shall be reported to the shareholder meeting.

Based on the Company's Articles of Incorporation amended on June 18, 2020, distribution of earnings or appropriation for losses can be conducted after the end of each half-year period, and the earnings, if any, shall be distributed in accordance with the above-mentioned procedures.

The Company is currently in a growing phase, and will strive for business development and expansion in the future. The Company's surplus distribution shall be made based on its future capital expenditure budget and capital needs. However, the distribution of shareholders' dividends shall not be less than 20% of the lower value of the earnings after tax or distributable earnings of the current period. Among the dividends distributed in the current year, the 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 2020 and 2019 proposals for covering losses through the resolutions of the annual shareholders meetings on July 15, 2021, and June 18, 2020, 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, 2021 | $ 163,752 | 312,687 | 476,439 |
| Share of translation difference of subsidiaries under the equity method | (1,934) | - | (1,934) |
| Balance on December 31, 2021 | **$ 161,818** | **312,687** | **474,505** |
| 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** |

(XV) Share-based Payments

1. Up to December 31, 2021 and 2020, the Company has made the following share-based payments:

| Type | Equity settlement<br>Employee stock option |
|---|---|
| Grant date | 2020-09-17 |
| Grant quantity (thousand/unit) | 3,000 |
| Contract period | 4 years |
| Vesting conditions | Immediate vesting |
| Actual turnover rate of current period | 0% |
| Estimated turnover rate for the future | 0% |

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 |
|---|---|
| Matured for two years | 60% |
| Matured for three years | 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 |
|---|---|
| Dividend rate (Note) | -% |
| Expected volatility (%) | 45.77% |
| Expected life of stock options (years) | 4 years |
| Risk-free interest rate (%) | 0.2916% |

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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Weighted-average exercise price (NT$) | Subscription quantity (thousand shares) | Weighted-average exercise price (NT$) | Subscription quantity (thousand shares) |
| Outstanding capital stock on January 1 | $ 10.40 | 3,000 | - | - |
| Grant quantity of current period | - | - | 10.40 | 3,000 |
| Outstanding capital stock on December 31 | **$ 10.40** | **3,000** | **10.40** | **3,000** |

The outstanding subscription right information of the Company on December 31, 2021 and 2020, is as follows:

| | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Exercise price interval | $ 10.40 | 10.40 |
| Weighted-average remaining contractual life (years) | 2.75 | 3.75 |

4. Employee expenses

The expenses arising from the share-based payments of the Company for 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Expenses arising from employee stock options | $ 5,471 | 753 |

(XVI) Earnings Per Share

| | | 2021 | 2020 |
|---|---|---|---|
| **Basic loss per share** | | | |
| Loss attributable to common shareholders of the Company | $ | (120,795) | (293,123) |
| Number of common shares with retroactive adjustment outstanding shares for basic loss per share | | 206,394 | 206,394 |
| | $ | (0.59) | (1.42) |

For 2021 and 2020, the 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. 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 paragraphs shall be executed in accordance with the resolution of the Board of Directors meeting, and shall be reported to the shareholder meeting.

For 2021 and 2020, the loss to be offset 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

| | 2021 | | | | |
|---|---|---|---|---|---|
| | | Optoelectronics | Green building industry | Others | Total |
| Primary regional markets: | | | | | |
| Taiwan | $ | 479,924 | 271,408 | 205,610 | 956,942 |
| Mainland China | | 381,186 | - | 1,041,942 | 1,423,128 |
| United States | | 16,698 | - | 171 | 16,869 |
| Others | | 11,916 | - | 22,790 | 34,706 |
| | $ | 889,724 | 271,408 | 1,270,513 | 2,431,645 |

| | | 2021 | | |
|---|---|---|---|---|
| | Optoelectronics | Green building industry | Others | Total |
| Primary product/service line: | | | | |
| Photoelectric glass | $ 889,724 | - | - | 889,724 |
| Green building glass | - | 271,408 | - | 271,408 |
| Others | - | - | 1,270,513 | 1,270,513 |
| | $ 889,724 | 271,408 | 1,270,513 | 2,431,645 |

| | | 2020 | | |
|---|---|---|---|---|
| | Optoelectronics | Green building industry | Others | Total |
| Primary regional markets: | | | | |
| Taiwan | $ 222,689 | 509,849 | 83,499 | 816,037 |
| Mainland China | 244,904 | 7,603 | 1,026,277 | 1,278,784 |
| United States | 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 |
| Main products: | | | | |
| 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 |

2. Contract balance

| | 2021-12-31 | 2020-12-31 | 2020-1-1 |
|---|---|---|---|
| Accounts receivable | $ 790,849 | 767,387 | 738,769 |
| Less: Allowance for loss | (177,868) | (182,811) | (11,986) |
| Total | $ 612,981 | 584,576 | 726,783 |
| Contract liabilities | $ 3,880 | 3,594 | 5,957 |

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, 2021 and 2020, recognized as income for 2021 and 2020 amounted to NT$3,100 thousand and NT$4,449 thousand respectively.

(XIX) Non-operating Income and Expenses

1. Interest income

Statement of interest income of the Company is as follows:

| | 2021 | 2020 |
|---|---|---|
| Interest income | $ 18,733 | 331 |

2. Other gains and losses

Statement of other gains and losses of the Company is as follows:

| | 2021 | 2020 |
|---|---|---|
| Exchange Gains (Losses) | $ 1,809 | (5,024) |
| Net income on disposal of financial assets at fair value through profit or loss | 274 | - |
| Loss (gain) on disposal and retirement of property, plant and equipment | 985 | (7,056) |
| Gain on fair value adjustment of investment property | 22,994 | - |
| Loss on valuation of financial assets at fair value through profit or loss | (1,000) | - |
| Rental income | 79,710 | 101,333 |
| Income from government subsidy | - | 22,390 |
| Gain on reversal of impairment | - | 71,389 |
| Other income | 11,571 | 17,214 |
| Other expenses | (4,346) | (25,988) |
| | $ 111,997 | 174,258 |

3. Financial costs

Statement of financial costs of the Company is as follows:

| | 2021 | 2020 |
|---|---|---|
| Interest expense | | |
| Bank borrowings | $ 30,505 | 32,334 |
| Corporate bonds payable | 4,344 | - |
| Others | 4,055 | 1,748 |
| | $ 38,904 | 34,082 |

(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 expectations of the management. On December 31, 2021 and 2020, the accounts receivable of these customers of the Company were 35% and 38% 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 2021 and 2020 are as follows:

| | **Other receivables** |
|---|---|
| Balance on January 1, 2021 | $ 666 |
| Impairment loss reversed | (20) |
| Balance on December 31, 2021 | **$ 646** |
| Balance on January 1, 2020 | $ 1,064 |
| Impairment loss reversed | (398) |
| Balance on December 31, 2020 | **$ 666** |

2. Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

| | Carrying amount | Contractual cash flows | Within 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| **December 31, 2021** | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Secured bank loans | $ 1,695,591 | 1,731,040 | 649,463 | 522,205 | 148,772 | 410,600 |
| Unsecured bank loans | 178,000 | 212,150 | 180,964 | 31,186 | - | - |
| Convertible corporate bonds | 487,048 | 500,000 | - | 500,000 | - | - |
| Notes and accounts payable (including related parties) | 299,891 | 299,891 | 299,891 | - | - | - |
| Other payables | 120,117 | 120,117 | 120,117 | - | - | - |
| Construction and equipment payable | 2,871 | 2,871 | 2,871 | - | - | - |
| Lease liabilities | 108,613 | 110,441 | 58,157 | 52,284 | - | - |
| | $ 2,892,131 | 2,976,510 | 1,311,463 | 1,105,675 | 148,772 | 410,600 |
| 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) | **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** | - | - | - |
| | **$ 2,356,099** | **2,460,914** | **1,229,935** | **385,769** | **401,065** | **444,145** |

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:

| | 2021-12-31 | | | 2020-12-31 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency** | **Exchange rate** | **TWD** | **Foreign currency** | **Exchange rate** | **TWD** |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | $ 37,726 | 27.68 | 1,044,251 | 22,497 | 28.48 | 640,715 |
| EUR : NTD | 159 | 31.32 | 4,965 | 4 | 35.02 | 140 |
| RMB : NTD | 436 | 4.344 | 1,896 | 205 | 4.377 | 897 |
| Non-monetary items | | | | | | |
| USD : NTD | 4,597 | 27.68 | 127,243 | 5,321 | 28.48 | 151,534 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| USD : NTD | 14,045 | 27.68 | 388,777 | 9,870 | 28.48 | 281,098 |

(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 translation. On December 31, 2021 and 2020, in case of depreciation or appreciation of the NTD against the USD, EUR and RMB by 1% and other factors remaining unchanged, the net loss after tax in 2021 and 2020 would have been decreased or increased by NT$5,299 thousand and NT$2,885 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:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Exchange gain (loss)** | **Average exchange rate** | **Exchange gain (loss)** | **Average exchange rate** |
| TWD | $ 1,809 | 27.96 | (5,024) | 29.53 |

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$18,736 thousand and NT$19,713 thousand in 2021 and 2020 respectively, which was mainly due to the loans at variable interest rate of the Company.

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:

| | 2021-12-31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | $ 1,250 | - | 1,250 | - | 1,250 |
| Financial assets at amortized cost | | | | | |
| Cash and cash equivalents | 556,396 | - | - | - | - |
| Notes and accounts receivable (including related parties) | 612,981 | - | - | - | - |
| Other financial assets - (current and non-current) | 280,381 | - | - | - | - |
| Subtotal | 1,449,758 | - | - | - | - |
| Total | **$ 1,451,008** | **-** | **1,250** | **-** | **1,250** |
| Financial liabilities measured at amortized cost | | | | | |
| Short-term borrowings | $ 534,361 | - | - | - | - |
| Notes and accounts payable (including related parties) | 299,891 | - | - | - | - |
| Other payables | 120,117 | - | - | - | - |
| Construction and equipment payable | 2,871 | - | - | - | - |
| Lease liabilities (current and non-current) | 108,613 | - | - | - | - |
| Corporate bonds payable | 487,048 | - | - | - | - |
| Long-term borrowings (including the portion with maturity in one year) | 1,339,230 | - | - | - | - |
| Total | **$ 2,892,131** | **-** | **-** | **-** | **-** |

| | 2020-12-31 | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| | Carrying amount | 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 and non-current) | 111,732 | - | - | - | - |
| 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 (current) | 50,877 | - | - | - | - |
| Long-term borrowings (including the portion with maturity in one year) | 1,401,526 | - | - | - | - |
| Total | **$ 2,356,099** | **-** | **-** | **-** | **-** |

(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

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 2021 and 2020.

(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 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 raking 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.

(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, 2021 and 2020, 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.

As of December 31, 2021 and 2020, the unused amount of bank financing of the Company were NT$95,639 thousand and NT$143,952 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 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 2021 was consistent with the one in 2020, and the strategy was to ensure that the Company is able to perform financing at a reasonable cost. For the years ended December 31, 2021 and 2020, the debt-to-capital ratio is as follows:

| | **2021-12-31** | **2020-12-31** |
|---|---|---|
| Total liabilities | $ 3,010,732 | 2,442,732 |
| Less: Cash and cash equivalent | (556,396) | (427,554) |

| | | | |
|---|---|---|---|
| Net liabilities | | 2,454,336 | 2,015,178 |
| Total equity | | 1,432,759 | 1,537,293 |
| Capital after adjustment | $ | **3,887,095** | **3,552,471** |
| Debt-to-capital ratio | | **63.14%** | **56.73%** |

Since the Company issued corporate bonds and purchased equipment to expand production capacity in 2021, the Company's debt-to-capital ratio increased.

(XXIII) Non-cash Transaction Investments and Financing Activities

Statement of the change to the acquisition of property, plant and equipment of the Company for 2021 and 2020 is as follows:

| | | **2021** | **2020** |
|---|---|---|---|
| Purchase of property, plant and equipment in the current period | $ | 31,215 | 6,846 |
| Add: Equipment and construction payables at beginning of the period | | 3,424 | 682 |
| Less: Equipment and construction payables at end of the period | | (2,871) | (3,424) |
| | $ | **31,768** | **4,104** |

(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) The Group shall actively combine various core technical developments for integrated applications in order to satisfy high customization demands and new technologies for terminal products, and shall continue 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) The Group shall extend the diverse operations of industrial on-board vehicle control and smart building related industries, reduce reliance on consumer electronics and continue to develop new products and adjust market position, in order to acquire sales of niche products.

(3) The Group shall establish strategic alliances and partnerships with overseas manufacturers with advanced key technologies, and engage 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) The Company shall Adjust the organizational structure, implement simplification policies, fully utilize the advantages of outsourcing to rigorously control costs and expenditures.

(2) The Group shall Improve production management efficiency, reduce material loss and implement inventory management, reduce idle loss. In addition, 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) The Group shall improve the accuracy of sales forecasts, rigorously control raw material purchases, enhance the flexibility of capital use, improve efficiency and reduce operating costs.

(4) The Group shall expedite the introduction of second source materials in order to effectively control and reduce material costs.

(5) The Group shall Implement rigorous review of the control of expenditures, reduce expenditures and unnecessary waste of resources. Moreover, 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) The Company shall Implement cost and expense reduction plans, save expenditures and maintain safe levels for capital and reduce the cumulation of working capital.
(2) The Group shall 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 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:

| Related party name | Relationship with the Company |
|---|---|
| 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. | " |
| Foshan Innolux Optoelectronics Ltd. | " |
| Ennoconn Corporation | " |
| Ningbo Innolux Optoelectronics Ltd. | " |
| Zhengzhou Yuteng Precision Co., Ltd. | " |
| Ningbo CarUX Technology Co., Ltd. | " |
| Fast Achievement Global Ltd. | Subsidiary of the Company |
| Golden Start Global Corp. | " |
| Charmtex Global Corp. | " |
| Ruizhida Optoelectronics (Chengdu) Co., Ltd. | " |

| Related party name | Relationship with the Company |
|---|---|
| Brave Advance International Corp. | Associates of the Company |
| Hongda Photoelectric Glass (Dongguan) Co., Ltd. | " |

(II) Significant related party transactions and balances

1. Operating revenue

The significant sales of the Company to related parties were as follows:

| | | 2021 | 2020 |
|---|---|---|---|
| Other related parties | $ | 427,552 | 334,688 |

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:

| | | 2021 | 2020 |
|---|---|---|---|
| Other related parties: | | | |
| Futaihua Industry (Shenzhen) Co., Ltd. | $ | 780,074 | 764,689 |
| Other related parties | | 65,734 | 157,885 |
| | $ | 845,808 | 922,574 |

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.

3. Receivables from related parties

Statement of receivables from related parties of the Company is as follows:

| Accounts | Type of related party | | 2021-12-31 | 2020-12-31 |
|---|---|---|---|---|
| Accounts receivable - related parties | Other related parties: | | | |
| | Innolux Corporation | $ | 61,488 | 33,051 |
| | Other related parties | | 45,409 | 63,056 |
| Other financial assets - current | Other related parties | | - | 16 |
| | | $ | 106,897 | 96,123 |

4. Payables to related parties

Statement of payables to related parties of the Company is as follows:

| Accounts | Type of related party | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| Accounts payable - related parties | Other related parties: | | |
| | Futaihua Industry (Shenzhen) | | |

| | | | | |
|---|---|---|---|---|
| | Co., Ltd. | $ | 142,881 | 148,026 |
| | Other related parties | | 9,425 | 13,860 |
| Other payables | Other related parties | | 6,589 | 6,511 |
| | | $ | 158,895 | 168,397 |

5. Leases

In January 2018, considering the rates of offices in the neighboring areas, the Group entered into a three-year lease agreement with other related parties for the office building of the STSP plant, and the total contract amount was NT$164,724 thousand. Thereafter, the Group renewed a one-year lease agreement with other related parties with a total contract amount of NT$51,381 thousand in December 2020. Afterwards, a new lease was signed in December 2021 for two year term with a total contract amount of NT$101,024 thousand. Interest expense of NT$505 thousand was recognized in both 2021 and 2020, and the balance of lease liabilities were NT$101,024 thousand and NT$50,877 thousand up to December 31, 2021 and 2020, respectively.

(III) Personnel transactions from key management

Remuneration of key management includes:

| | | 2021 | 2020 |
|---|---|---|---|
| Short-term employee benefits | $ | 11,173 | 11,316 |
| Share-based payments | | 1,459 | 201 |
| | $ | 12,632 | 11,517 |

## 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 | | 2021-12-31 | 2020-12-31 |
|---|---|---|---|---|
| Other financial assets -- current | Customs bonds and bank borrowings | $ | 88,830 | 101,126 |
| Other financial assets -- non-current | Corporate bonds payable and bank borrowings | | 179,000 | - |
| Property, plant, and equipment | Bank borrowings | | 1,054,019 | 685,689 |
| Investment property | 〃 | | 1,138,062 | 1,115,068 |
| | | $ | 2,459,911 | 1,901,883 |

## IX. Significant Contingent Liabilities and Unrecognized Commitments

The contract prices for the Company's equipment purchases were as follows:

| | | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| Signed contract prices | $ | 320,863 | 7,320 |
| Paid amount | $ | 166,768 | 3,999 |

**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 | 2021 Operating costs | 2021 Operating expenses | 2021 Total | 2020 Operating costs | 2020 Operating expenses | 2020 Total |
|---|---|---|---|---|---|---|
| Employee benefit expense | | | | | | |
| Salary expense | 268,813 | 95,169 | 363,982 | 207,224 | 84,582 | 291,806 |
| Labor and health insurance expense | 24,117 | 7,771 | 31,888 | 19,189 | 7,184 | 26,373 |
| Pension expense | 10,236 | 4,186 | 14,422 | 8,461 | 4,156 | 12,617 |
| Remuneration of directors | - | 2,688 | 2,688 | - | 1,145 | 1,145 |
| Other employee benefit expenses | 10,672 | 4,058 | 14,730 | 10,138 | 2,838 | 12,976 |
| Depreciation expense | 186,920 | 14,098 | 201,018 | 231,549 | 18,290 | 249,839 |
| Amortization expense | 995 | 3,696 | 4,691 | 447 | 3,648 | 4,095 |

The depreciations of other gains and losses recognized under non-operating revenue and expenses of the Company for 2021 and 2020 were NT$2,676 thousand and NT$22,062 thousand, respectively.

Additional information on the number of employees and employee benefit expenses of the Company for 2021 and 2020 is as follows:

| | 2021 | 2020 |
|---|---|---|
| Number of employees | 519 | 456 |
| Number of directors without concurrent position as employee | 6 | 4 |
| Average employee benefit expenses | $ 829 | 761 |
| Average employee salary expense | $ 710 | 646 |
| Adjustment status of average employee salary expense | 9.90% | 12.54% |
| Remuneration of supervisors | $ - | 560 |

Information on remuneration policy (including directors, supervisors, managerial officers and employees) of the Company is as follows:

(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 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 2021, 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 | 780,074 | 45.40 % | DA 45 DAYS | - | | (142,881) | (47.64)% | |
| 〃 | Innolux Corporation | 〃 | Sales | (214,779) | (8.83) % | Monthly payment in 120 days | - | | 61,488 | 10.03% | |

8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.
9. Engaging in derivative transactions: Please refer to Note 6(10).

(II) Information on investees:

The information on investees of the Company in 2021 (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 | 14,947 (USD540) | 14,947 (USD540) | 540,000 | 100.00% | 47,833 | 1,351 (USD48) | 1,351 (US48) | |
| G-TECH Optoelectronics Corporation | Golden Start Global Corp. | Samoa | Holding | 1,976,113 (USD71,391) | 1,976,113 (USD71,391) | 71,391,373 | 100.00% | 79,410 | (23,708) (USD(848)) | (23,708) (USD(8 | |
| Fast Achievement Global Ltd. | Brave Advance International Corp. | Samoa | Holding | 13,840 (USD500) | 13,840 (USD500) | 500,000 | 25.00% | 47,814 (USD1,727) | 5,407 (USD193) | 1,351 (USD48) | |
| Golden Start Global Corp. | Charmtex Global Corp. | Samoa | Holding | 1,975,560 (USD71,371) | 1,975,560 (USD71,371) | 71,371,373 | 100.00% | 79,402 (USD2,869) | (23,708) (US(848)) | (23,708) (USD(848)) | |

## 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 | | | | | | |
| Hongda Photoelectric Glass (Dongguan) Co., Ltd. | Manufacturing and sale of TFT-LCD panel display screen materials | 657,123 (USD23,740) | Note 1 | 657,123 (USD23,740) | - | - | 657,123 (USD23,740) | 3,131 (USD112) | 25.00% | 783 (USD28) | 15,757 (USD569) | - |
| Ruizhida Optoelectronics (Chengdu) Co., Ltd. | Manufacturing and sale of TFT-LCD panel display screen materials | 1,937,600 (USD70,000) | Note 2 | 1,937,600 (USD70,000) | - | - | 1,937,600 (USD70,000) | (25,389) (USD(908)) | 100.00% | (25,389) (USD(908)) | 73,786 (USD2,666) | - |

Note 1: The Company invested in Hongda Photoelectric 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.

Note 2: The Company invested in Ruizhida 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.

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** |
|---|---|---|
| NTD2,594,723 (USD93,740) | NTD 2,594,723 (USD93,740) | - |
| (Including machine construction fee of NTD 237,577) (USD8,583) | (Including machine construction fee of NTD 256,760)(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:

| Shares<br>**Name of major shareholder** | **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

Please refer to the 2021 consolidated financial statements for details.

## G-TECH Optoelectronics Corporation

## Statement of Cash and Cash Equivalents

**Balance on December 31, 2021** **Unit: NTD thousand**

| Item | Particular | Amount |
|---|---|---|
| Cash on hand and petty cash | | $ 645 |
| Bank deposits | | |
| Demand deposits | | 68,498 |
| Checking accounts | | 51 |
| Foreign currency deposits | USD 10,366 thousand, EUR 156 thousand and RMB 372 thousand | 293,442 |
| Time deposits | | 193,760 |
| | | **$ 556,396** |

## Statement of Notes and Accounts Receivable (Including Related Parties)

| Customer name | Summary | Amount | Remarks |
|---|---|---|---|
| A | Loan | $ 128,426 | |
| B | " | 117,865 | |
| C | " | 97,674 | |
| D | " | 73,506 | |
| E | " | 66,534 | |
| F | " | 61,488 | Related parties |
| G | " | 60,938 | |
| Others | " | 184,418 | Customer amount of each account is less than 5% of the balance of this subject |
| Total | | 790,849 | |
| Less: Allowance for impairment | | (177,868) | |
| Net | | **$ 612,981** | |

## G-TECH Optoelectronics Corporation

## Inventory ledger

**Balance on December 31, 2021** **Unit: NTD thousand**

| Item | Amount | | Remarks |
|---|---|---|---|
| | Cost | Net realisable value | |
| Raw materials and supplies | $ 172,008 | 173,273 | Replacement cost of an asset |
| Work in progress | 16,072 | 16,072 | Net realisable value |
| Finished goods | 86,517 | 95,792 | " |
| Products | 3 | 3 | " |
| Subtotal | $ 274,600 | 285,140 | |
| Less: Allowance for loss | (63,067) | | |
| Total | $ 211,533 | | |

## Statement of Changes in Property, Plant and Equipment

**From January 1, 2021 to December 31, 2021**

Please refer to Note 6(5) for relevant information.

## G-TECH Optoelectronics Corporation

## Statement of Changes in Investment Property

**From January 1, 2021 to December 31, 2021** **Unit: NTD thousand**

Please refer to Note 6(6) for relevant information.

## Statement of Short-term Borrowings

## Balance on December 31, 2021

| Nature of borrowings | Lending institution | Amount | Loan period | Interest rate |
|---|---|---|---|---|
| Secured borrowings | Sunny Bank | $ 50,000 | 2021-07-16~2022-07-14 | 1.6500 % |
| " | First Commercial Bank | 100,000 | 2021-09-23~2022-03-23 | 1.7500 % |
| " | " | 100,000 | 2021-09-27~2022-03-23 | 1.7500 % |
| " | " | 77,504 | 2021-12-01~2022-05-30 | 1.0499 % |
| " | Taiwan Cooperative Bank | 8,304 | 2021-11-29~2022-05-28 | 1.4271 % |
| " | " | 47,056 | 2021-12-01~2022-05-30 | 1.4271 % |
| Letter of credit loan | " | 2,296 | Repayment within 120 days after drawing | - |
| " | " | 2,285 | " | - |
| " | " | 3,474 | " | - |
| " | " | 3,442 | " | - |
| Credit loan | Hua Nan Commercial Bank | 80,000 | 2021-11-19~2022-02-19 | 1.7500 % |
| " | Mega International Commercial Bank | 60,000 | 2021-11-26~2022-05-25 | 1.8250 % |
| | Total | $ 534,361 | | |

## G-TECH Optoelectronics Corporation

## Statement of Long-term Borrowings

## Balance on December 31, 2021

Unit: NTD thousand

| Nature of borrowings | Lending institution | Amount | Loan period | Interest rate | Pledge or guarantee | Remarks |
|---|---|---|---|---|---|---|
| Mortgage loan | Bank of Taiwan | $ 69,347 | 2013-08-16~2028-08-16 | 1.1500% | Land and house building | Started to repay principle on 2015-08-16 |
| " | " | 43,542 | 2013-10-15~2023-10-15 | 0.7200% | " | Started to repay principle on 2015-10-15 |
| " | " | 46,500 | 2014-09-29~2024-01-15 | 0.7200% | " | Started to repay principle on 2016-02-15 |
| " | " | 72,656 | 2014-12-22~2024-01-15 | 0.7200% | " | 〃 |
| " | " | 100,000 | 2020-02-14~2022-08-12 | 2.4050% | " | Repay principle all at once upon maturity |
| " | Sunny Bank | 502,000 | 2020-07-14~2027-07-14 | 1.6500% | " | Started to repay principle on 2021-07-14 |
| " | " | 13,000 | 2020-07-14~2027-07-14 | 1.6500% | " | 〃 |
| " | " | 58,000 | 2021-09-29~2028-09-29 | 1.8500% | " | Started to repay principle on 2024-10-29 |
| " | Taiwan Cooperative Bank | 326,000 | 2019-09-02~2024-09-01 | 1.6600% | " | Started to repay principle on 2019-10-02 |
| Secured borrowings | Land Bank of Taiwan | 18,037 | 2020-09-10~2023-09-10 | 1.9450% | Secured by credit guarantee institution | Started to repay principle on 2021-10-10 |
| " | " | 52,148 | 2020-12-16~2023-09-10 | 1.9450% | " | " |
| Unsecured borrowings | The Shanghai Commercial & Savings Bank | 38,000 | 2021-10-08~2026-10-08 | 1.4800% | | Started to repay principle on 2022-10-15 |
| | Total | 1,339,230 | | | | |
| | Less: Due in one year | (273,781) | | | | |
| | Net | $ 1,065,449 | | | | |

## Statement of Operating Revenue

## From January 1, 2021 to December 31, 2021

| Item | Quantity | | Amount | Remarks |
|---|---|---|---|---|
| Smart optoelectronics glass | 1,666 | Thousand pieces | $ 693,456 | |
| Smart car glass | 492 | Thousand pieces | 196,268 | |
| Smart building glass | 2,466 | Thousand pieces | 271,408 | |
| Others | 26,902 | Thousand pieces | 1,270,513 | |
| Net operating income | | | $ 2,431,645 | |

## G-TECH Optoelectronics Corporation

## Statement of Operating Costs

**From January 1, 2021 to December 31, 2021** **Unit: NTD thousand**

| Item | Summary | Amount | Remarks |
|---|---|---|---|
| Merchandise inventory at beginning of the current period | | $ 473 | |
| Plus: Purchase in the current period | | 1,074,689 | |
| Less: Merchandise inventory at end of the current period | | (3) | |
| Recognition expense | | (5) | |
| Merchandise sale cost | | 1,075,154 | |
| Raw materials at beginning of the current period | | 72,339 | |
| Plus: Purchase in the current period | | 525,968 | |
| Less: Raw materials at end of the current period | | (122,150) | |
| Recognition expense | | (127) | |
| Direct raw material consumption | | 476,030 | |
| Materials at beginning of the current period | | 62,242 | |
| Plus: Purchase in the current period | | 117,702 | |
| Less: Materials at end of the current period | | (49,858) | |
| Recognition expense | | (44,906) | |
| Material consumption | | 85,180 | |
| Direct labor | | 139,760 | |
| Production overhead | | 428,854 | |
| Production cost | | 1,129,824 | |
| Plus: Work in progress at beginning of the current period | | 6,024 | |
| Less: Work in progress at end of the current period | | (16,072) | |
| Finished goods cost | | 1,119,776 | |
| Plus: Finished goods at beginning of the current period | | 76,166 | |
| Less: Finished goods at end of the current period | | (86,517) | |
| Recognition expense | | (2,192) | |
| Product sales cost | | 1,107,233 | |
| Loss for market price decline and obsolete and slow-moving inventories. | | 2,521 | |
| Idle production capacity | | 215,822 | |
| Income from sale of scraps | | (479) | |
| Operating cost | | **$ 2,400,251** | |

## G-TECH Optoelectronics Corporation

## Statement of Operating Expenses

**From January 1, 2021 to December 31, 2021** **Unit: NTD thousand**

| Item | Selling and marketing expenses | Administrative expenses | Research and development expenses | Total |
|---|---|---|---|---|
| Salary expense | $ 15,359 | 63,631 | 18,867 | 97,857 |
| Shipping expense | 4,938 | 3 | 64 | 5,005 |
| Postage and cable expense | 167 | 3,456 | 3 | 3,626 |
| Repair and maintenance expense | 84 | 2,413 | 920 | 3,417 |
| Insurance expense | 1,718 | 5,084 | 1,957 | 8,759 |
| Entertainment expense | 399 | 938 | 4 | 1,341 |
| Tax expense | 682 | 5,924 | - | 6,606 |
| Depreciation | - | 11,554 | 2,544 | 14,098 |
| Amortizations | - | 3,696 | - | 3,696 |
| Meal expense | 318 | 1,094 | 464 | 1,876 |
| Employee benefits | 44 | 1,233 | 69 | 1,346 |
| Import/export expense | 3,659 | 8 | 5 | 3,672 |
| Security expense | - | 5,607 | - | 5,607 |
| Purchase of miscellaneous items | 2 | 301 | 2,204 | 2,507 |
| Consumables | - | - | 13,616 | 13,616 |
| Material expense | - | - | 3,644 | 3,644 |
| Mold expense | - | - | 7,475 | 7,475 |
| Pensions | 846 | 2,319 | 1,021 | 4,186 |
| Labor expense | 80 | 5,661 | 709 | 6,450 |
| Technical service fee | - | - | 8,571 | 8,571 |
| Others | 992 | 20,299 | 1,968 | 23,259 |
| Total | **$ 29,288** | **133,221** | **64,105** | **226,614** |

## Statement of Other Gains and Losses, Net

Please refer to Note 6(19) for the relevant information.