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

2021 Annual Report

Printed on 27 May, 2021

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Notice to readers

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

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V. Overseas Securities Listing and Trading Agency Name and Information Query Method: None.

VI. Company website: <http://www.gtoc.com.tw>

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I. Letter to Shareholders

Passion, Confidence

In 2021, the economic environment was still under the impact of COVID-19 pandemic, and inflation and materials shortage were posing greater uncertainties and fluctuations to the industry. However, the Company adhered to its original vision of being firmly rooted in developing the core technology of glass manufacture, strives to collect, analyze and evaluate market information, continuously invests resources in product and technology development and reinforces the in-depth cooperation among upstream and downstream customers and makes good response measures to adjust products, production lines and supply chain according to the market trends. By doing so, we aim to seize market opportunities and control costs in this volatile economic environment, in order to reduce economic losses and achieve the goal of gaining operating income.

With the rise of new technologies such as the internet of things, artificial intelligence and 5G networks, touch screens are constantly being developed for factory control, automobile, smart home, education, healthcare and other various applications, which are exactly the directions for the Company's product development. From glass manufacture for consumer electronic products to modular services of TP Modules, the application of coating technology further covers optoelectronics, healthcare, architecture and other industries and the full lamination technology of large size 3D glass is even able to make a single piece of glass to perform functions of high curvature, have glossy and matte joint surfaces and planar three dimensional variations. In addition, our customers have also gradually evolved from LCM factories to end-users in the field of sports, automobiles and architecture.

The development of smart cars is growing exponentially due to the worldwide environmental awareness and the policy support from various countries. Currently, the Company is successfully given recognition by car manufacturers for 3D forming glass applications and through the quality system, we have met the high standards of automotive certification. Moreover, we work with our customers to develop integrated products of non-flat glass for automotive interiors, which include dashboards, central control systems, multimedia systems and rear view mirrors and other displays combined with the applications of touch control products. On the other hand, regarding the curved or multi-curved trim panels, the design is aimed at the aesthetic, wear-resistant and lightweight protective glass applications in order to achieve integrated automotive product development, thus providing the market with more simple, safe and innovative product applications. Persistence is the key to success. G-TECH is ready for this development trend of smart cars and we believe that our products will flourish and shine in the near future. Development of new technologies and products include:

1. AR coating technology development for automotive multi-curved glasses.
2. Development of vehicle display multi-curved large glass > 1000mm
3. Development of electrochromic glass G5 products.
4. Edge polishing technology development for architectural glass.

Although G-tech's operating results in 2021 were not as good as expected, due to active inventory control and operating cost reduction, the operating performance has increased significantly compared to the same period last year; furthermore, the Company has adjusted its

product mix to reduce the pressure on working capital. Therefore, the current ratio has increased significantly, which indicates the benefits from improving the financial structure. I, on behalf of the management team, would like to make efforts and encouragement with all the staff and sincerely appreciate all shareholders giving G-tech the most powerful confidence and support. The support of all shareholders is the greatest encouragement to the management team. Thank you!

Responsible Person

Chih-Ming Chung

Two. Company Introduction

I. Date of establishment: June 27, 1996

II. Company history

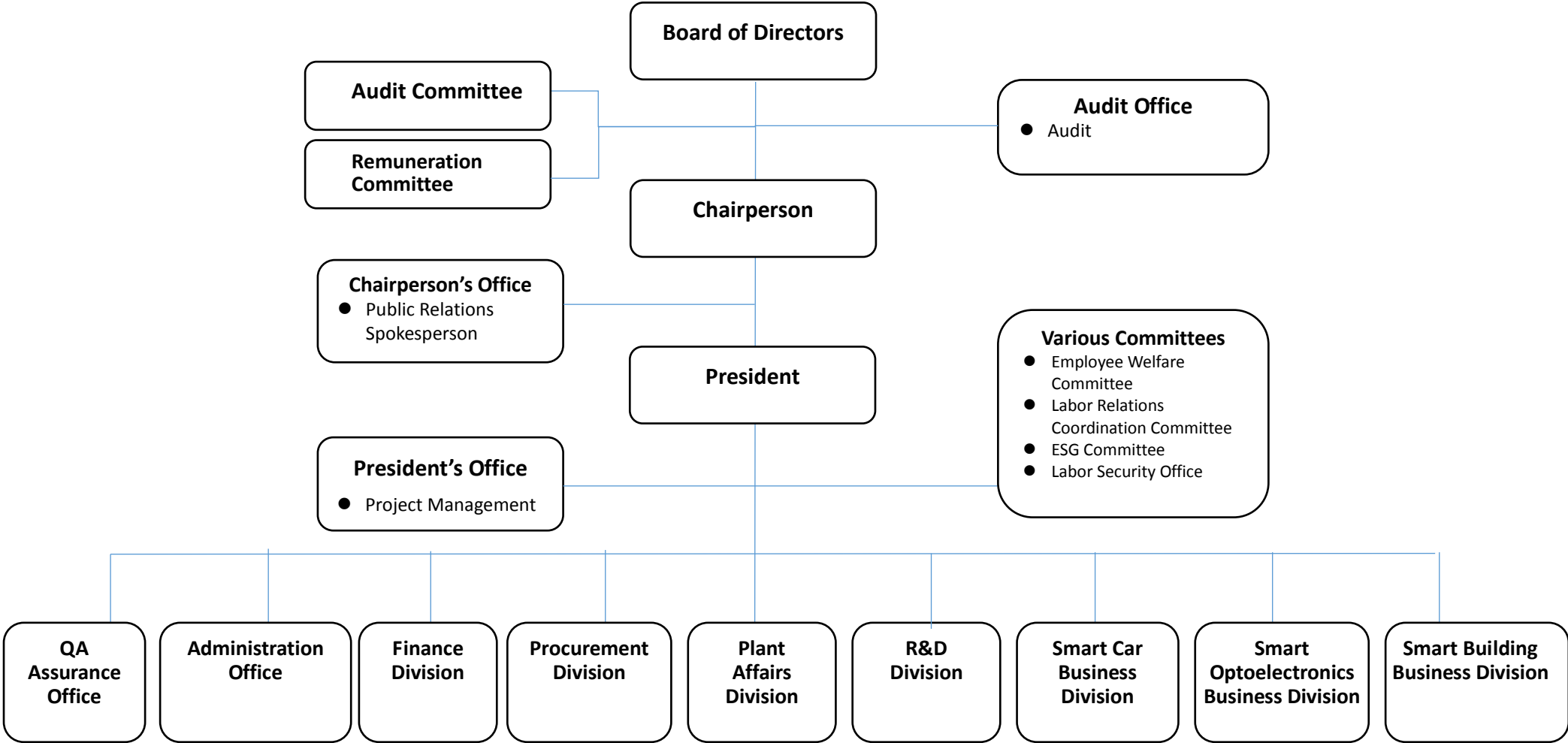
June 1996	Established G-TECH Glass Co., Ltd. with the capital of NT\$26 million. Chung, Jung-Hua served as the 1st chairman of the board and the company engaged in traditional architectural glass processing.
April 1998	Led the industry to introduce one physical strengthening furnace from Germany and one chemical strengthening furnace from Italy to engage in optical glass strengthening business.
December 1999	Established a glass cutting production line in response to the booming development of the flat panel display market.
March 2000	Reached a joint venture agreement with RITEK CORPORATION with each party holding 50% of the shares.
June 2000	Installed a grinding machine and started trial production of STN-grade glass substrates.
July 2000	Changed the name to G-TECH Technology Glass Co., Ltd., implemented a factory expansion project and completed the new factory in October.
October 2000	new plant completed
November 2000	Set up the third and the fourth glass cutting production lines
February 2001	The construction of the plant extension was officially started.
April 2001	The grinder was increased to 86
May 2001	Changed the name to G-TECH Optoelectronics Corporation, and implemented the plant extension construction.
August 2001	Cooperated with foreign companies on the R&D of large-scale thin-plate glass polishing technology. Planned to develop TFT-LCD photoelectric glass cutting and grinding production technology.
November 2001	Obtained the ISO-9001 2000 International Quality Assurance certification.
January 2002	Participated in supplemental public offering.
July 2002	Obtained the TFT-LCD photoelectric glass cutting product/technology certification.
November 2002	Started mass production and shipment of TV-LCD protective glass.
December 2002	Obtained the TFT-LCD photo-electric glass grinding product/technical certification.
May 2004	Registered on the emerging stock market.
May 2007	Successfully developed thin TFT PANEL products.

October 2007	Issued NT\$700 million private ordinary shares, which was raised and invested by Hon Hai Technology Group. The paid-in capital reached NT\$1,272.29 million, the shareholding ratio of Hon Hai Technology Group accounted for 42%.
December 2007	Completed the new TFT glass thinning plant.
January 2008	Reinvest Hongda Photo-electric Glass (Dongguan) Co., Ltd. through a third place.
March 2008	Introduction of the TFT-LCD physical thinning process.
May 2008	Introduced the reinforced glass manufacturing process. Obtained the polishing pad dressing work ring patent.
September 2008	Introduced the 5th generation TFT-LCD panel polishing, ultra-speed glass cutting and edging processes.
February 2009	Completed the new ITO glass coating plant.
December 2009	Entered Tainan Science Park and established Tainan Science Park branch.
December 2010	Established operating headquarters for the Miaoli plant. Establishment of the subsidiary Ruizhida (Shenzhen) in Mainland China.
November 2011	Stock IPO.
February 2012	3D forming glass production line trial production. Establishment of the subsidiary Ruizhida (Chengdu) in Mainland China.
March 2012	Installed the new anti-reflective (AR) coating production line for trial production.
October 2012	Announced to enter the automotive market with 3D forming glass.
March 2013	With the establishment of a Green Building Business, G-TECH announced its return to the architectural glass market.
July 2013	Start construction of the Miaoli Plant 3 (green building processing plant).
January 2014	Entered into a strategic alliance with Corning to produce 3D forming glass.
August 2014	Green Building Glass Processing Plant mass production.
December 2014	Mobile phone 3D forming glass screen protector mass production.
August 2016	Capital reduction to make up for losses.
February 2017	G-TECH partnered with American enterprise- KTI to develop smart energy-saving color-changing glass for advanced smart home applications.
November 2018	The smart energy-saving color-changing glass developed with Kinestral Technologies Inc. officially went into mass production and entered the European and American markets.

April 2019	The Green Building Business Office obtained a large-scale BOT development project in Xinzhuang Fuduxin of New Taipei City for i-Tower to provide energy-conserving curtain wall glass.
March 2020	The large-scale 3D automobile glass was officially kicked off.
January 2021	Being certified strictly by European and American car manufacturers and 1st tier, mass production of large-scale 3D automobile glass has begun.
May 2022	Handled the cash capital increase of NT\$170,000,000 and the paid-in capital after the capital increase was NT\$2,233,936,000.

Three. Corporate Governance Report

I. Organizational system
 (I) Organizational Structure



(II) Business Operations of Key Segments

Segment	Main Responsibilities
Chairperson's Office	Implement the resolutions of the shareholders meeting/board of directors and supervise the Company's operating policies.
Audit Office	Auditing the implementation of various rules and regulations and providing suggestions for improvement to the board of directors, supervisors and management.
President's Office	Set the Company's operating policy; comprehensively manage the Company's overall business planning, control, and execution; and coordinate the organization's internal coordination, management and other operations.
Labor Security Office	Environmental safety supervision, labor safety audit and project implementation supervision.
QA Assurance Office	Establish the Company's quality management system and control quality assurance; promote continuous improvement, coordinate and organize customer audit; assist in dealing with customer complaints, confirm causes of quality defects and suggest countermeasures; execute inspection standards for quality defects in different premises of the Company and assure quality; establish and implement ISO9001 systems.
Administration Office	<ol style="list-style-type: none"> 1. Take charge of human resource development and general affairs management; promote corporate culture and employee service systems and coordinate company strategy development for organizational planning and allocation of appropriate human resources. 2. Establish, maintain and manage the Company's global information system while establishing security control, firewalls and other related mechanisms. Connect the Company's global network communication system as well as ERP, EIP, CIM, etc.
Accounting Division	Establish a good financial structure as well as effectively implement the planning and management of group funds and foreign exchange; comprehensive management of group accounting and taxation related matters; budget planning, preparation and control for the group; various management related analysis; import and export, customs, and bonded operations; stock affairs operations, declarations and announcements in accordance with the law; as well as planning and convening the relevant board of directors and shareholders meetings.
Procurement Division	In charge of the Company's procurement management and adjusting the procurement strategy according to the industry conditions, selecting appropriate suppliers and outsourcing vendors, procuring materials and outsourced products at reasonable prices, and maintaining appropriate quality standards.
Plant Affairs Division	In charge of plant equipment operation and maintenance, plant air conditioning, power and fire protection system maintenance, plant room inspections, executing repair orders from various units, project implementation and execution, implementation of environmental protection related matters and improving energy-conservation systems for the plants.
R&D Division	Establishing new product development strategies and directions and studying the application and development of related emerging technologies and materials.
Smart Car Business Division	<ol style="list-style-type: none"> 1. Control and manage global production capacity as well as product processes; control and improve production quality; execute production plans and control progress; improve production efficiency, formulate production operation standards, understand production conditions, reduce anomalies, and seek improvement methods for poor quality. 2. Perform marketing, formulate market price strategies and draft product direction plans; promote domestic and foreign product sales; and conduct market surveys on product quality services, prices, delivery opinions and other feedback. Collect and integrate global market information and development and implement product sales and market promotion plans to meet the goals set in the annual operation plan. 3. Establish a quality management system for the Company and implement quality assurance control operations; advocate continuous improvement efforts and promote and manage the creation and execution of various quality systems.

Segment	Main Responsibilities
Smart Optoelectronics Business Division	<ol style="list-style-type: none"> 1. Responsible for raw materials and consumables related commerce. 2. Responsible for optoelectronic products related commerce. 3. Responsible for project operations related commerce.
Smart Building Business Division	<p>Architectural glass product market development, manufacturing, process management, and quality control as well as production plan implementation and progress control, formulating production operating standards, improving production efficiency, mastering the production status, reducing anomalies, remedying quality defects, providing post-sales services and maintaining customer relations.</p>

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

(I) Directors and supervisors

April 26, 2022

Title	Nationality or registration area	Name	Gender/ Age	Date elected (appointed)	Tenure	Date first elected	Shareholding at the time of election		Current shareholding		Current shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background	Concurrent positions in the Company or other companies	Other heads, directors or supervisors who are spouses or relatives of second degree			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Chairperson	Republic of China	Chung, Chih-Ming	Male 61-70	June 18, 2020	3 years	June 24, 1996	7,140,062	3.46%	4,428,464	2.15%	1,072,879	0.52%	-	-	Department of Optoelectronics, National United University President of Chin Ming Glass Co., Ltd. Legal representative of the chairman of Hongda Photoelectric Glass (Dongguan) Co., Ltd. Director of Well State Optoelectronics Limited Legal representative of the chairman of Brave Advance International Corp.	President of G Tech Optoelectronics Chairman of Fast Achievement Global Ltd.	-	-	-	Note 1
Director	Republic of China	Hongyuan International Investment Co., Ltd.	-	June 18, 2020	3 years	October 5, 2007	15,728,165	7.62%	15,728,165	7.62%	-	-	-	-	-	-	-	-	-	-
	Republic of China	Representative: Lin, Shih-Chang	Male 61-70				-	-	-	-	-	-	-	-	-	Department of Civil Engineering, National Chung Kung University Chief Engineering Director of Taiwan High Speed Rail Corporation Vice president of Continental Engineering Corporation	Special Assistant to the President of Hon Hai Precision Inc. Co., Ltd.	-	-	-
Director	Republic of China	Hsiao, Jen-Liang	Male 51-60	June 18, 2020	3 years	June 22, 2005	1,011,784	0.49%	1,011,784	0.49%	-	-	-	-	Bachelor of International Business, Tunghai University	Supervisor of Teh Tai Steel Co., Ltd. Chairman of Guang Liang Metals Industrial Co., Ltd. Chairman of Kuang Liang Paper Co., Ltd.	-	-	-	-
Director	Republic of China	Wang, Kuo-Hung	Male 71-80	June 18, 2020	3 years	June 12, 2012	240,000	0.12%	240,000	0.12%	-	-	-	-	William Rainey Harper College (Business School)	Chairman of Chen Pang Blind Industrial Corporation Legal representative of the director of Sinbon Electronics Co., Ltd. Supervisor of Tang Silk Co., Ltd.	-	-	-	-

Title	Nationality or registration area	Name	Gender/Age	Date elected (appointed)	Tenure	Date first elected	Shareholding at the time of election		Current shareholding		Current shareholding by spouse or minor children		Shares held under the name of others		Major career (academic) background	Concurrent positions in the Company or other companies	Other heads, directors or supervisors who are spouses or relatives of second degree			Remarks
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Independent director	Republic of China	Huang, Kuo-Shih	Male 61-70	June 18, 2020	3 years	December 19, 2007	—	—	—	—	—	—	—	—	Department of Accounting, National Taiwan University Passed the CPA exam Committee member of CPA Associations R.O.C. (Taiwan) Partner CPA of PwC Taiwan Supervisor of HOLA Chairman of Miyuan Lehuo Co., Ltd. Independent director of Chimei Materials Technology Corp.	Chairman of Come Tree International Co., Ltd. Independent director and Remuneration Committee member of SHUTTLE INC. Independent director and Remuneration Committee member of Better Life Group Co., LTD. Independent director of Trust-Search Corp., Ltd.	—	—	—	
Independent director	Republic of China	Wu, Chun-Feng	Male 61-70	June 18, 2020	3 years	June 14, 2017	—	—	—	—	—	—	—	—	Graduated from the Department of Communication Management, Shih-Hsin University. Manager of The Liberty Times (Taoyuan Hsinchu Miaoli Districts) Vice President of Winbond Advertising Co., Ltd.	Vice President of Winbond Advertising Co., Ltd.	—	—	—	
Independent director	Republic of China	Yang, Ming-Szu	Male 51-60	June 18, 2020	3 years	June 18, 2020	—	—	—	—	—	—	—	—	Secretary-General/Deputy Secretary-General of Shanghai University of Finance and Economics, Taiwan Alumni Association Director & Deputy Secretary-General of Shanghai University of Finance and Economics, Shanghai Alumni Association Academic Advisor of New Taipei City Industrial Elite Consultant Free Clinic Advanced Service Team Executive Secretary of Cross-Strait Financial Securities Summit Forum Project Head of Information Service Department and manager of Data Application Department and Project Management Department for Fubon Financial Holdings Special lecturer for National Taipei University of Business, Shih Chien University, and China University of Technology	Part-time lecturer for Chihlee University of Technology Remuneration committee member of Leader Electronics Inc. Remuneration committee member of Huang Hsiang Construction Executive Director/Project Chief Executive of Chinese Elite Club				

Note 1: If the Company chairman, president, or equivalent title holder (top manager) is the same person or a spouse or relative within the first degree of kinship, please explain information related to the reason, rationality, necessity, and corresponding measures (for example, increasing the number of independent directors whereby over half of the directors have never concurrently served as employees or managers):

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

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

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

1. Major shareholders of corporate shareholders:

May 27, 2022

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

2. Major shareholders of major corporate shareholders:

April 2, 2022

Names of corporate shareholders	Major shareholders of corporate shareholders	
Hon Hai Precision Inc. Co., Ltd. (Note)	Gou, Tai-ming (Terry Gou)	12.57%
	Citibank Hosting Government of Singapore Investment Account	2.37%
	Citibank Hosting Hon Hai Precision Industry Co., Ltd. Depository Receipts Account	1.28%
	New Labor Pension Fund	1.26%
	JPMorgan Chase Hosting Vanguard Developing Markets Index Fund	1.20%
	JPMorgan Chase Bank Hosting Vanguard STAR Developed Markets Index Fund	1.11%
	Citibank Hosting Norges Bank Investment Account	1.02%
	Standard Chartered Bank Hosting the Fidelity Puritan Trust: Fidelity LowPriced Stocks Fund	0.96%
	LGT Bank AG	0.82%
	SAUDI CENTRAL BANK - State Street Global Advisors as external fund manager	0.79%

Note: Shareholder register data of Hon Hai Precision Industry Co., Ltd. on April 2, 2022, namely the closing date.

3. Disclosure of information on directors' professional qualifications and independent directors' independence

Name \ Condition	Professional qualification and experience	Independence	Number of listed companies where the person concurrently serves as independent director
Chung, Chih-Ming	<p>With more than 5 years of work experience in the optoelectronics/glass industries and necessary for the Company's businesses.</p> <p>Ever served as President of Chin Ming Glass Co., Ltd., legal representative of the President of Hongda Photoelectric Glass (Dongguan) Co., Ltd., director of Well State Optoelectronics Limited and legal representative of the President of Brave Advance International Corp.;</p> <p>Currently act as Chairman and President of Fast Achievement Global Ltd. and Chairman of Fast Achievement Global Ltd.</p> <p>None of the conditions listed in Article 30 of Company Act.</p>	<p>(1) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that ranks among the top five in shareholding or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>(2) Not a director, supervisor or employee of another company where a majority of directors' seats or shares with voting rights is/are controlled by a person.</p> <p>(3) Not a director, supervisor, executive officer or shareholder holding five percent or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.</p> <p>(4) Not a business, legal affairs, finance, accounting, other related service professional, or an owner, partner, director (trustee), supervisor (auditor) or manager (or their spouse) of a sole proprietorship, partnership, company or organization that has audited the Company or its affiliates or received a cumulative amount of remuneration of no more than NT\$500,000 in the past two years.</p> <p>(5) Not a spouse or relative of second degree of other directors.</p> <p>(6) Not elected by the government, legal person, or their representative pursuant to Article 27 of the Company Act.</p>	None
Representative of Hongyuan International Investment Co., Ltd.: Lin, Shih-Chang	<p>With more than 5 years of work experience in businesses/civil engineering and necessary for the Company's businesses.</p> <p>Ever served as Chief Engineering Director of Taiwan High Speed Rail Corporation, President of Continental Engineering Corporation; currently acts as Special Assistant to the President of Hon Hai Precision Inc. Co., Ltd.</p> <p>None of the conditions listed in Article 30 of Company Act.</p>	<p>(1) Not an employee of the Company or its affiliate.</p> <p>(2) Not one of the top 10 natural person shareholders or one who holds over 1% of the Company's total shares in his own name or in the name of his spouse or minor children or others.</p> <p>(3) Not a manager listed in (1) or a spouse, a relative within the second degree of kinship or a direct blood relative within the third degree of kinship listed in (2).</p> <p>(4) Not a director, supervisor or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that ranks among the top five in shareholding or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act.</p> <p>(5) Not a director, supervisor or employee of another company where a majority of directors' seats or shares with voting rights is are controlled by a person.</p> <p>(6) Not a chairman, president or equivalent title holder of the Company or a director, supervisor or employee of his spouse's company or organization.</p> <p>(7) Not a director, supervisor, executive officer or shareholder holding five per cent or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.</p> <p>(8) Not a business, legal affairs, finance, accounting, other related service professional or an owner, partner, director (trustee), supervisor (auditor) or manager (or their spouse) of a sole proprietorship, partnership, company, or organization that has audited the Company or its affiliates or received a cumulative amount of remuneration of no more</p>	None

Name \ Condition	Professional qualification and experience	Independence	Number of listed companies where the person concurrently serves as independent director
		than NT\$500,000 in the past two years. (9)Not a spouse or relative of second degree of other directors.	
Hsiao, Jen-Liang	With more than 5 years of work experience in businesses and necessary for the Company's businesses. Currently serve as supervisor of Supervisor of Teh Tai Steel Co., Ltd., Chairman of Guang Liang Metals Industrial Co., Ltd. and Chairman of Kuang Liang Paper Co., Ltd. None of the conditions listed in Article 30 of Company Act.	(1)Not an employee of the Company or its affiliate. (2)Not one of the top 10 natural person shareholders or one who holds over 1% of the Company's total shares in his own name or in the name of his spouse or minor children or others. (3)Not a manager listed in (1) or a spouse, a relative within the second degree of kinship or a direct blood relative within the third degree of kinship listed in (2). (4)Not a director, supervisor or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that ranks among the top five in shareholding or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. (5)Not a director, supervisor or employee of another company where a majority of directors' seats or shares with voting rights is are controlled by a person.	None
Wang, Kuo-Hung	With more than 5 years of work experience in businesses/electronics and necessary for the Company's businesses. Currently serve as Chairman of Chen Pang Blind Industrial Corporation, legal representative of the director of Sinbon Electronics Co., Ltd. and supervisor of Tang Silk Co., Ltd. None of the conditions listed in Article 30 of Company Act.	(6)Not a chairman, president or equivalent title holder of the Company or a director, supervisor or employee of his spouse's company or organization. (7)Not a director, supervisor, executive officer or shareholder holding five per cent or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (8)Not a business, legal affairs, finance, accounting, other related service professional or an owner, partner, director (trustee), supervisor (auditor) or manager (or their spouse) of a sole proprietorship, partnership, company, or organization that has audited the Company or its affiliates or received a cumulative amount of remuneration of no more than NT\$500,000 in the past two years. (9)Not a spouse or relative of second degree of other directors. (10)Not elected by the government, legal person or their representative pursuant to Article 27 of the Company Act.	None

Name	Condition	Professional qualification and experience	Independence	Number of listed companies where the person concurrently serves as independent director
Huang, Kuo-Shih	With more than 5 years of work experience in finance, accounting and businesses as well as those necessary for the Company's businesses; a professional who has passed the CPA exam and obtained the CPA certificate. Ever served as Audit Committee member of Committee member of CPA Associations R.O.C. (Taiwan), partner CPA of PwC Taiwan, supervisor of HOLA, Chairman of Miyuan Lehuo Co., Ltd. and independent director of Chimei Materials Technology Corp. Currently act as Chairman of Come Tree International Co., Ltd., independent director of SHUTTLE INC., independent director of Better Life and independent director of Trust-Search Corp., Ltd. None of the conditions listed in Article 30 of Company Act.	(1)Not an employee of the Company or its affiliate. (2)Not a director or supervisor of the Company or its affiliate. (3)Not one of the top 10 natural person shareholders or one who holds over 1% of the Company's total shares in his own name or in the name of his spouse or minor children or others. (4)Not a manager listed in (1) or a spouse, a relative within the second degree of kinship or a direct blood relative within the third degree of kinship listed in (2) and (3). (5)Not a director, supervisor or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or that ranks among the top five in shareholdings or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or 2, Article 27 of the Company Act. (6)Not a director, supervisor or employee of another company where a majority of directors' seats or shares with voting rights is are controlled by a person.	3	
Wu, Chun-Feng	With more than 5 years of work experience in businesses and necessary for the Company's businesses. Ever served as manager of The Liberty Times (Taoyuan Hsinchu Miaoli Districts) Currently act as Vice President of Winbond Advertising Co., Ltd. None of the conditions listed in Article 30 of Company Act.	(7)Not a chairman, president or equivalent title holder of the Company, or a director, supervisor or employee of his spouse's company or organization. (8)Not a director, supervisor, executive officer or shareholder holding five percent or more of the shares, of a specified company or institution which has a financial or business relationship with the Company. (9)Not a business, legal affairs, finance, accounting, other related service professional or an owner, partner, director (trustee), supervisor (auditor), or manager (or their spouse) of a sole proprietorship, partnership, company or organization that has audited the Company or its affiliates or received a cumulative amount of remuneration of no more than NT\$500,000 in the past two years.	None	
Yang, Ming-Szu	With more than 5 years of work experience in businesses and necessary for the Company's businesses. Ever served as Secretary-General of Shanghai University of Finance and Economics, Taiwan Alumni Association, Director and Deputy Secretary-General of Shanghai University of Finance and Economics, Shanghai Alumni Association, Academic Advisor of New Taipei City Industrial Elite Consultant Free Clinic Advanced Service Team, Executive Secretary of Cross-Strait Financial Securities Summit Forum Project, Head of Information Service Department and manager of Data Application Department and Project Management Department for Fubon Financial Holdings Special lecturer for National Taipei University of Business, Shih Chien University, and China University of Technology; Currently act as Part-time lecturer for Chihlee University of Technology, Remuneration Committee member of Leader Electronics Inc., Remuneration Committee Member of Huang Hsiang Construction, and Executive Director/Project Chief Executive of Chinese Elite Club. None of the conditions listed in Article 30 of Company Act.	(10)Not a spouse or relative of second degree of other directors. (11)Not elected by the government, legal person or their representative pursuant to Article 27 of the Company Act.	None	

4. Independence and diversity of the Board of Directors

Policies and objectives on diversity of the Board of Directors:

Directors of the Company shall be elected by the candidate nomination system as specified in the Articles of Incorporation and with reference to Article 20 of the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies. The election shall not be subject to gender, age, race and nationality. In addition, professional backgrounds, skills and industrial experience suitable for diversified development of the Company shall be taken into account in the election. To achieve ideal goals of corporate governance, the Board of Directors, as a whole, shall be capable of making judgments, accounting, dealing with financial affairs, carrying out business management, handling crises, mastering industry knowledge, holding international market perspectives, demonstrating leadership skills and making decisions.

Independence and diversity of the Board of Directors:

The 11th Board of Directors of the Company has 7 members, including 3 independent directors, who account for 43%. The directors specialize in businesses, optoelectronics, civil engineering, accounting and finance respectively. Besides, they are professional in business management, leadership, decision-making, business judgement, crisis handling, industry knowledge and international market perspectives, etc. Diverse outcomes in complementation have been presented. One director of the Board of Directors also acts as Managerial Officer of the Company, and 14% of directors are employees. All directors of the Board of Directors are from Taiwan ROC, and their age ranges from 51 to 80.

Diverse projects		Basic conditions					Professional backgrounds/industry experiences				Professional abilities					
		Gender	Nationality	Age	Independent directors' term of office and seniority			Businesses	Legal affairs	Accounting	Industries related to the Company's businesses	Business management, leadership and decision-making	Business judgment and crisis handling	Accounting and financial analysis abilities	Industry knowledge	International market perspectives
					Less than 3 years	3~9 years	More than 9 years									
Chairperson	Chung, Chih-Ming	Male	Republic of China	61-70	Not applicable			V			V	V	V		V	V
Corporate director's representative	Lin, Shih-Chang			61-70				V			V	V	V		V	V
Director	Hsiao, Jen-Liang			51-60				V			V	V	V		V	V
Director	Wang, Kuo-Hung			71-80				V			V	V	V		V	V
Independent director	Huang, Kuo-Shih			61-70			V	V	V	V	V	V	V	V	V	
Independent director	Wu, Chun-Feng			61-70	V			V			V	V		V	V	
Independent director	Yang, Ming-Szu			51-60	V			V			V	V	V	V	V	

Reason for electing an independent director for 3 terms of office: Huang, Kuo-Shih has acted as the Company's independent director for 3 terms, in consideration that he is an finance professional, familiar with related laws and regulations, professionally experienced in corporate governance, able to create significant benefits for the Company, still capable of bringing his special skills into play and offering professional opinions on supervision of the Board of Directors in performing his duties as an independent director. Hence, in re-electing directors in 2020, CPA Huang, Kuo-Shih was still nominated to act as the Company's independent director.

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

May 27, 2022

Title	Nationality	Name	Gender	Inauguration date	Shareholdings		Shareholdings by spouse or minor children		Shares held under the name of others		Major career (academic) background	Current employment with other companies	Managers who are spouses or relatives of second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Chairman and President	Republic of China	Chung, Chih-Ming	Male	2018-08-10	4,428,464	2.15%	1,072,879	0.52%	—	—	Department of Optoelectronics, National United University President of Chin Ming Glass Co., Ltd. Legal representative of the chairman of Hongda Photoelectric Glass (Dongguan) Co., Ltd. Director of Well State Optoelectronics Limited Legal representative of the chairman of Brave Advance International Corp.	Chairman of G Tech Optoelectronics Chairman of Fast Achievement Global Ltd.				Note 1
Vice president and spokesperson	Republic of China	Chiu, Huo-Sheng	Male	2011-05-01	83,692	0.04%	—	—	—	—	Completed MBA credit class at Tamkang University Syntek Semiconductor Co., Ltd. Plant Director/Business Department Assistant Manager/Spokesperson Winbond Electronics Section Chief	Head of G Tech Optoelectronics, Southern Taiwan Science Park Branch Legal representative of the chairman of Golden Start Global Corp Legal representative of the chairman of Charmtex Global Corp	—	—	—	
Vice President	Republic of China	Wang, Yao-Chang	Male	August 1, 2018	62,696	0.03%	—	—	—	—	Vanung University Hon Hai CCPBG Senior Manager Deputy Manager of Hedi Optoelectronics Deputy Manager of Prodisc Technology Inc. Section chief of PENTAX	Ruizhida Optoelectronics (Chengdu) Co., Ltd. Chairperson and President				

Title	Nationality	Name	Gender	Inauguration date	Shareholdings		Shareholdings by spouse or minor children		Shares held under the name of others		Major career (academic) background	Current employment with other companies	Managers who are spouses or relatives of second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
Assistant Manager	Republic of China	Huang, Yung-Cheng	Male	February 1, 2013	125,524	0.06%	—	—	—	—	College of Engineering, National Central University Deputy Project Manager of Genesis Technology, Inc. Project Manager of Sky Glory Consultants Limited	—	—	—	—	
Assistant Manager	Republic of China	Hsu, Hsien-Yi	Male	2008-03-07	23,873	0.01%	1,145	0.00%	—	—	Department of Electrical Engineering, Yuan Ze University Manager of Production, R&D, and Technology departments for Merck KGaA	—	—	—	—	
Assistant Manager (R&D Director)	Republic of China	Tsai, Tsung-Tien	Male	December 23, 2019	20,000	0.01%	—	—	—	—	Master of Optoelectronics, National Central University Merck Optoelectronics Limited	—	—	—	—	
Assistant Manager	Republic of China	Wang, Ju-Wen	Male	March 1, 2021	59,200	0.03%	—	—	—	—	Department of Printing, Chinese Culture University Manager of Hitto International INC.	—	—	—	—	
Assistant Manager	Republic of China	Lin, Hsing-Chiao	Male	March 1, 2021	15,000	0.01%	—	—	—	—	Department of Mechanical Engineering, Yuan Ze University Director of Chen Yu Optoelectronic Deputy Director of Henghao Technology	—	—	—	—	
Assistant Manager	Republic of China	Hung, Yu-Te	Male	March 1, 2021	25,000	0.01%	—	—	—	—	Department of Mechanical Engineering, National Kaohsiung University of Science and Technology Section Chief of Epson Taiwan Technology & Trading Ltd. Section Chief of Powertip Technology Corporation	—	—	—	—	
Assistant Manager (Finance, accounting and corporate governance)	Republic of China	Wu, Tai-Chiou	Male	February 26, 2018	12,539	0.01%	—	—	—	—	MBA, Hawaii Pacific University Chang Chun Plastics Co., Ltd. Foreign risk management team, internal audit	Ruizhida Optoelectronics (Chengdu) Co., Ltd. Supervisor	—	—	—	

Title	Nationality	Name	Gender	Inauguration date	Shareholdings		Shareholdings by spouse or minor children		Shares held under the name of others		Major career (academic) background	Current employment with other companies	Managers who are spouses or relatives of second degree			Remarks
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship	
supervisor)																

Note 1: If the Company chairman, president, or equivalent title holder (top manager) is the same person or a spouse or relative within the first degree of kinship, please explain information related to the reason, rationality, necessity, and corresponding measures (for example, increasing the number of independent directors whereby over half of the directors have never con-currently served as employees or managers):

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

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

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

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

(I) Remuneration for directors (including independent directors)

Unit: NT\$ thousand; %

Title	Name	Remuneration of directors								The ratio accounted for by the total amount of A, B, C and D to the net profit after tax		Related remuneration received by part-time employees								The ratio accounted for by the total amount of A, B, C, D, E, F and G to the net profit after tax		Remuneration received from invested companies other than the subsidiaries and the parent company
		Returns (A)		Severance payment and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Salaries, bonuses, special expenses, etc. (E)		Severance payment and pension (F)		Remuneration to employees (G)						
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
																Cash amount	Stock amount	Cash amount	Stock amount			
Chairperson	Chung, Chih-Ming	384	384	0	0	0	0	0	0	-0.32	-0.32	8,452	8,452	0	0	0	0	0	0	-7.31	-7.31	None
Director	Hongyuan International Investment CO., Ltd.	0	0	0	0	0	0	0	0	0.00	0.00	0	0	0	0	0	0	0	0	0.00	0.00	None
	Representative Lin, Shih-Chang	384	384	0	0	0	0	30	30	-0.34	-0.34	0	0	0	0	0	0	0	0	-0.34	-0.34	None
Director	Hsiao, Jen-Liang	384	384	0	0	0	0	35	35	-0.35	-0.35	0	0	0	0	0	0	0	0	-0.35	-0.35	None
Director	Wang, Kuo-Hung	384	384	0	0	0	0	30	30	-0.34	-0.34	0	0	0	0	0	0	0	0	-0.34	-0.34	None
Independent director	Huang, Kuo-Shih	384	384	0	0	0	0	80	80	-0.38	-0.38	0	0	0	0	0	0	0	0	-0.38	-0.38	None
Independent director	Wu, Chun-Feng	384	384	0	0	0	0	80	80	-0.38	-0.38	0	0	0	0	0	0	0	0	-0.38	-0.38	None
Independent director	Yang, Ming-Szu	384	384	0	0	0	0	80	80	-0.34	-0.34	0	0	0	0	0	0	0	0	-0.34	-0.34	None

- The remuneration payment policies, systems, standards, and structure for independent directors as well as the relationship between the remuneration amounts and their duties, risks and tenure: Independent directors' remuneration shall be determined according to the Company's Articles of Incorporation. Directors' remuneration shall include transportation fees, business operation expenses and surplus distribution. After the Company's remuneration for directors has been reviewed by the Remuneration Committee according to the Company's Articles of Incorporation, the Board of Directors is authorized to set the salaries for the directors 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 is based on the Company's Articles of Incorporation, which shall be submitted to the board of directors for review and be issued after it has passed the shareholders' meeting resolution. Since 2020, the Company has cooperated with Financial Supervisory Commission to promote the new Corporate Governance Blueprint and self (or peer) review is performed by the Board of Directors using Performance Appraisal Methods for the Board of Directors and Functional Committees, in order to increase remuneration linkage.
- In addition to the disclosure listed in the table above, the remuneration received by the Company directors for services provided to all companies mentioned in the financial report in the most recent year: none.

(II) Remuneration for supervisors: N/A

(III) Remuneration for president and vice presidents

Unit: NT\$ thousand; %

Title	Name	Salary (A)		Severance payment and pension (B)		Bonuses, special expenses, etc. (C)		Remuneration to employees (D)				The ratio accounted for by the total amount of A, B, C and D to the net profit after tax		Remuneration received from invested companies other than the subsidiaries and the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chung, Chih-Ming	7,078	7,078	0	0	1,373	1,373	0	0	0	0	-7.00	-7.00	None
Vice President	Chiu, Huo-Sheng	1,648	1,648	100	100	412	412	0	0	0	0	-1.79	-1.79	None
Vice President	Wang, Yao-Chang	1,802	1,802	100	100	416	416	0	0	0	0	-1.92	-1.92	None

(IV) Remunerations for the top five highest paid executives of the Company

Unit: NT\$ thousand; %

Title	Name	Salary (A)		Severance payment and pension (B)		Bonuses, special expenses, etc. (C)		Remuneration to employees (D)				The ratio accounted for by the total amount of A, B, C and D to the net profit after tax		Remuneration received from invested companies other than the subsidiaries and the parent company
		The Company	All companies in the financial report	The Company	All companies in the financial report	The Company	All companies in the financial report	The Company		All companies in the financial report		The Company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
President	Chung, Chih-Ming	7,078	7,078	0	0	1,373	1,373	0	0	0	0	-7.00	-7.00	None
Vice President	Chiu, Huo-Sheng	1,648	1,648	100	100	412	412	0	0	0	0	-1.79	-1.79	None
Vice President	Wang, Yao-Chang	1,802	1,802	100	100	416	416	0	0	0	0	-1.92	-1.92	None
Senior Assistant Manager	Hsu, Hsien-Yi	2,295	2,295	108	108	413	413	0	0	0	0	-2.33	-2.33	None
Senior Assistant Manager	Lin, Hsing-Chiao	1,700	1,700	100	100	512	512	0	0	0	0	-1.91	-1.91	None

(V) Names of managers who distribute the employee compensation in the most recent year and the distribution status:

As of the end of 2021, the Company has accumulated losses of NT\$1,124,630 thousand, and no employee compensation was allocated.

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

1. Analysis on ratio of after-tax net profit in the standalone financial reports accounted for by the total remuneration amount to the Company's directors, supervisors, president and vice presidents in the last two years:

Item	Year	2020		2021	
		The Company	All companies in the financial report	The Company	All companies in the financial report
Total remuneration to directors		1,625	1,625	3,023	3,023
Ratio of after-tax net profit accounted for by the total remuneration amount paid to directors		(0.554)%	(0.554)%	(2.503)%	(2.503)%
Total supervisor remuneration		260	260	0	0
Ratio of after-tax net profit accounted for by the total remuneration amount paid to supervisors		(0.089)%	(0.089)%	-	-
Total remuneration for president and vice presidents		11,439	11,439	12,929	12,929
Ratio of after-tax net profit accounted for by the total remuneration amount paid to the president and vice presidents		(3.902)%	(3.902)%	(10.703)%	(10.703)%

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

(1) Directors and supervisors

Directors' remuneration shall include transportation fees, business operation expenses, and surplus distribution. After the Company's remuneration for directors has been reviewed by the Remuneration Committee according to the Company's Articles of Incorporation, the Board of Directors is authorized to set the salaries for the directors 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 is based on the Company's Articles of Incorporation, which shall be submitted to the board of directors for review and be issued after it has passed the shareholders meeting resolution.

(2) President and vice presidents

The remuneration of the president and vice presidents 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 is based on the Company's Articles of Incorporation, submitted to the Remuneration

Committee for deliberation, and then issued after the proposal has passed the board of directors or shareholders meeting resolution. The issuance standards for employee stock options and new restricted shares for subscription shall be evaluated based on contributions to the Company and its future development. The total remuneration paid to the president and vice presidents in 2020 and 2021 was NT\$11,439 thousand and NT\$12,929 thousand respectively. They accounted for (3.902)% of the after-tax net loss of NT\$293,123 thousand in 2020 and (10.703)% of the after-tax net loss of NT\$120,795 thousand in 2021 respectively.

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

IV. Corporate governance operation status

(I) Board of directors' operation status

In the most recent year (2021), the Board of Directors met 7 times (A), and the attendance status of directors is as follows:

Title	Name	No. of actual attendances (in nonvoting capacity) (B)	No. of attendances by proxy	Actual attendance rate in nonvoting capacity (%) (B/A)	Remarks
Chairperson	Chung, Chih-Ming	6	1	85.70%	
Director	Representative of Hongyuan International Investment Co., Ltd.: Lin, Shih-Chang	6	1	85.70%	
Director	Hsiao, Jen-Liang	7	0	100.00%	
Director	Wang, Kuo-Hung	6	1	85.70%	
Independent director	Huang, Kuo-Shih	7	0	100.00%	
Independent director	Wu, Chun-Feng	7	0	100.00%	
Independent director	Yang, Ming-Szu	7	0	100.00%	

Other matters to be recorded:

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

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

Board of directors meeting date and period	Agenda	All independent director opinions	Handling of independent directors' opinions by the Company
March 24, 2021 11th term 7th	Proposal by the Company to collaborate with the CPA's internal rotation and change the financial report audit CPA.	Passed by all independent directors without objection	Not applicable
	Proposal to revise remuneration for the Company's directors.	Passed by all independent directors without objection	Not applicable
April 23, 2021 11th term 8th	Proposal by the Company to issue new shares for cash capital increase.	Passed by all independent directors without objection	Not applicable
	Proposal for the Company's execution of private placement of ordinary shares.	Passed by all independent directors without objection	Not applicable
August 10, 2021 11th term 11th	Proposal for amending some clauses of the Company's Property, Plant and Equipment Management Measures FP63-0002-G.	Passed by all independent directors without objection	Not applicable
November 11, 2021 11th term 12th	Proposal for amending the Company's Standard Operating Procedures for Responding to Directors' Requirements FP55-0013-G.	Passed by all independent directors without objection	Not applicable
	Proposal for amending the Company's Board of Directors Self or Peer Review.	Passed by all independent directors without objection	Not applicable

Board of directors meeting date and period	Agenda	All independent director opinions	Handling of independent directors' opinions by the Company
December 20, 2021	Proposal by the Company to issue new shares for cash capital increase.	Passed by all independent directors without objection	Not applicable
11th term 13th	Proposal to amend the Company's Internal Control Audit Implementation Rules FP55-0011-G.	Passed by all independent directors without objection	Not applicable

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

2. In case of recusal of directors due to conflict of interest, the directors' names, the content of the proposals, the reasons for the recusal and the circumstances of their participation in voting must be noted:

Director	Board of directors meeting date and period	Agenda	For interest avoidance	Participation in voting
Chung, Chih-Ming Chairperson	May 12, 2021 11th term, 9th	Proposal for the Company's 2021 financial budget update.	The director who didn't participate acts as President of the Company because of interest	The director didn't participate in voting and the proposal was passed with the approval of all other directors present
	December 20, 2021 11th term, 13th	The Company's "2021 Year-end Bonus Amount Expected to be Distributed."		

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

To strengthen corporate governance, improve functions of the board of directors, set performance objectives and increase operation efficiency of the board of directors, Performance Appraisal Measures for the Board of Directors and Functional Committees have been formulated, and performance appraisal has been annually conducted since 2020. The 2021 performance appraisal for the board of directors and functional committees was completed in January 2022, and reported to the board of directors on March 21, 2022.

Evaluation cycle	Execute once per year			
Evaluation period	January 1, 2021 - December 31, 2021			
Evaluation scope	Self-appraisal of the board of directors, directors, and functional committees			
Evaluation method	Board of Directors	Members of the Board of Directors	Audit Committee	Remuneration Committee
Evaluation content	A. Degree of participation in the Company's operations B. Improvement of the quality of the board of directors' decision making C. Composition and structure of the board of directors D. Selection and continuing education of directors. E. Internal control	A. Degree of participation in the Company's operations B. Improvement of the quality of the board of directors' decision making C. Composition and structure of the board of directors D. Selection and continuing education of directors E. Internal control	A. Degree of participation in the Company's operations B. Recognition of the Audit Committee's responsibilities C. Improvement of the quality of the Audit Committee's decision-making D. Composition and member selection of the Audit Committee E. Internal control	A. Degree of participation in the Company's operations B. Recognition of the Salary and Remuneration Committee's responsibilities C. Improvement of the quality of the Salary and Remuneration Committee's decision-making D. Composition and member selection of the Salary and Remuneration Committee

Evaluation method	Board of Directors	Members of the Board of Directors	Audit Committee	Remuneration Committee
Evaluation results	29 items scored "extremely excellent (5)" and 16 items scored "excellent (4)" indicate that the board of directors has fulfilled the responsibility of guiding and supervising the Company's strategy, major business and risk management and can establish appropriate internal control systems. Its overall operation status is good and in compliance with corporate governance requirements.	3 items scored "extremely excellent (5)" and 20 items scored "excellent (4)" indicate that the directors have positive scores on the efficiency and effectiveness of the various indicator operations.	15 items scored "extremely excellent (5)" and 7 items scored "excellent (4)" indicate that the overall operations of the Audit Committee is good, in conformance with corporate governance requirements and can effectively enhance the functions of the board of directors.	14 items scored "extremely excellent (5)" and 5 items scored "excellent (4)" indicate that the overall operations of the Remuneration Committee is good, in conformance with corporate governance requirement and can effectively enhance the functions of the board of directors.

4. The objectives for strengthening the board of directors' functions in the current and most recent year (*i.e.*, establishing an audit committee, improving information transparency, etc.), and implementation status evaluation:

(1) The Company has fully re-elected the board of directors at the general shareholders' meeting and established an Audit Committee on June 18, 2020, in accordance with regulations to replace the authority of the supervisors and strengthen the functions of the board of directors.

(2) Information on directors' continuing education in 2021 is as follows:

Title	Name	Training date	Course name	Hours of continuing education
Independent director	Huang, Kuo-Shih	September 24, 2021	Guidance for small and medium-sized enterprises on labor management	3
		September 17, 2021	Virtual currency and anti-money laundering system	3
		January 18, 2021	Practices on deduction declaration	3
Director	Wang, Kuo-Hung	October 22, 2021	Green Swans, the most important thing for ESG investment	3
		October 22, 2021	How the board of directors shall review a sustainability report	3

(II) Operating status of the Audit Committee or supervisors' involvement in operation of the board of directors:

Audit Committee's operation status:

(1) Duties of the Audit Committee:

Duties and authorities of the committee are as follows:

- ① Formulate or amend internal control system according to Paragraph 1, Article 14 of the Securities Exchange Act.
- ② Assess effectiveness of the internal control system.
- ③ Formulate or amend, pursuant to Paragraph 1, Article 36 of the Securities Exchange Act, handling procedures for financial or operating actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others and endorsements or guarantees for others.

- ④ Handle matters on the personal interest of a director or supervisor.
- ⑤ Conclude transactions involving material assets or derivatives trading.
- ⑥ Provide material loan, endorsement or guarantee.
- ⑦ Offering, issue or privately place any negotiable securities.
- ⑧ Hire, dismiss or remunerate attesting certified public accountants.
- ⑨ Appoint or dismiss financial, accounting or internal auditing officers.
- ⑩ Annual and semi-annual financial reports shall be signed or sealed by the chairperson, executive officer and accounting officer.
- ⑪ Any other material matters so determined by the Company or the competent authority.

(2) Information on Audit Committee's operation status:

In the most recent year (2021) the Audit Committee met 6 times (A) and the attendance of independent directors is as follows:

Title	Name	No. of actual attendances (in nonvoting capacity) (B)	No. of attendances by proxy	Actual attendance rate in nonvoting capacity (%) (B/A)	Remarks
Independent director	Huang, Kuo-Shih	6	0	100%	None
Independent director	Wu, Chun-Feng	6	0	100%	None
Independent director	Yang, Ming-Szu	6	0	100%	None

Other matters to be recorded:

1. Under any of the following circumstances, date, period, proposal content, independent directors' objections, reservations or material suggestions, Audit Committee's resolution results and the Company's response to the Audit Committee's opinions shall be clarified:

(1) Issues listed in Article 14-5 of the Securities and Exchange Act:

Audit Committee date, period	Agenda	Independent directors' objections, reservations or material suggestions	Audit Committee's resolution results and the Company's response to independent directors' opinions
March 24, 2021 1st term 5th	Proposal for the Company's 2020 annual business report and financial report.	None	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
	Proposal for the Company's 2020 "Internal Control System Efficiency Evaluation" and "Internal Control System Declaration."		
	Proposal by the Company not to proceed with the private placement of ordinary shares approved by the 2020 shareholders' meeting.		
	Proposal by the Company to collaborate with the CPA's internal rotation and change the financial report audit CPA.		
	Proposal to revise remuneration for the Company's directors.		
April 23, 2021 1st term 6th	Proposal by the Company to issue new shares for cash capital increase.	None	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
	Proposal for the Company's execution of private placement of ordinary shares.		
August 10, 2021 1st term 8th	Proposal for amending some clauses of the Company's Property, Plant and Equipment Management Measures FP63-0002-G.	None	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
November 11, 2021 1st term 9th	Proposal for amending the Company's Standard Operating Procedures for Responding to Directors' Requirements FP55-0013-G.		
	Proposal for amending the Company's Board of Directors Self or Peer Review.	None	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.

Audit Committee date, period	Agenda	Independent directors' objections, reservations or material suggestions	Audit Committee's resolution results and the Company's response to independent directors' opinions
December 20, 2021 1st term 10th	2022 internal audit plan.	None	The Audit Committee members unanimously approved all proposals, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
	Proposal by the Company to issue new shares for cash capital increase.		
	Proposal to amend the Company's Internal Control Audit Implementation Rules FP55-0011-G.		

(2) In addition to the aforementioned matters, other matters that have not been approved by the Audit Committee but approved by over two-thirds of all directors: none.

2. In case of recusal of independent directors due to conflict of interest, independent directors' names, the content of the proposals, the reasons for the recusal and the circumstances of their participation in voting must be noted: None.

3. Communications between independent directors and the internal audit supervisor:

(1) Policies for communicating with the internal audit supervisor

Monthly: the audit organization shall perform audit according to the Internal Control Audit Plan approved by the board of directors and the audit committee. After presentation of the audit results for verification, the Internal control audit report shall be delivered to the independent directors for review.

Quarterly: the audit supervisor shall attend the Audit Committee meeting to report the audit businesses to the Audit Committee.

Annual: the audit supervisor shall attend the Audit Committee meeting to draft and determine the next year's Annual Internal Control Audit Plan according to risk evaluation results; prepare the preceding year's Self-appraisal Report on Internal Audit and Statement on Internal Control System based on departments' self-inspection results of their internal control rules.

(2) Information on communications with the internal audit supervisor

Date	Communication methods	Communicated matters	Suggestions and results
March 24, 2021	Informal discussions before a meeting	Reviewed the Proposal for the Company's 2020 "Internal Control System Efficiency Evaluation" and "Internal Control System Declaration." Reviewed the Company's audit implementation status report for Q4, 2020.	Known, without opinion. Approved by the Review Committee upon review and presented to the board of directors.
May 12, 2021	Informal discussions before a meeting	Reviewed the Company's audit implementation status report for Q1, 2021.	Known, without opinion.
August 10, 2021	Informal discussions before a meeting	Reviewed the Company's audit implementation status report for Q2, 2021.	Known, without opinion.
November 11, 2021	Informal discussions before a meeting	Reviewed the Company's audit implementation status report for Q3, 2021.	Known, without opinion.
December 20, 2021	Informal discussions before a meeting	Reviewed the Company's 2022 internal audit plan. Amended the Company's "Internal Control Audit Implementation Rules"	Known, without opinion. Approved by the Review Committee upon review and presented to the board of

4. Information on communications between independent directors and accountants:

(1) Communication policies

Governance matters quarterly audited or reviewed by the Company's certified public accountants in respect of the Company's consolidated financial reports (annual reports, including standalone financial reports), information reported to the Audit Committee, and other matters communicated as required by other pertinent laws and regulations.

(2) Information on communication

Date	Communication methods	Communicated matters	Suggestions and results
March 24, 2021	Audit Committee	Evaluated the report on independence and competence of accountants appointed by the Company. Reviewed the Company's evaluation report on improvement of financial reports prepared by itself. Reviewed the Proposal for the Company's 2020 annual business report and financial report. Reviewed the Proposal by the Company to collaborate with KPMG's internal rotation and change the financial report audit CPA.	Known, without opinion. Approved by the Review Committee upon review and presented to the board of directors.
May 12, 2021	Audit Committee	Reviewed the Company's consolidated financial report for Q1, 2021.	Known, without opinion.
August 10, 2021	Audit Committee	Reviewed the Company's consolidated financial report for Q2, 2021.	Known, without opinion.
November 11, 2021	Audit Committee	Reviewed the Company's consolidated financial report for Q3, 2021.	Known, without opinion.
December 20, 2021	Audit Committee	Reviewed the quarterly execution report on the Company's plan for improving financial reports prepared by itself for Q3, 2021	Known, without opinion.

Supervisors' participation in the board of directors operations: N/A.

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

Assessment item	Operating status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons.
	Yes	No	Summary description	
I. Has the Company established and disclosed a code of practice for corporate governance pursuant to the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies?"	V		The Company's board of directors has passed a resolution on March 26, 2015, to formulate the "Code of Practice for Corporate Governance" and submitted a report to the 2015 general shareholders meeting. The relevant content can be found in the corporate governance area of the Market Observation Post System.	No difference.
II. Company shareholding structure and shareholders' equity (I) Has the Company established internal operating procedures to handle shareholder suggestions, doubts, disputes, litigation matters and implemented them in accordance with the procedures?	V		(I) The Company has established the Stock Affairs Management Method and appointed dedicated personnel (spokesperson, proxy spokesperson, stock affairs, etc.) to deal with shareholder suggestions, doubts, disputes and other issues. Moreover, if legal issues are involved, the legal affairs unit shall be requested to provide assistance.	No difference.

Assessment item	Operating status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.
	Yes	No	Summary description	
(II) Does the Company have a list of the major shareholders who actually control the Company as well as the ultimate controlling party of the major shareholders?	V		(II) The Company has a good grasp of the list of major shareholders and the controlling parties of the major shareholders according to the shareholders register list on the closing date.	
(III) Has the Company established and implemented risk control and firewall mechanisms between related companies?	V		(III) The Company has formulated the "Affiliate and Group Enterprise Transaction Handling Method" and "Subsidiary Monitoring Operation Method" which are controlled in accordance with the Company's internal control system.	
(IV) Has the Company established internal regulations to prohibit insiders from using undisclosed information on the market to buy and sell securities?	V		(IV) The Company has established the "Important Internal Information Handling and Insider Trading Prevention Procedures" to prevent the occurrence of insider trading.	
III Composition and responsibilities of the board of directors				No difference.
(I) Does the board of directors draft and implement diversified policies and specific management objectives?	V		(I) The Company's directors, who are professional in businesses, optoelectronics, civil engineering, accounting and finance, etc., can provide diverse opinions at the board of directors to improve operations. For details, refer to Page 16-17.	
(II) Has the Company voluntarily established various other functional committees in addition to the Salary and Remuneration Committee and the Audit Committee according to the law?	V		(II) In addition to setting up a Salary and Remuneration Committee in accordance with the law, the Company will establish a comprehensive supervision mechanism, strengthen management functions, and consider the competent authority's recommendations to add additional functional committees in the future based on the Company's operational needs.	
(III) Has the Company established a board performance assessment measure and evaluation method, implemented performance evaluation annually and regularly, reported the results of the performance evaluation to the board of directors, and applied the results to individual directors' salary and nomination renewal?	V		(III) The Company has formulated the Performance Appraisal Measures for the Board of Directors and Functional Committees to review the performance evaluation of the board of directors within the prescribed period. Internal self-evaluation of the board of directors, self-evaluation of directors, peer evaluation, appointment of external experts or other appropriate performance evaluation methods may be adopted for the evaluation. The appraisal items of the board's performance evaluation include the following five major aspects: I. Participation in the operation of the company. II. Improvement of the quality of the board of directors' decision making. III. Composition and structure of the board of directors. IV. Selection and continuing education of directors. V. Internal control. The Company has completed the 2021 self-evaluation of the board of directors' performance. The evaluation results were submitted to the board of directors meeting	

Assessment item	Operating status		Summary description	Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons.																											
	Yes	No																													
(IV) Does the Company regularly assess the independence of CPAs?	V		<p>on March 21, 2022 as reference for future director selection or nomination as well as salary and remuneration for individual directors. For the appraisal results, please refer to Page 26-27 of this annual report.</p> <p>(IV) The Company's board of directors has assessed the independence and competence of the CPAs when appointing CPAs, and confirmed the CPAs' independence regularly during their appointment. In addition, when CPAs have direct or indirect interest in the commissioned matters, they must also be recused and comply with the internal rotation regulations in accordance with the law. Therefore, declarations of independence and professional ethics have been signed by CPA Chen, Tsung-Che and CPA Chih, Shih-Chin.</p> <p>March 21, 2022, appraisal of the independence of the board of directors' CPAs:</p> <table border="1"> <thead> <tr> <th>Assessment item</th> <th>Appraisal results</th> <th>Compliance with independence</th> </tr> </thead> <tbody> <tr> <td>1. Does the CPA have a direct or significant indirect financial interest relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Does the CPA have any loan or guarantee behavior with the Company or the directors of the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Does the CPA have a close business relationship and potential employment relationship with the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Has the CPA or their audit team members served as directors or managers of the Company or have a significant impact on the present audit work or in the last two years?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>5. Has the CPA ever provided the Company with non-audit service items that may directly affect the audit work?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>6. Has the CPA ever brokered stocks or other securities issued by the Company?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>7. Has the CPA served as a defender of the Company or represented the Company to arbitrate conflicts with other third parties?</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>8. Is the CPA related to the Company's directors, managers or persons who have significant influence on the audit case?</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment item	Appraisal results	Compliance with independence	1. Does the CPA have a direct or significant indirect financial interest relationship with the Company?	No	Yes	2. Does the CPA have any loan or guarantee behavior with the Company or the directors of the Company?	No	Yes	3. Does the CPA have a close business relationship and potential employment relationship with the Company?	No	Yes	4. Has the CPA or their audit team members served as directors or managers of the Company or have a significant impact on the present audit work or in the last two years?	No	Yes	5. Has the CPA ever provided the Company with non-audit service items that may directly affect the audit work?	No	Yes	6. Has the CPA ever brokered stocks or other securities issued by the Company?	No	Yes	7. Has the CPA served as a defender of the Company or represented the Company to arbitrate conflicts with other third parties?	No	Yes	8. Is the CPA related to the Company's directors, managers or persons who have significant influence on the audit case?	No	Yes	
Assessment item	Appraisal results	Compliance with independence																													
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3. Does the CPA have a close business relationship and potential employment relationship with the Company?	No	Yes																													
4. Has the CPA or their audit team members served as directors or managers of the Company or have a significant impact on the present audit work or in the last two years?	No	Yes																													
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7. Has the CPA served as a defender of the Company or represented the Company to arbitrate conflicts with other third parties?	No	Yes																													
8. Is the CPA related to the Company's directors, managers or persons who have significant influence on the audit case?	No	Yes																													
IV. Has the Company deployed competent and an appropriate number of corporate governance personnel and designated a head of corporate governance to take charge of corporate governance related matters (including, but not limited to, providing information required by	V		As resolved by the board of directors on March 12, 2021, the Company appointed chief financial/accounting officer Wu, Tai-Chiou (Assistant Manager) to act as the Company's governance officer, the top officer in charge of matters on the Company's governance. Assistant Manager Wu, Tai-Chiou, with more than three	No significant difference.																											

Assessment item	Operating status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons.
	Yes	No	Summary description	
directors and supervisors to perform operations, assisting directors and supervisors with legal compliance issues, handling board of directors' and shareholders' meeting- related matters in accordance with the law, making board of directors' and shareholders' meeting minutes)?			years of work experience as internal audit and financial officer in a public entity, is qualified for acting as governance officer of the Company. The service provider shall be responsible for handling matters about the Company's governance. An appropriate number of competent personnel have been appointed. They are mainly accountable for lawfully handling matters on the board of directors and shareholders' meetings, keeping minutes of the board of directors' and shareholders' meetings, assisting with directors' appointment and continuing education, providing materials necessary for directors' business implementation and supporting directors' compliance with laws and regulations.	
V. Has the Company established communications with stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers) and set up a special area for the stakeholders on the company website to appropriately respond to the key corporate social responsibility issues that are of concern to the stakeholders?	V		The Company has established communications with stakeholders and set up a special area for the stakeholders on the company website to appropriately respond to the key corporate social responsibility issues that are of concern to the stakeholders.	No difference.
VI. Has the Company commissioned a professional stock affairs agency to handle the shareholders' meeting affairs?	V		The Company has commissioned the Grand Fortune Securities Stock Agency Department to handle the shareholders' meeting-related affairs.	No difference.
VII. Information disclosure (I) Has the Company's established a website to disclose its financial business and corporate governance information? (II) Has the Company adopted other information disclosure methods (such as setting up an English website, appointing a special person to take charge of company information collection and disclosure, implementing a spokesperson system or place the corporate briefing process on the Company's website)? (III) Has the Company announced and declared the annual financial report within two months after the end of the fiscal year; and published the 1st, 2nd and 3rd quarter financial reports as well as the monthly operating status within the prescribed deadline?	V V		(I) The Company's website at: www.gtoc.com.tw clearly discloses the financial business and corporate governance related information for reference by the shareholders and the general public. (II) The Company has established its website in Chinese and English, appointed a special person to take charge of company information collection and disclosure, implemented a spokesperson system (one spokesperson and one proxy spokesperson), and placed its corporate briefing processes on the Company's website. (III) The Company has not published its annual financial report within 2 months after the end of the fiscal year, but has published its 1st, 2nd, and 3rd quarter operating status reports prior to the specified deadlines. In the future, the Company will publish its annual financial report within 2 months after the end of the fiscal year in order to strengthen corporate governance.	No significant difference.

Assessment item	Operating status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies" and the reasons.
	Yes	No	Summary description	
VIII. Is there any further information that may help to understand the Company's corporate governance status better (including, but not limited to, employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, the continuing education of the directors and supervisors, risk management policy and risk assessment in action, the implementation of customer policy, and the protection of the directors and supervisors via professional liability insurance)?	V		<p>(I) Employee rights and care:</p> <ol style="list-style-type: none"> 1. In addition to providing employee labor insurance, national health insurance and allocating regular monthly pension in accordance with the law; the Company has also planned and purchased comprehensive group insurance for its employees. 2. Abundant education and training resources are provided such as regular internal and external training as well as learning courses. 3. Subsidies for leisure travel activities are provided to help employees properly plan leisure and entertainment activities. 4. Marriage, childbirth, birthday and other gifts are provided, as well as funeral condolences. 5. To help employees satisfy their food, clothing, housing, and transportation needs; the Company provides staff restaurants, lounges, breastfeeding (milking) rooms, transportation vehicles, motorcycle parking lots and other facilities. 6. The physical and mental health of employees is important. Therefore, the Company provides employees with regular annual health checkups, irregular health lectures and forums, as well as full-time nursing staff and health management centers with resident physicians to offer health diagnosis and consultation to employees. 7. Employees are encouraged to study and enrich themselves during their spare time, and scholarships are provided to the children of employees. 8. The Company regularly purchases various types of books for employees to borrow in order to enhance the reading atmosphere. 9. The Company cares for employees and their family lives, and provides appropriate solutions for assistance according to the circumstances of individual cases to help employees solve their problems. If an employee encounters a major accident or emergency, the employee can apply to the Company for emergency relief to help solve their urgent needs. 10. The Welfare Committee of the Company considers it important for employees to find a balance between work and family life and has planned diverse activities each year such as employee family days suitable for the whole family to increase opportunities for employees to interact with their families. The Company also organizes theme activities during festivals to encourage employees to actively participate and relieve pressure from work. 	No significant difference.
	V		<p>(II) Investor relations: The Company has established a comprehensive spokesperson system to handle shareholder suggestions, doubts and</p>	

Assessment item	Operating status			Deviation from the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies” and the reasons.								
	Yes	No	Summary description									
	V		disputes, and has disclosed Company information according to the relevant laws and regulations in order to protect the rights and interests of investors and maintain good relations.									
	V		(III) Supplier relations: The Company has established a stable supply chain under the principle of equality and mutual benefit, and formulated the “Safe Supply Chain Partnership Evaluation Standard Management Method” to ensure that the supplier quality, specifications and risk assessment meet the high-quality corporate safety review and verification standards and that all parties can jointly pursue sustainable operations.									
	V		(IV) Rights of stakeholders: the Company has maintained smooth notification and communication channels with correspondent banks, employees, customers and suppliers. The Company also respects and safeguards their rights and interests, and can quickly and properly respond to issues related to stakeholder concerns.									
	V		(V) For information on directors’ continuing education, please refer to Page 27 of this annual report.									
	V		(VI) Risk management policies and risk measurement standards implementation status: The Company focuses on its core industry and complies with relevant laws and regulations in order to execute different policies to reduce and prevent any possible risks.									
	V		(VII) Customer policy implementation status: the Company has designated personnel to maintain regular communication channels between the Company and its customers. The goals are to grasp customer dynamics at all times and ensure the best interests of all parties via a good negotiation mechanism. In addition, the Company also uses annual customer satisfaction surveys to obtain feedback from customers and conduct self-review in 4 areas: quality, delivery deadline, services and processing capability.									
	V		(VIII) Circumstances in which the Company purchases liability insurance for directors and supervisors:									
			<table border="1"> <thead> <tr> <th>Insurance subject</th> <th>Insurance company</th> <th>Insurance amount</th> <th>Insurance period</th> </tr> </thead> <tbody> <tr> <td>All directors and supervisors</td> <td>Cathay maternity insurance</td> <td>US\$5,000,000</td> <td>From January 1, 2022 to January 1, 2023</td> </tr> </tbody> </table>	Insurance subject	Insurance company	Insurance amount	Insurance period	All directors and supervisors	Cathay maternity insurance	US\$5,000,000	From January 1, 2022 to January 1, 2023	
Insurance subject	Insurance company	Insurance amount	Insurance period									
All directors and supervisors	Cathay maternity insurance	US\$5,000,000	From January 1, 2022 to January 1, 2023									
			The Company’s board of directors report dated March 21, 2022: Liability insurance for directors, supervisors and managers.									

Assessment item	Operating status			Deviation from the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" and the reasons.
	Yes	No	Summary description	
			Notes: According to the Company's Articles of Incorporation and Corporate Social Responsibility Best Practice Principles, the Company has purchased the "Cathay Directors and Officers Liability Insurance" effective from January 1, 2022, to January 1, 2023, in order to reduce and disperse the risk of major damages to the Company and shareholders due to errors or negligence from directors, supervisors, and managers. Important contents such as insurance evaluation comparison, insured amount, coverage and insurance premium rate are listed in this report.	

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

(I) The Company's evaluation results in 2021 account for 66% to 80% among all evaluated companies', which is comparable to that in 2020. The improvements of evaluation indicators in 2021 are as follows:

1. To improve corporate governance, a governance officer was appointed. The board of directors evaluated its own performances according to the Self or Peer Review Measures for the Board of Directors and the evaluation results were reported at the board of directors.
2. To increase the Company's information transparency, we prepared English meeting handbook, annual report and related materials in 2021. Related English materials of the Shareholders' meeting, and information on operations of the board of directors, Audit Committee and Remuneration Committee were released on webpages of the Company.

(II) Future improvements are as follows:

1. To strengthen information disclosure, the Company's objectives and strategies on energy conservation, carbon emission reduction, and reduction of greenhouse gases or wastes as well as their implementation will be disclosed in the annual reports and Market Observation Post System.
2. To increase information transparency, information disclosure in the Company's website and annual reports will be constantly strengthened.

(IV) Components, duties and operations of the Remuneration Committee:

1. Information on members of the Remuneration Committee:

Identity	Name	Condition	Professional qualification and experience	Independence	Number of publicly listed companies where the member concurrently serves as Salary and Remuneration Committee member
Convenor	Huang, Kuo-Shih		Independent director; for information on his professional qualification, experience and independence, please refer to Page 15.		2
Committee member	Wu, Chun-Feng			0	
Committee member	Yang, Ming-Szu			2	

2. Duties of the Remuneration Committee:

The Company has set up the Remuneration Committee. On August 7, 2020, it amended the management measures for operations of the Remuneration Committee in combination with setup of the Audit Committee and the actual needs. The Remuneration Committee is mainly responsible for formulating and reviewing

performance appraisal and remuneration policies, rules, standards and structures for directors, supervisors and managers. It shall exercise the following powers and submit proposals to the board of directors for discussion:

- (1) Evaluating and supervising the Company's overall supervision policy.
- (2) Evaluating and approving the salary levels of directors.
- (3) Evaluating and approving the salary levels of the Company's managers.
- (4) Reviewing the remuneration of directors/supervisors and senior managers on an irregular basis according to factors such as the Company's objectives, operating performance, and competitive environment.
- (5) For the remuneration of directors, supervisors and managers of the Company's subsidiaries, if the decision-making matters are subject to the approval of the Company's board of directors according to the subsidiary's hierarchical responsibilities, this committee must make recommendations and submit them to the board of directors for discussion.

3. Information on operations of the Remuneration Committee:

- (1) The Company's Remuneration Committee has 3 members.
- (2) Term of office for current members: From June 18, 2020, to June 17, 2023. The Remuneration Committee met 3 times (A) in the most recent year (2021) and the qualifications and attendance of the members are as follows:

Title	Name	No. of actual attendances (B)	No. of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
Convenor	Huang, Kuo-Shih	3	0	100%	
Committee member	Wu, Chun-Feng	3	0	100%	
Committee member	Yang, Ming-Szu	3	0	100%	

Other matters to be recorded:

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

4. Information on the Remuneration Committee's meetings, review and evaluation of the Company's salary in the most recent year (2021) is as follows:

Remuneration Committee Date and period	Agenda	Resolution results and the Company's response to the Remuneration Committee's opinions
March 24, 2021 4th term, 3th	Revised remuneration for the Company's directors.	<ol style="list-style-type: none"> 1. All proposed were approved by all members of the Remuneration Committee present at the meeting; 2. All directors present approved all proposals as per suggestions of the Remuneration Committee.
May 12, 2021 4th term, 4th	Proposal to appoint the corporate governance officer for the Company. Proposal for the Company's 2021 financial budget update.	
December 20, 2021 4th term, 5th	The Company's 2021 Year-end Bonus Amount Expected to be Distributed.	

(V) Promotion of sustainable development, deviation from the Best Practices for TWSE/TPEX-Listed Companies and the reasons:

Items	Implementation status			Deviation from the Best Practices for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
I. Has the Company established a governance structure for promoting sustainable development, set up full-time (part-time) units for driving sustainable development, had the board of directors to authorize top management to deal with related matters and instructed the board of directors to supervise?	V		On November 30, 2015, the Company built the Committee on Social and Environmental Duties, which was renamed ESG Committee in 2022 as the Company's unit for promoting sustainable development. The President was appointed as director of the committee. Director general, secretary and promotion group were appointed and built for promoting social and environmental responsibility policies, establishing targets and plans, providing supervision, as well as for improvement and implementation. They work under the spirit of P-D-C-A to achieve a balance of interests among shareholders, employees, society and all stakeholders, reviews the performances and proposes improvement measures. They also review the execution and operation effectiveness of related key items such as corporate governance, sustainable environmental development, social welfare maintenance, and corporate social information disclosure as well as the shareholders related issues, which must be reported to the chairperson of the committee and be included in follow-up reviews.	No significant difference.
II. Has the Company conducted risk assessments on environmental, social, and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulated relevant risk management policies or strategies?	V		The Company has conducted regular assessment and effective management on labor practices and professional ethics risks in order to prevent and reduce any existing and potential risks in labor practices and professional ethics. The goal is to enable personnel management to achieve risk prevention as well as legal and efficient operations, meet the corporate social responsibility (CSR) standards, and formulate procedures for CSR risk assessment and management, environmental consideration, and hazard identification.	No significant difference.
III. Environmental issues (I) Has the Company established an appropriate environmental management system according to the characteristics of its industry? (II) Is the Company committed to improving energy utilization efficiency and using recycled materials that can lower the impact on the environment?	V V		(I) The Company has established the Occupational Safety, Health, and Environmental Protection Department and is committed to complying with the green environmental competition policies by having passed the ISO 14001 certification, establishing the hazardous substance free (HSF) policy, complying with the relevant laws and international conventions, continuing to reduce process waste and stopping the use of environmentally hazardous substances, and implementing pollution prevention in order to create a sustainable development environment. (II) The Company is committed to improving resource utilization via e-document sign-off through the legal document review system and SPM electronic process. This effort can effectively reduce paper consumption, enable the Company to comply with environmental protection laws and meet resource recycling and classification requirements.	No significant difference.

Items	Implementation status			Deviation from the Best Practices for TWSE/TPEX-Listed Companies and the reasons																																																													
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(III) Has the Company assessed the potential risks and opportunities of climate change for the present and in the future, and taken measures to address climate-related issues?	V		(III) In light of global climate change, the Company's Green Building Business Division has actively promoted the Low-E energy-saving glass and chemical-free easy-clean glass to effectively promote the concept of environmental protection.																																																														
	(IV) Has the Company calculated its greenhouse gas emissions, water consumption, and total weight of waste for the past two years and has the Company formulated any energy saving and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management related policies?	V			<p>(IV) The Company has regularly conducted greenhouse gas inventories and disclosed the greenhouse gas management status to stakeholders. The Company built the ESG Committee in February 2022. It plans to organize training and write ESG reports from the second half of this year. Topics on energy conservation, carbon emission reduction, reduction of greenhouse gases, decrease of water consumption and management of other wastes will be also discussed, so complete objectives and policies will be set and established for the next year.</p> <p style="text-align: center;">Statistics on Emissions of Greenhouse Gases (CO₂e metric tons/year)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Plants</th> <th colspan="2">2020</th> <th colspan="2">2021</th> </tr> <tr> <th>Indirect (purchased electricity)</th> <th>Direct (including provisioning of firefighting equipment and business vehicles)</th> <th>Indirect (purchased electricity)</th> <th>Direct (including provisioning of firefighting equipment and business vehicles)</th> </tr> </thead> <tbody> <tr> <td>Miaoli Plant</td> <td style="text-align: right;">13,187.78</td> <td style="text-align: right;">114.22</td> <td style="text-align: right;">11,110.56</td> <td style="text-align: right;">32.90</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td colspan="2" style="text-align: right;">13,302.00</td> <td colspan="2" style="text-align: right;">11,143.46</td> </tr> <tr> <td>Plant in Southern Taiwan Science Park</td> <td style="text-align: right;">11,418.94</td> <td style="text-align: right;">17.40</td> <td style="text-align: right;">15,678.64</td> <td style="text-align: right;">16.62</td> </tr> <tr> <td style="text-align: center;">Subtotal</td> <td colspan="2" style="text-align: right;">11,436.34</td> <td colspan="2" style="text-align: right;">15,695.26</td> </tr> </tbody> </table> <p style="text-align: center;">Information on electricity/water consumption and waste production of the Company's plants in 2020 and 2021 is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Electricity consumption (kWh)</th> <th colspan="3" style="text-align: center;">Water consumption (t)</th> </tr> <tr> <th>Plants</th> <th>2020</th> <th>2021</th> <th>Plants</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Miaoli Plant</td> <td style="text-align: right;">22,191,585</td> <td style="text-align: right;">21,828,204</td> <td>Miaoli Plant</td> <td style="text-align: right;">51,823</td> <td style="text-align: right;">53,367</td> </tr> <tr> <td>Plant in Southern Taiwan Science Park</td> <td style="text-align: right;">21,304,000</td> <td style="text-align: right;">29,251,200</td> <td>Plant in Southern Taiwan Science Park</td> <td style="text-align: right;">116,113</td> <td style="text-align: right;">114,486</td> </tr> </tbody> </table> <p style="text-align: center;">Waste weight (t)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Plants</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Miaoli Plant</td> <td style="text-align: right;">984.11</td> <td style="text-align: right;">538.53</td> </tr> <tr> <td>Plant in Southern Taiwan Science Park</td> <td style="text-align: right;">145.26</td> <td style="text-align: right;">212.99</td> </tr> </tbody> </table>	Plants	2020		2021		Indirect (purchased electricity)	Direct (including provisioning of firefighting equipment and business vehicles)	Indirect (purchased electricity)	Direct (including provisioning of firefighting equipment and business vehicles)	Miaoli Plant	13,187.78	114.22	11,110.56	32.90	Subtotal	13,302.00		11,143.46		Plant in Southern Taiwan Science Park	11,418.94	17.40	15,678.64	16.62	Subtotal	11,436.34		15,695.26		Electricity consumption (kWh)			Water consumption (t)			Plants	2020	2021	Plants	2020	2021	Miaoli Plant	22,191,585	21,828,204	Miaoli Plant	51,823	53,367	Plant in Southern Taiwan Science Park	21,304,000	29,251,200	Plant in Southern Taiwan Science Park	116,113	114,486	Plants	2020	2021	Miaoli Plant	984.11	538.53	Plant in Southern Taiwan Science Park
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Items	Implementation status			Deviation from the Best Practices for TWSE/TPEX-Listed Companies and the reasons
	Yes	No	Summary description	
IV. Social issues				
(I) Has the Company formulated relevant management policies and procedures according to the relevant regulations and international human rights conventions?	V		(I) The Company has formulated relevant management policies and procedures in accordance with labor laws and international human rights conventions in order to protect the legal rights of employees and adopt discrimination-free employment policies.	No significant difference.
(II) Has the Company formulated and implemented reasonable employee welfare measures (including compensation, vacations, and other benefits), and appropriately reflected its operating performances or results in employee compensation?	V		(II) The Company has developed appropriate Salary Management Procedure, "Performance Bonus Issuance Management Method" and "Annual Bonus Issuance Management Method" and adopted reasonable employee welfare measures to adequately reflect operating performances or results in employee remuneration.	
(III) Has the Company provided a safe and healthy work environment, and regularly carried out safety and health education for employees?	V		(III) The Company provides employees with a clean and tidy work environment as well as safety and protection equipment needed to ensure the safety and health of employees and the supervisors and industrial safety units have conducted work environment and hazard prevention inspections on an irregular basis. The Company also attaches great importance to the health of its employees, offers employee health examinations that are superior to those required by the laws and regulations and spares no effort in providing care and promoting employees' health.	
(IV) Has the Company established an effective career development training program for employees?	V		(IV) The Company has established an effective career development training plan for employees and provides training according to work position and function in 4 major categories: management, professionalism, general education and labor safety regulations. The Company also provides internal and external training according to actual needs in order to enhance the professionalism of employees in the workplace.	
(V) With regard to customer health and safety, customer privacy or marketing and labeling of products and services, has the Company followed the relevant regulations and international standards as well as formulated related consumer or consumer protection policies and appeal procedures?	V		(VI) The Company has passed the IECQ QC 080000 hazardous substance management standard, referenced the EU RoHS Directive 2015/863, monitored the compliance of its products and services, encouraged suppliers to establish an effective GP management system and pass third-party system certification, and complied with the relevant social and environmental codes of conduct. The Company's efforts include the continual reduction of process waste and not using environmentally harmful substances, strict pollution prevention implementation, and promotion of the Company's environmentally hazardous substance management philosophy to relevant groups. The Company has formulated Management Procedure for Customer Complaints, Return and Satisfaction Survey. Whereas most of the Company's customers are not end consumers, all of the Company's customers other than consumers of smart building	

Items	Implementation status			Deviation from the Best Practices for TWSE/TPEx-Listed Companies and the reasons
	Yes	No	Summary description	
(VI) Has the Company formulated supplier management policies that require suppliers to follow the relevant regulations on environmental protection, occupational safety and health or labor human rights, and implemented them accordingly?	V		<p>glass can directly contact responsible units to file complaints, and efficient policies are formulated for protecting customers' rights and interests. In addition, the Company buys product liability insurance, to protect product users' rights and interests.</p> <p>(VII) The Company has established the "Supplier Management Procedure" which covers the relevant regulations on issues such as environmental protection, occupational safety and health, and labor human rights that suppliers must follow. To comply with certification specifications, suppliers are required to provide non-hazardous raw materials in order to jointly comply with CSR and ensure that the final products to the customers are safe and harmless. To comply with the SA8000 standard, the Company has also established the "Supplier Implementation Guidelines" to require all products and services provided by qualified suppliers to meet the CSR requirements. They must also provide a signed/sealed declaration in order to become a supplier for the Company.</p>	
V. Has the Company referenced the international report preparation standards or guidelines on the preparation of sustainability reports and other reports that disclose the Company's non-financial information? Have the aforementioned reports been confirmed or verified by a third-party certification unit?		V	<p>According to Article 2 of the Measures for TSWE-listed Companies' Preparation and Declaration of Sustainability Reports, the Company is not required to issue sustainability reports and so far, no sustainability report has been prepared to disclose the Company's non-financial information. At present, the Company plans to issue a sustainability report for 2022 according to Article 2 of the Measures for TSWE-listed Companies' Preparation and Declaration of Sustainability Reports and with reference to international universal criteria for report preparation in 2023, and disclose related information pursuant to rules of competent authorities, for the purpose of sustainable development. The Company does not execute any third-party verification plan for the time being, because it is not required to seek definite opinions from a third-party verification organization.</p>	Not applicable
<p>VI. If the Company has established its own best practices for sustainable development pursuant to the "Best Practices for Sustainable Development of TWSE/GTSM Listed Companies," please note the difference between its operations and the code established:</p> <p>The Company promulgated the Best Practices for Corporate Social Responsibilities on December 17, 2014 and presented it at the general shareholders' meeting in 2015. The Best Practices for Sustainable Development of TWSE/GTSM Listed Companies attached for reference was renamed the Best Practices for Sustainable Development, which were promulgated as approved by the board of directors on March 21, 2022 and presented at the 2022 general shareholders' meeting. Related measures have been disclosed in the Market Observation Post System and the website of the Company. Present operations of the Company does not significantly deviate from these practices.</p>				

(VI) Implementation status of integrity policies and practices as well as deviations and causes of deviations in practice differences compared to those of TWSE/GTSM listed companies:

Assessment item	Operating status			Deviation and cause of deviation in practice differences compared to TWSE/GTSM listed companies
	Yes	No	Summary description	
<p>I. Integrity management policy and plan formulation</p> <p>(I) Has the Company formulated an integrity management policy approved by the board of directors, expressed the integrity management policy and practices in regulations or external documents, and have the board of directors and senior management actively implemented the management policy?</p> <p>(II) Has the Company established a dishonesty risk assessment mechanism, regularly analyzed and evaluated business activities with a high risk of dishonesty, and formulated a plan to prevent dishonesty that at least covers the preventive measures provided by Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"</p> <p>(III) Has the Company specified operating procedure, behavior guideline, disciplinary penalty and grievance systems and implemented them accordingly in its proposal for preventing dishonest behaviors, and regularly reviewed the proposal prior to correction?</p>	V		<p>(I) The Company's board of directors has passed the "Code of Integrity Management" on December 17, 2014, and published it on the Company's official website and intranet for review by stakeholders. The Company's board of directors and senior management have actively fulfilled the commitment policy for integrity management.</p> <p>(II) The Company has referenced the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" to formulate its own guidelines, which provides the measures to prevent the following dishonest behavior:</p> <ol style="list-style-type: none"> I. Providing and receiving bribes. II. Providing illegal political donations. III. Improper charitable donations or sponsorships. IV. Offering or accepting improper gifts, entertainment, or other unreasonable benefits. V. Infringement of trade secrets, trademark rights, patent rights, copyrights, and other intellectual property rights. VI. Engaging in unfair competition. VII. Providing products or services that directly or indirectly damage the rights, health and safety of consumers, or other interested parties during the R&D, procurement, manufacturing, provision or sales phase. <p>(III) The Company has expressly formulated the operating procedure, behavior guideline, as well as disciplinary penalty and grievance systems and implemented them accordingly to prevent dishonest behavior. The Company has also established an integrity email box (honesty@gtoc.com.tw) and assigned management level personnel to handle the reports and complaints and the results are reported to independent directors.</p>	No significant difference.
<p>II. Integrity management practice</p> <p>(I) Has the Company assessed the integrity records of counterparties and specified the terms of integrity in the contracts signed with counterparties?</p>	V		<p>(I) When the Company engages in business activities, it shall avoid dealing with people with records of dishonest behavior and shall specify the honest behavior clauses in commercial contracts. To ensure that trading counterparties are ethical business operators, penalty clauses are stipulated in procurement contracts to set the liabilities that manufacturers must bear</p>	No significant difference.

Assessment item	Operating status			Deviation and cause of deviation in practice differences compared to TWSE/GTSM listed companies
	Yes	No	Summary description	
			should they fail to faithfully perform the contract and that the contract shall be terminated or rescinded if any dishonest behavior occurs.	
(II) Has the Company established a special unit under the board of directors to promote corporate integrity management, and regularly (at least once a year) reported the dishonesty prevention integrity management policies and plans to the board of directors in order to supervise the implementation status?	V		(II) The Company's Administrative Management Unit shall be responsible for the promotion and operation of the Company's integrity management and shall regularly report case acceptance and implementation status to the board of directors.	
(III) Has the Company formulated a policy to prevent conflicts of interest as well as provide appropriate presentation channels and implemented them accordingly?	V		(III) The Company has formulated a policy for the prevention of conflicts of interests and provided appropriate report channels and handling procedures.	
(IV) Has the Company established an effective accounting system and internal control system to implement integrity management, formulated the relevant audit plans based on the dishonesty risk evaluation results of the internal audit unit and inspected or commissioned a CPA to inspect and ensure compliance with the dishonesty prevention plans?	V		(IV) The Company has formulated an internal control system to ensure ethical operations and incorporated it into the audit plan. Auditors shall perform inspections and issue reports regularly to ensure the effectiveness of implementation.	
(V) Has the Company conducted internal and external education and training on integrity management regularly?	V		(V) The directors and managers of the Company shall take the relevant training courses on an irregular basis each year. The Company also irregularly carries out promotion via staff meetings, the Company's website and the announcement board.	
III. Company whistleblowing system operation status	V		(I)	No significant difference.
(I) Has the Company established a specific reporting and reward system, a convenient reporting channel and assigned appropriate personnel to handle the subjects reported?			1. The Company has standardized the whistleblower report handling and management procedures. The subject matter of reports shall be accepted, investigated or appealed by dedicated personnel from the Administrative Management Department. 2. If a reported case has been verified, a reward shall be issued to the whistleblower depending on the seriousness of the case.	
(II) Has the Company established standard operating procedures for accepting complaint reports and adopted follow-up measures and related confidentiality mechanisms for after investigations have been completed?	V		(II) The Company has established detailed processing procedures and control mechanisms for the classification, investigation, and appeal of complaint cases after they have been accepted and confidentiality measures shall be adopted for the relevant information.	
(III) Has the Company taken measures to protect whistleblowers	V		(III) The Company shall keep the identities of whistleblowers and the contents of reports	

Assessment item	Operating status			Deviation and cause of deviation in practice differences compared to TWSE/GTSM listed companies
	Yes	No	Summary description	
from improper treatment due to the complaint report?			strictly confidential. If the whistleblower is harassed, intimidated or threatened by other harmful behavior due to reporting the case, the case shall be handled according to the law upon notification from the whistleblower. If necessary, the local police agency shall be contacted for protection.	
IV. Strengthening information disclosure Has the Company disclosed the contents and implementation results of its integrity management code on its website or the Market Observation Post System?	V		The Company shall disclose the content and the implementation status of the "Code of Integrity Management" on the Company's website and in the annual report.	No significant difference.
V. If the Company has established its own Ethical Corporate Management Best Practice Principles pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please note the difference between its operations and the code established: no significant difference.				
VI. Other important information that helps to understand the Company's integrity management operations (such as amendments of the Company's Code of Integrity Management): To establish a corporate culture of integrity management and establish good corporate governance for the Company, the board of directors has approved the formulation of the Company's "Code of Integrity Management" on December 17, 2014, for compliance, submitted the report to the general shareholders meeting on June 26, 2015, and disclosed the matter on the Company's website and the Market Observation Post System.				

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

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

The relevant provisions and regulations of corporate governance/corporate governance establishment can be queried via Market: Listed Companies, Company Code: 3149.

(VIII) Other important information that is sufficient to enhance the understanding of corporate governance and operation conditions must also be disclosed:

periodic

2. Assistant Manager Wu, Tai-Chiou was appointed as corporate governance officer on June 1, 2021. Since the date of his appointment, the continuing education he has received is as follows:

Training date	Sponsor	Course name	Hours
September 1, 2021	Financial Supervisory Commission	13th Taipei Corporate Governance Forum	6.0
October 20, 2021	Securities and Futures Institute	2021 explanation session on compliance with insiders' equity trading laws	3.0
December 17, 2021	Securities and Futures Institute	Seminar on how to hedge with futures and corporate sustainable operations	3.0
April 14, 2022	Accounting Research and Development Foundation	Analysis on the latest corporate governance policies and common deficiencies	3.0
April 22, 2022	Taiwan Institute for Sustainable Energy	Taishin 30th Sustainable Net Zero Summit	3.0
May 4, 2022	Taiwan Stock Exchange Corporation	Online forum of International Double Summits	2.0

(IX) Internal control system implementation status

1. Internal control system declaration



G-TECH Optoelectronics Corporation

Internal control system declaration

Stock Code: 3149

Date: March 21, 2022

Based on the self-assessment results of the 2021 Internal Control System, the Company hereby makes the following declaration:

- I. The Company is well aware that it is the responsibility of the Company's board of directors and managers to establish, implement and maintain an internal control system. The Company has already established such a system. Its purpose is to reasonably ensure operation effectiveness and efficiency (including profit, performance, safeguarding asset security, etc.), report reliability, timeliness and transparency and compliance with the relevant laws and regulations.
- II. An internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable guarantee on meeting the 3 objectives mentioned above. Moreover, the effectiveness of an internal control system may also vary due to changes in the environment and circumstances. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
- III. The Company has referenced the internal control system performance determination items set forth in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to judge whether or not its internal control system design and implementation are effective. The internal control system performance determination items set forth by the "Regulations" are based on the management and control process, which divides the internal control system into 5 components: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Each component also includes several items. Please refer to the "Regulations" for the aforementioned items.
- IV. The Company has adopted the aforesaid internal control system judgment items in order to evaluate the design and implementation effectiveness of the internal control system.
- V. The preceding evaluation results indicated that the Company's internal control system (including the supervision and management of subsidiaries), including the operation effectiveness and the extent to which the efficiency goals are achieved for the reporting system as well as the reliability, timeliness, transparency and compliance with the relevant laws and regulations for the design and execution of the internal control system, are effective as of December 31, 2021 and can reasonably ensure the achievement of the aforementioned objectives.
- VI. This declaration shall serve as the main content of the Company's annual report and prospectus, and shall be made public. If the aforementioned content contains false statements, concealment, or other illicit matters, the Company shall bear full legal liabilities pursuant to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This declaration has been approved by the Company's board of directors on March 21, 2022, whereby all of the 7 directors present approved and agreed with the content of this declaration without objection.

Company Name: G-TECH Optoelectronics Corporation

Chairman of the Board: Chung, Chih-Ming

President: Chung, Chih-Ming

2. If a CPA is entrusted to review the internal control system, the CPA’s review report must be disclosed: not applicable.

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

(XI) Important resolutions of the shareholders meeting and the board of directors meeting in the most recent year (2021) and as of the printing date of this annual report:

Meeting	Date	Important resolutions
Shareholders’ meeting	July 15, 2021	<ol style="list-style-type: none"> 1. Adoption of the 2020 Business Report and Financial Statements of the Company. Implementation status: Passed the resolution and announced the important shareholders meeting resolution items on July 15, 2021. 2. Adoption of the 2020 proposal for deficit compensation of the Company. Implementation status: Passed the resolution, announced the important shareholders’ meeting resolution items on July 15, 2021, and recognized the approved off-setting table. 3. Proposal by the Company to issue new shares for cash capital increase. Implementation status: passed the resolution. However, as of the publication date of the 2021 annual report, the Company had had no plan for issuance or capital increase in cash by book-building, which shall automatically expire in one year and will not be renewed. 4. Proposal for the Company’s execution of private placement of ordinary shares. Implementation status: passed the resolution. However, as of March 21, 2022, the Company had had no issuance plan. The board of directors passed a resolution on March 21, 2022 and announced on the same day that it would not be renewed.
Board of Directors	March 24, 2021	<p>Approved the Proposal for the Company’s 2020 annual business report and financial report.</p> <p>Approved the Proposal for the Company’s 2020 “Internal Control System Efficiency Evaluation” and “Internal Control System Declaration.”</p> <p>Approved the Proposal by the Company not to proceed with the private placement of ordinary shares approved by the 2020 shareholders’ meeting.</p> <p>Approved the Proposal by the Company to collaborate with KPMG’s internal rotation and change the financial report audit CPA.</p> <p>Approved the Proposal to revise remuneration for the Company’s directors.</p> <p>Approved the Proposal by the Company to invest in TP products development at Liyang.</p> <p>Approved the Proposal to convene the Company’s 2021 general shareholders’ meeting.</p> <p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Financial loan and appraisal for the Company’s Q4 2020 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p>
Board of Directors	April 23, 2021	<p>Approved the Proposal to offset the Company’s 2020 losses.</p> <p>Approved the Proposal by the Company to issue new shares for cash capital increase.</p> <p>Approved the Proposal for the Company’s execution of private placement of ordinary shares.</p> <p>Approved the Proposal to amend the Company’s 2021 regular shareholders’ meeting agenda.</p>

Meeting	Date	Important resolutions
Board of Directors	May 12, 2021	<p>Approved the Proposal to appoint the corporate governance officer for the Company.</p> <p>Approved the Proposal for the Company's 2021 financial budget update.</p> <p>Approved the Proposal by the Company for drafting the 2021 capital expenditure plan.</p> <p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Financial loan and appraisal for the Company's Q1 2021 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p>
Board of Directors	June 24, 2021	<p>Approved the proposal for changing time and place of the Company's 2021 general shareholders' meeting.</p> <p>Approved the proposal for extending the Company's short-term loan from Bank of Taiwan</p>
Board of Directors	August 10, 2021	<p>A resolution was passed that the Company would not make up for losses during the first half of fiscal year 2021.</p> <p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Proposal for amending some clauses of the Company's Property, Plant and Equipment Management Measures.</p> <p>Approved the Proposal by the Company to invest in TP products development at Liyang and change investments.</p> <p>Approved the Financial loan and appraisal for the Company's Q2 2021 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p>
Board of Directors	November 11, 2021	<p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Financial loan and appraisal for the Company's Q3 2021 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p> <p>Approved the Proposal for amending the Company's Standard Operating Procedures for Responding to Directors' Requirements.</p> <p>Approved the Proposal for amending the Company's Board of Directors Self or Peer Review.</p>
Board of Directors	December 20, 2021	<p>Approved the Company's 2021 Year-end Bonus Amount Expected to be Distributed.</p> <p>Approved the 2022 annual operating plan and capital expenditure proposal.</p> <p>Approved the Proposal by the Company to issue new shares for cash capital increase.</p> <p>Approved the 2022 internal audit plan.</p> <p>Approved the proposal for amending some clauses of the Company's "Internal Control Audit Implementation Rules"</p>
Board of Directors	March 21, 2022	<p>Approved the Proposal for the Company's 2020 annual business report and financial report.</p> <p>Approved the Proposal to offset the Company's 2020 losses.</p> <p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Financial loan and appraisal for the Company's Q4 2021 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p> <p>Approved the Proposal for the Company's 2021 "Internal Control System Efficiency Evaluation" and "Internal Control System Declaration."</p> <p>Approved the Proposal by the Company not to proceed with the private placement of ordinary shares approved by the 2021 shareholders' meeting.</p> <p>Approved formulation of the Company's agendas like base date for capital increase in cash in 2021.</p> <p>Approved formulation of the Company's measures for cash capital increase reserved for employee subscription and proposal for senior managers' share subscription and distribution in 2021.</p> <p>Approved the proposal to convene the Company's 2022 general shareholders' meeting.</p>

Meeting	Date	Important resolutions
Board of Directors	May 10, 2022	<p>Approved the proposal for the Company's consolidated financial report for Q1 2022.</p> <p>Approved the Proposal by the Company to apply for a credit line from a financing institution.</p> <p>Approved the Financial loan and appraisal for the Company's Q1 2022 huge amount loans that have exceeded the normal credit limit of 3 months and have not yet been recovered.</p> <p>Approved the Company's proposal for integrating documents in the IATF16949 quality certification system.</p> <p>Approved the Proposal by the Company to issue new shares for cash capital increase.</p> <p>Approved the Proposal for the Company's execution of private placement of ordinary shares.</p> <p>Approved the proposal to amend and rename some articles of the "Code of Practice for Corporate Social Responsibility."</p> <p>Approved the proposal to amend part of articles of the Company's "Procedures for Election of Directors."</p> <p>Approved the proposal to amend part of articles of the Company's "Shareholders' Meeting Procedure Rules."</p> <p>Approved the proposal to amend some articles of the Company's "Assets Acquisition or Disposal Handling Procedures."</p> <p>Approved the Proposal to amend the Company's 2022 general shareholders' meeting agenda.</p>

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

(XIII) A summary of resignations and dismissals of the Company's chairperson, president, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor and R&D supervisor in the most recent year and as of the printing date of the annual report: none.

V. CPA Public expense information

(I) CPA Public expense information

Unit: NT\$ thousand

Name of CPA firm	Name of CPA	CPA audit period	Auditing public expense	Non-auditing Public Expense (NT\$ thousand)					Remarks
				System design	Business registration	Human resources	Other (Note)	Subtotal	
KPMG	Chen, Tsung-Che Chih, Shih-Chin	January 1, 2021 ~ December 31, 2021	4,173	0	0	0	115	4,288	Other non-audit public expense items are primarily travel expenses for audit certifications, etc.

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

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

VI. CPA replacement information:

(I) Regarding former CPAs

Replacement date	Approved by the board of directors on March 24, 2021		
Reason and explanation for replacement	In conformance with the internal job rotation of KPMG		
Explain why the appointee or CPA was terminated or refuses to accept appointment	Contract party	CPA	Appointers
	Condition	Not applicable.	
	Voluntary termination of appointment		
No longer accepts (continues) appointment			
Review report opinions other than unqualified opinions issued within the last 2 years and the reason:	None.		
Is there any disagreement with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial reports
			Scope or steps of inspection
			Others
	None	~	
Explanation	None		
Other matters to be disclosed (Other matters to be further disclosed as specified in Sub-clauses 4 to 7, Clause 1, Paragraph 6, Article 10 hereunder)	None		

(II) Regarding successor CPAs

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

(III) The former CPAs' reply letter to Clause 1 and Sub-clause 3, Clause 2, Paragraph 6, Article 10 hereunder: None.

VII. Information on the Company's chairperson, president, manager in charge of financial or accounting affairs, and those who have worked in the CPA firm or its affiliates within the last year; disclose the name, job title and the period of employment in the CPA firm or its affiliated company: none.

VIII. Equity transfer and equity pledge modification status of directors, supervisors, managers, and shareholders holding over 10% of the shares in the last year and up to the printing date of this annual report

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

Unit: Shares

Title	Name	2021		As of April 26, 2022	
		Increase (decrease) in No. of shares	Increase (decrease) in No. of pledged shares	Increase (decrease) in No. of shares	Increase (decrease) in No. of pledged shares
Chairperson	Chung, Chih-Ming	-	-	-	-
Director	Hongyuan International Investment Co., Ltd. Representative: Lin,	-	-	-	-
Director	Hsiao, Jen-Liang	-	-	-	-
Director	Wang, Kuo-Hung	-	-	-	-
Independent director	Huang, Kuo-Shih	-	-	-	-
Independent director	Wu, Chun-Feng	-	-	-	-
Independent director	Yang, Ming-Szu	-	-	-	-
President	Chung, Chih-Ming	-	-	-	-
Vice President	Chiu, Huo-Sheng	-	-	-	-
Vice President	Wang, Yao-Chang	-	-	-	-
Assistant Manager	Huang, Yung-Cheng	(6,000)	-	-	-
Assistant Manager	Hsu, Hsien-Yi	-	-	-	-
Assistant Manager (R&D Director)	Tsai, Tsung-Tien	(80,000)	-	-	-
Assistant Manager	Wang, Ju-Wen (Note 1)	-	-	-	-
Assistant Manager	Lin, Hsing-Chiao (Note 1)	-	-	-	-
Assistant Manager	Hung, Yu-Te (Note 1)	-	-	-	-
Assistant Manager (Financial/Accounting)	Wu, Tai-Chiou	-	-	-	-

Note 1: Appointed on March 1, 2021.

(II) Information on affiliates as counterparties of equity transfers or equity pledges: none.

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

April 26, 2022

Name	Personal shareholding		Shareholdings by spouse or minor children		Total shares held under the name of others		Title, name or full name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Hong Yuan International Investment Co., Ltd.	15,728,165	7.62%	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Note:	-
Representative: Huang, Te-Tsai	-	-	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Same one Representative	-
Bao Xin International Investment Co., Ltd.	10,882,337	5.27%	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Note:	-
Representative: Huang, Te-Tsai	-	-	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Same one Representative	-
Hong Yang Venture Investment Co., Ltd.	10,048,550	4.87%	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Note:	-
Representative: Huang, Te-Tsai	-	-	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Same one Representative	-
Hong Chi International Investment Co., Ltd.	9,570,971	4.64%	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Note:	-
Representative: Huang, Te-Tsai	-	-	-	-	-	-	Bao Xin International Investment Co., Ltd.; Hong Chi International Investment Co., Ltd.; Hong Yang Venture Investment Co., Ltd.	Same one Representative	-

Name	Personal shareholding		Shareholdings by spouse or minor children		Total shares held under the name of others		Title, name or full name, and relationship of top 10 shareholders who are spouses or relatives within the second degree of kinship		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Chung, Chih-Ming	4,428,464	2.15%	1,072,879	0.52%	-	-	Chung, Jung-Hua Chung Kuo, Fong-Mei Lai, Hsiu-Chi	Relatives of first degree Relatives of first degree Relatives to the second degree	-
Lai, Hsiu-Chi	4,343,596	2.11%					Chung, Jung-Hua Chung Kuo, Fong-Mei Lai, Hsiu-Chi	Relatives of first degree Relatives of first degree Relatives to the second degree	
TEH TAI STEEL CO., LTD.	3,211,057	1.56%	-	-	-	-	-	None	-
Representative: Hsiao, Kuo-Tai	6,993	0.003%	-	-	-	-	-	None	-
Bingde International Investment Co., Ltd.	3,134,797	1.52%	-	-	-	-	-	None	-
Representative: Lin, Li-Lun	-	-	-	-	-	-	-	None	-
Standard Chartered Trusteeship of Liechtenstein Bank	2,439,000	1.18%	-	-	-	-	-	None	-
Lin, Chi-Lung	2,345,000	1.14%	-	-	-	-	-	None	-

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

X. Number of shares held for the same reinvestment enterprise by an enterprise directly or indirectly controlled by the Company and its directors, supervisors and managers and a calculation of the comprehensive shareholding ratio

December 31, 2021; unit: NT\$; share; %

Reinvestment business	Investment by the Company		Investment by directors, supervisors, and managers or directly or indirectly controlled businesses		Combined investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Fast Achievement Global Ltd.	540,000	100	–	–	540,000	100
Brave Advance International Corp. (note)	–	–	500,000	25	500,000	25
Hongda Photoelectric Glass (Dongguan) Co., Ltd. (note)	–	–	23,740,000	25	23,740,000	25
Golden Start Global Corp.	71,391,373	100	–	–	71,391,373	100
Charmtex Global Corp.	–	–	71,371,373	100	71,371,373	100
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	–	–	70,000,000	100	70,000,000	100

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

Four. Fundraising Status

I. Capital and shares

(I) Source of share capital

1. Share capital formation process

Unit: Shares; NT\$

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
1996-06	10	2,600	26,000,000	2,600	26,000,000	Share capital establishment	—	—
1999-11	10	5,200	52,000,000	5,200	52,000,000	Cash capital increase NT\$ 26,000,000	—	Note 1
2000-04	10	9,900	99,000,000	9,900	99,000,000	Cash capital increase NT\$ 47,000,000	—	Note 2
2000-07	10	15,260	152,600,000	15,260	152,600,000	Cash capital increase NT\$ 53,600,000	—	Note 3
2000-11	29.5	30,000,000	300,000,000	19,990,000	199,900,000	Cash capital increase NT\$ 47,300,000	—	Note 4
2001-01	15	70,000,000	700,000,000	33,330,000	333,300,000	Cash capital increase NT\$ 133,400,000	—	Note 5
2003-07	13.5	70,000,000	700,000,000	39,830,000	398,300,000	Cash capital increase NT\$ 65,000,000	—	Note 6
2004-01	17	70,000,000	700,000,000	46,830,000	468,300,000	Cash capital increase NT\$70,000,000	—	Note 7
2004-06	17.6	70,000,000	700,000,000	52,830,000	528,300,000	Cash capital increase NT\$60,000,000	—	Note 8
2007-04	11	70,000,000	700,000,000	55,830,000	558,300,000	Cash capital increase NT\$30,000,000	—	Note 9
2007-09	12	70,000,000	700,000,000	57,229,000	572,290,000	Employee stock option exercised 1,399,000 shares	—	Note 10
2007-10	15	160,000,000	1,600,000,000	127,229,000	1,272,290,000	Private placement of ordinary shares 70,000,000 shares	—	Note 11
2008-08	10	160,000,000	1,600,000,000	133,375,543	1,333,755,430	capital reserve to capital increase of NT\$ 42,000,000 Surplus to capital increase NT\$19,465,430	—	Note 12
2009-08	10	160,000,000	1,600,000,000	135,136,543	1,351,365,430	Employee stock option exercised 1,761,000 shares	—	Note 13

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
2009-10	10	160,000,000	1,600,000,000	135,206,543	1,352,065,430	Employee stock option exercised 70,000 shares	—	Note 14
2010-01	14.2	160,000,000	1,600,000,000	137,200,343	1,372,003,430	Employee stock option exercised 1,993,800 shares	—	Note 15
2010-01	22	160,000,000	1,600,000,000	150,800,343	1,508,003,430	Cash capital increase NT\$ 136,000,000	—	Note 16
2010-10	30	360,000,000	3,600,000,000	178,870,709	1,788,707,090	Cash capital increase NT\$278,629,660 Employee stock option exercised 207,400 shares	—	Note 17
2011-01	14.2	360,000,000	3,600,000,000	180,118,709	1,801,187,090	Employee stock option exercised 1,248,000 shares	—	Note 18
2011-01	14.2	360,000,000	3,600,000,000	181,203,109	1,812,031,090	Employee stock option exercised 1,084,400 shares	—	Note 19
2011-06	70	360,000,000	3,600,000,000	211,203,109	2,112,031,090	Cash capital increase NT\$300,000,000	—	Note 20
2011-09	14.2	360,000,000	3,600,000,000	211,277,909	2,112,779,090	Employee stock option exercised 74,800 shares	—	Note 21
2011-12	60	360,000,000	3,600,000,000	234,806,909	2,348,069,090	Cash capital increase NT\$ 235,290,000	—	Note 22
2012-1	14.2	360,000,000	3,600,000,000	235,525,509	2,355,255,090	Employee stock option exercised 718,600 shares	—	Note 23
2012-10	84	360,000,000	3,600,000,000	265,525,509	2,655,255,090	Cash capital increase NT\$ 300,000,000	—	Note 24
2013-9	15	360,000,000	3,600,000,000	268,525,509	2,685,255,090	Issuance of new restricted employee shares 3,000,000	—	Note 25
2014-01	13.6	360,000,000	3,600,000,000	268,838,909	2,688,389,090	Employee stock option exercised 313,400 shares	—	Note 26
2014-09	10	360,000,000	3,600,000,000	268,788,909	2,687,889,090	Cancellation of restricted shares for subscription by employees of 50,000 shares	—	Note 27
2014-12	10	360,000,000	3,600,000,000	268,782,959	2,687,829,590	Cancellation of restricted shares for subscription by employees of 5,950 shares	—	Note 28

Year and month	Price of issuance	Approved share capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Those using assets other than cash to offset the share price	Others
2015-06	10	360,000,000	3,600,000,000	268,687,759	2,686,877,590	Cancellation of restricted shares for subscription by employees of 95,200 shares	—	Note 29
2015-09	10	360,000,000	3,600,000,000	268,465,059	2,684,650,590	Cancellation of restricted shares for subscription by employees of 222,700 shares	—	Note 30
2015-12	10	360,000,000	3,600,000,000	268,441,959	2,684,419,590	Cancellation of restricted shares for subscription by employees of 23,100 shares	—	Note 31
2015-12	10	360,000,000	3,600,000,000	268,187,859	2,681,878,590	Cancellation of restricted shares for subscription by employees of 254,100 shares	—	Note 32
2016-05	10	360,000,000	3,600,000,000	268,115,759	2,681,157,590	Cancellation of restricted shares for subscription by employees of 72,100 shares	—	Note 33
2016-09	10	360,000,000	3,600,000,000	169,641,519	1,696,415,190	Cover losses NT\$ 984,728,400 Cancellation of restricted shares for subscription by employees of 1,400 shares	—	Note 34
2017-05	10	360,000,000	3,600,000,000	169,601,278	1,696,012,780	Cancellation of restricted shares for subscription by employees of 40,241 shares	—	Note 35
2017-08	15.95	360,000,000	3,600,000,000	188,410,055	1,884,100,550	Private placement of ordinary shares for raise funds of 18,808,777 shares	—	Note 36
2017-09	10	360,000,000	3,600,000,000	188,393,604	1,883,936,040	Cancellation of restricted shares for subscription by employees of 16,451 shares	—	Note 37
2018-09	12.71	360,000,000	3,600,000,000	206,393,604	2,063,936,040	Cash capital increase 18,000,000 shares	—	Note 38
2019-08	—	500,000,000	5,000,000,000	206,393,604	2,063,936,040	—	—	Note 39
2022-06	10	500,000,000	5,000,000,000	223,393,604	2,233,936,040	Cash capital increase 17,000,000 shares	—	Note 40

Note:

1. 1999-12-09 Jing-(1999)-Zhong-Zi No. 491343
2. 2000-05-20 Jing-(2000)-Zhong-Zi No. 428804.
3. 2000-08-15 Jing-(2000)-Shang-Zi No. 129061.
4. 2000-11-01 Jing-(2000)-Shang-Zi No. 140721.
5. 2001-01-29 Jing-(2001)-Shang-Zi No. 102838.
6. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0920134296 dated July 29, 2003.
7. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0920162821 dated January 12, 2004.
8. Approved by Securities and Futures Commission, Ministry of Finance, letter Tai-Cai-Zheng-Yi-Zi No. 0930127233 dated June 18, 2004.
9. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 0960015388 dated April 11, 2007.
10. September 29, 2007, Jing-Shou-Shang-Zi No. 09601236510.
11. October 31, 2007, Jing-Shou-Shang-Zi No. 09601266580.
12. August 13, 2008, Jing-Shou-Shang-Zi No. 09701196370.
13. August 4, 2009, Jing-Shou-Shang-Zi No. 09801172610.
14. October 20, 2009, Jing-Shou-Shang-Zi No. 09801241010.
15. January 20, 2010, Jing-Shou-Shang-Zi No. 09901013580.
16. March 16, 2010, Jing-Shou-Shang-Zi No. 09901050060.
17. October 19, 2010, Jing-Shou-Shang-Zi No. 09901235310.
18. January 17, 2011, Jing-Shou-Shang-Zi No. 10001007830.
19. April 11, 2011, Jing-Shou-Shang-Zi No. 10001067970.
20. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1000010164 dated March 21, 2011; June 15, 2011, Jing-Shou-Shang-Zi No. 10001120220.
21. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1000040118 dated August 30, 2011; September 15, 2011, Jing-Shou-Shang-Zi No. 10001214540.
22. December 6, 2011, Jing-Shou-Shang-Zi No. 10001276290.
23. January 17, 2012, Jing-Shou-Shang-Zi No. 10101008830.
24. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1010037345 dated August 30, 2012; November 1, 2012, Jing-Shou-Shang-Zi No. 10101225330.
25. Approved by Financial Supervisory Commission, Executive Yuan, letter Jin-Guan-Zheng-Fa-Zi No. 1020029855 dated July 31, 2013; September 6, 2013, Jing-Shou-Shang-Zi No. 10201183260.
26. January 3, 2014, Jing-Shou-Shang-Zi No. 10201268260.
27. September 1, 2014, Jing-Shou-Shang-Zi No. 10301181640.
28. December 12, 2014, Jing-Shou-Shang-Zi No. 10301248100.
29. June 11, 2015, Jing-Shou-Shang-Zi No. 10401100930.
30. September 2, 2015, Jing-Shou-Shang-Zi No. 10401182620.
31. December 8, 2015, Jing-Shou-Shang-Zi No. 10401254400.
32. February 15, 2016, Jing-Shou-Shang-Zi No. 10501029610.
33. May 27, 2016, Jing-Shou-Shang-Zi No. 10501114780.
34. September 9, 2016, Jing-Shou-Shang-Zi No. 10501215180.
35. May 22, 2017, Jing-Shou-Shang-Zi No. 10601065100.
36. August 15, 2017, Jing-Shou-Shang-Zi No. 10601113020.
37. September 11, 2017, Jing-Shou-Shang-Zi No. 10601128490.
38. September 17, 2018, Jing-Shou-Shang-Zi No. 10701113510.
39. August 2, 2019, Jing-Shou-Shang-Zi No. 10801090210.
40. As of the publication date of the annual report, the application for change registration has not been finished.

2. Type of shares

April 26, 2022; Unit: Shares

Type of shares	Approved share capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered ordinary shares	206,393,604	293,606,396	500,000,000	Including private placement of 18,808,777 ordinary shares

3. Information about the shelf registration system: Not applicable.

(II) Shareholder structure

April 26, 2022; Unit: Shares

Shareholder structure	Government institution	Financial institution	Other corporate entity	Foreign institutions and foreigners	Individual	Total
Quantity						
Number of people	0	0	233	48	36,075	36,356
Number of shares held	0	0	55,600,907	3,253,321	147,539,376	206,393,604
Shareholding ratio	0.00%	0.00%	26.94%	1.58%	71.48%	100.00%

Note: Mainland China shareholding ratio is 0%

(III) Share number dispersion status

1. Ordinary shares

April 26, 2022

Shareholding rating	Number of shareholders	Number of shares held	Shareholding ratio (%)
1 to 999	17,069	1,584,908	0.77%
1,000 to 5,000	15,002	31,506,893	15.27%
5,001 to 10,000	2,279	18,037,804	8.74%
10,001 to 15,000	673	8,604,973	4.17%
15,001 to 20,000	441	8,177,764	3.96%
20,001 to 30,000	341	8,784,976	4.26%
30,001 to 40,000	143	5,134,693	2.49%
40,001 to 50,000	91	4,254,402	2.06%
50,001 to 100,000	174	12,429,761	6.02%
100,001 to 200,000	78	11,043,317	5.35%
200,001 to 400,000	30	8,725,286	4.23%
400,001 to 600,000	6	3,106,000	1.50%
600,001 to 800,000	10	6,712,015	3.25%
800,001 to 1,000,000	1	811,000	0.39%
1,000,001 and higher	18	77,479,812	37.54%
Total	36,356	206,393,604	100.00%

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

(IV) Name list for the main shareholders

April 26, 2022

Name of major shareholder	Shares Number of shares held	Shareholding ratio (%)
Hong yuan International Investment Co., Ltd.	15,728,165	7.62%
Bao Xin International Investment Co., Ltd.	10,882,337	5.27%
Hong Yang Venture Investment Co., Ltd.	10,048,550	4.87%
Hong Chi International Investment Co., Ltd.	9,570,971	4.64%
Chung, Chih-Ming	4,428,464	2.15%
Lai, Hsiu-Chi	4,343,596	2.11%
TEH TAI STEEL CO., LTD.	3,211,057	1.56%
Bingde International Investment Co., Ltd.	3,134,797	1.52%
Standard Chartered Trusteeship of Liechtenstein Bank	2,439,000	1.18%
Lin, Chi-Lung	2,345,000	1.14%

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

Unit: NT\$; 1000 shares

Item		Year	2020	2021	Current year until May 27 (note 7)
Market price per share (Note 1)	Highest		27.20	54.40	34.75
	Lowest		4.46	24.00	21.60
	Average		10.12	35.24	28.46
Net value per share (Note 2)	Before distribution		7.45	6.94	7.48
	After distribution		7.45	(Note 8)	Not yet distributed
Earnings per share	Weighted average number of shares		206,394	206,394	206,394
	Earnings per share (Note 3)		(1.42)	(0.59)	(0.22)
Dividends per share	Cash dividends		—	(Note 8)	Not yet distributed
	Stock dividends	Stock dividends appropriated from retained earnings	—	(Note 8)	Not yet distributed
		Stock dividends appropriated from capital reserve	—	(Note 8)	Not yet distributed
	Accumulated unappropriated dividends		—	(Note 8)	Not yet distributed
Investment return analyses	Price earnings ratio (Note 4)		(7.13)	(59.73)	—
	Price-dividends ratio (Note 5)		Not applicable	(Note 8)	Not yet distributed
	Cash dividends yield (Note 6)		Not applicable	(Note 8)	Not yet distributed

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

Note 2: Based on the number of issued shares at the end of the year

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

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

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

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

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

Note 8: The board of directors of the Company has made the resolutions on August 10, 2021 and March 21, 2022, that there will be no earnings distribution in the first and second half of 2021. The stock dividends will be determined by the resolution made at 2022 Annual General Shareholders' meeting.

(VI) Company dividend policy and implementation status

1. Company dividend policy.

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

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

The preceding two paragraphs shall be executed in accordance with the resolution of the Board of Directors meeting and shall be reported to the shareholder meeting.

The distribution of earnings or covering of losses of the Company may be executed at the end of each semi-annual fiscal year. Where there are surplus earnings after account closure at the end of each semi-annual fiscal year, an amount shall first be appropriated to pay taxes, make up accumulated losses and to estimate and reserve the remuneration of employees, followed by setting aside 10% thereof as the legal reserve; however, when the legal reserve has reached the total amount of the capital of the Company, such restriction shall not apply. The special surplus reserve shall be allocated or converted according to the laws, decrees, or regulations of the competent authority. If there is any surplus, the balance plus the accumulated undistributed surplus in the first half of the fiscal year shall be used as shareholder dividends. The board of directors shall draft a distribution proposal; if it is executed in the form of new share issuance, it shall submit the proposal to the shareholders meeting for resolution after which it shall be distributed; if the dividend is issued in cash, the case shall be resolved by the board of directors.

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

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 then submit the proposal to the shareholders' meeting for resolution.

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%.

2. Circumstances of the proposed dividend distribution for this shareholders' meeting:

There is no proposed dividends distribution at this shareholders' meeting

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

(VII) Effect upon business performance and earnings per share of any stock dividends distribution proposed or adopted at the most recent shareholders' meeting.

There is no stock dividends distribution proposed at this shareholders' meeting, thus, it is not applicable.

(VIII) Compensation of employees and directors

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

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

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

The preceding two paragraphs shall be executed in accordance with the resolution of the Board of Directors meeting and shall be reported to the shareholder meeting.

2. Account handling when the basis for the assessment of employee's and director's remuneration amount, the basis of calculation for the number of shares distributed as employee remuneration and the actual estimated amount for this period are

inconsistent:

For the year 2021, the Company has losses waiting for make up and there is no distribution of remuneration for employees and directors and there is no circumstances of estimation difference.

3. Remuneration distribution approved by the board of directors:

- (1) The amount of the remuneration paid in cash or stocks, for the employees and directors:

For the year 2021, the Company has losses waiting for makeup and there is no distribution of remuneration for employees and directors, the amount of the actual distribution and on the financial account are both 0.

- (2) The amount of employee remuneration distributed in stock, the proportion of the total after-tax net profit and total employee compensation in the individual or individual financial reports of the current period: Not applicable.

4. The actual remuneration distribution for employees and directors in the previous year (including the number of shares distributed, amount, and stock price) and the number of discrepancies, reasons and handling status must be disclosed if different from the remuneration recognized for employees and directors:

For the year 2020, the Company has losses waiting for make up, and there is no distribution of remuneration for employees and directors, the amount of the actual distribution and on the financial account are both 0.

(IX) Company shares buyback status: None.

II. Corporate bond handling status

1. The circumstances of the Company's unredeemed and undergoing corporate bonds are as follows:

Types of corporate bonds	3rd domestic secured convertible corporate bonds	
Issuance (handling) date	March 26, 2021	
Face value	NT\$100,000 even	
Issuance and trade location	Taipei Exchange (TPEX)	
Price of issuance	Fully issued based on face value	
Total amount	NT\$500 million even	
Interest rate	Coupon rate 0%	
Term	3-year period: maturity date: March 26, 2024	
Guarantee institution	Bank of Panhsin Co., Ltd.	
Trustee	The Shanghai Commercial and Savings Bank, Ltd.	
Underwriting agency	Sinopac Securities, Ltd.	
Certification attorney	Not applicable	
CPA	Not applicable	
Repayment method	Unless converted into ordinary Company shares by the converted corporate bond holders pursuant to Article 10 of the Conversion Measures, redeemed in advance by the Company according to Article 18 of the Conversion Measures, or bought back and canceled by a securities firm office on behalf of the Company; the Company shall repay these bonds in cash in one lump sum at maturity based on the face value of the bonds.	
Outstanding principal	NT\$500,000,000	
Redemption or pre-payment terms	Refer to Issuance and Conversion Methods	
Restriction clause	None	
Credit rating agency name, rating date and company debt rating results	Not applicable	
Other rights attached	The number of ordinary shares, overseas depository receipts or other securities that have been converted (exchanged or subscribed) as of the publication date of this annual report	As of the publication date of the annual report, the circumstances that convertible corporate bonds have not been converted into ordinary shares
	Issuance and conversion (exchange or subscription) method	See the Company's 3rd Domestic Secured Convertible Corporate Bond Issuance and Conversion Measures for details
Possible equity dilution and impact on existing shareholders' equity due to issuance and conversion, exchange or subscription methods, or issuance conditions	It is estimated that the number of convertible shares will account for approximately 6.7556% of the total number of outstanding shares based on the current conversion price of NT\$35.57, and the impact on existing shareholders' equity still remains limited.	
Name of the convertible subject depository institution	Not applicable	

2. Convertible corporate bond information

MARCH 31, 2022

Types of corporate bonds		3rd domestic secured convertible corporate bonds	
Year		2021	In 2022, as of March 31
Market price of the convertible corporate bonds	Highest	137	121.80
	Lowest	110	110.00
	Average	129.31	116.34
Conversion price		Since May 23, 2022, the conversion price adjusts to NT\$35.57	
Issuance (handling) date and issuance conversion price		Issued on March 26, 2021, the conversion price was NT\$35.86 at the time of issuance.	
Conversion obligation fulfillment method		New share issuance	

III. Preferred share handling status: None.

IV. Overseas depository receipt handling status: None.

V. Employee stock option handling status:

(I) Handling status of the Company's unexpired employee stock options and the impact on the shareholders' equity

MARCH 31, 2022

Employee stock option types	2020 Employee stock option	
Declaration effective date	2020-09-16	
Issuance (handling) date	2020-09-17	
Number of units issued	3,000,000	
Ratio of subscribable shares to the total issued and outstanding shares	1.45%	
Warrant exercise period	2020-09-17~2024-09-16	
Warrant exercise method	Delivery of new shares issued by the company	
Restrictions on the warrant exercise period and exercise ratio (%)	<u>Stock warrants grant period</u>	<u>Exercisable share option ratio (cumulative)</u>
	After 2 years	60%
	After 3 years	100%
Number of shares obtained	0	
Amount of the shares subscribed	0	
Number of shares that have not been subscribed	3,000,000	
Subscription price per share of unsubscribed shares	10.40	
Ratio of the number of unsubscribed shares to the number of issued shares (%)	1.45%	
Effect on shareholders' equity	The possible dilution ratio of the original shareholder's equity is 1.45%. In the future, due to the implementation ratio and period restrictions, it will not have significant impact on the shareholders' equity.	

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

MARCH 31, 2022

Title	Name	Number of subscriptions obtained (thousand shares)	Number of subscriptions obtained to total issued shares (Note 1)	Subscribed			Unsubscribed					
				the number of the shares subscribed (thousand shares)	the price of the shares subscribed	the amount of the shares subscribed	Number of subscriptions to total issued shares ratio (Note 1)	the number of the shares subscribed (thousand shares)	the price of the shares subscribed (dollars)	the amount of the shares subscribed (NT\$ thousand)	Number of subscriptions to total issued shares ratio (Note 1)	
Managerial Officer	Chairperson	1,550	0.75%	0	-	-	-	1,550	10.40	16,120	0.75%	
	Vice President											Chung, Chih-Ming
	Vice President											Chiu, Huo-Sheng
	Vice President											Wang, Yao-Chang
	Assistant Manager											Hsu, Hsien-Yi
	Assistant Manager											Lin, Hsing-Chiao
	Assistant Manager											Wang, Ju-Wen
	Assistant Manager											Hung, Yu-Te
	Assistant Manager											Huang, Yung-Cheng
	Assistant Manager											Tsai, Tsung-Tien
Employee	Assistant Manager	550	0.27%	0	-	-	-	550	10.40	5,720	0.27%	
	Assistant Manager											Kung, Zheng-Nien
	Assistant Manager											Shi, Jun-Nan
	Senior Manager											Kao, Hsiu-Li
	Assistant Manager											Chung, Hsiang-Dao
	senior manager											Chang, Yi-shou
	senior manager											Wang, Zhi-Wen
	senior manager											Wang, Feng-Hui
	Assistant Manager											Liao, Chi-Liang
	Assistant Manager											Wei, Chien-Fan
Manager	Chen, Hsin-Yi											

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

VI. Restricted shares for employee subscription handling status: None

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

VIII. Fund utilization plan implementation status:

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

(I) third issuance of domestic secured convertible corporate bonds in December, 2020.

1. Plan content

(1) The approved date and the file number of the competent authority:

letter Jin-Guan-Zheng-Fa-Zi No. 1090379949 dated March 8, 2021 filed and become effective.

(2) Total capital amount required for the plan: NT\$500,000 thousand

Project's source of funds: Issued the third time of domestic secured convertible corporate bonds for 5,000, each with a face value of NT\$100 thousand, and the total raised amount is NT\$500,000 thousand.

(4) Project items and anticipated implementation progress:

Unit: NT\$ thousand

Project items	Anticipated completion date	Total capital amount required	The fund expecting implementation progress	
			2021 First Quarter	2021 Second Quarter
Bank loan repayment	2021 Second Quarter	500,000	328,794	171,206

(5) Expected potential benefits

The Company's plan to issue convertible corporate bonds in 2020 is to repay bank loans. In addition to reducing the Company's burden of interest expenses, to calculate based on the bank loan interest rate that the company intends to repay at 1.3191%~2.3400%, it is expected that the Company will save NT\$6,972 thousand interest expense in the first and second quarter of 2021 and can save NT\$9,671 thousand interest expense since 2022, to avoid the increase in interest expenses caused by the loan and may erode the profits, it can also improve the Company's liability structure, reduce the dependence on the banks, and improve the flexibility of capital allocation. Also, under the circumstances that the bond holders convert to holding stocks, it is beneficial to the Company to improve its financial structure and strengthen its solvency, thereby improving the Company's long-term competitiveness.

2. Implementation status

The total amount of secured convertible corporate bonds issued this time is NT\$500,000 thousand, which will be fully used to repay the bank loans.

Unit: NT\$ thousand; %

Project items	Implementation status		2021 First Quarter	2021 Second Quarter	2021 Third Quarter	Reasons for progress ahead or behind schedule and improvement plans
Bank loan repayment	Amount spent	Scheduled	328,794	171,206	-	The Company's third domestic secured convertible corporate bond issuance was raised on March 24, 2021, the total raised capital is NT\$500,000,000. As of the third quarter of 2021, the accumulative actual capital used was NT\$ 500,000,000, were fully-used to repay the bank loans, which have been completed according to the estimated progress.
		Actual	228,030	173,470	98,500	
	Implementation progress (%)	Scheduled	65.75%	34.24%	-	
		Actual	45.60%	34.69%	19.70%	

3. The benefit analysis

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

Unit: NT\$ thousand; %

Item \ Year	2020 Third Quarter (Before fundraising)	2021 Third Quarter (After fundraising)	Amount of increase or decrease	Increase or decrease (%)
Current assets	1,575,055	1,672,374	97,319	6.18
Current liabilities	1,274,357	1,293,006	18,649	1.46
Total liabilities	2,509,998	2,922,610	412,612	16.44
Interest expense	24,935	28,714	3,779	15.16
Operating income	1,818,529	1,945,355	126,826	6.97
Earnings per share (NT\$)	(1.15)	(0.10)	1.05	(91.30)

Information source: financial reports inspected and certified by CPAs

The Company issued the third domestic convertible corporate bonds of NT\$ 500,000 thousand in December 2020, mainly used in repaying the bank loans and reducing the burden of interest expenses. Comparing the changes in the balance sheet and consolidated income statement before and after the fundraising, the current assets, current liabilities and total liabilities in the third quarter of 2021 were a net increase of

NT\$97,319 thousand, NT\$18,649 thousand and NT\$412,612 thousand compared to 2020, respectively. The funds raised have successively repaid the bank loans, paid operating expenses and procurement expense, thereby reducing the allocation of short-term financing or deferred loans. Interest expenses in the first three quarters of 2021 increased by NT\$3,779 thousand compared to the same period in 2020, mainly due to the estimated interest expense of NT\$ 5,302 thousand for the issuance of the third domestic convertible corporate bonds of NT\$ 500,000 thousand.

The first three quarters of 2021 were mainly because the company had progressively adjusted its operation strategy and product portfolio, shifting its focus of operations to smart cars and smart buildings gradually. However, due to the continuous COVID-19 pandemic, the shortage of IC chips in the market have affected the operation of customers end and the development of new technologies and products is continuing, the allocation of related fixed costs is relatively high, so that the contribution to gross profit is limited. However, due to the increase in demand from customers end, and the impact of the pandemic brought up the demand form the stay-at-home market (such as indoor sports equipment), the demand for the optical coated glass has increased, which resulted in the increase in overall operating income and operating profit. Also, the Company is continuing to deduct the expenses and controlling the costs, resulting in the operating income in the first three quarters of 2021 to increase by NT\$126,826 thousand, compared with the same period in 2020 and the loss per share to decrease, compared with the same period in 2020.

(2) The financial structure and solvency analysis

The Company handled the issuance of the third domestic convertible corporate bond of NT\$ 500,000 thousand in December 2020, which was mainly used to repay the bank loans and reduce the burden of interest expenses. After the capital increase in place in March 2021, the Company repaid the bank loan successively. The interest expense saved was NT\$ 6,279 thousand, which was lower than the original expected interest expense NT\$ 6,972 thousand , mainly because the repayment of the loan from the Land Bank that was originally expected to pay in the first quarter of 2021, the Company considered the business expansion and the use for capital allocation, so the amount was kept to pay until the second and third quarters.

The financial structure and solvency before and after fundraising are listed below:

Item		Year	2020 Third Quarter (Before fundraising)	2021 Third Quarter (After fundraising)
Financial structure	debt ratio		65.46%	66.16%
	The ratio of long-term funds to property, plant, and equipment		117.03%	133.93%
Solvency	Current ratio		114.48%	127.78%
	Quick ratio		102.85%	112.74%

In terms of changes in financial ratios before and after raising the funds, the Company issued the third domestic convertible corporate bond of NT\$ 500,000 thousand and fully raised in March 2021. The comparison with the actual number of the financial structure and solvency before and after raising the fund in the table above. The debt ratio increased from 65.46% before raising the fund to 66.16% after raising the fund. The ratio of long-term funds to real estate, plant and equipment increased from 117.03% before the raising the fund to 133.93% after raising the fund. The current ratio and the quick ratio were from 114.48% and 102.85% before raising the fund to 127.78% and 112.74% after raising the fund, respectively. It can be seen from the above-mentioned data that after the Company has repaid the bank loans, the ratio of long-term funds to real estate, plant and equipment and the solvency of the financial structure have improved, which has the positive aids obviously. There is no big difference between the debt ratio before and after raising the funds, main because that the Company raised convertible corporate bonds to repay bank loans. In fact, there was no significant increase or decrease in bank loans plus convertible corporate bonds. Repaying bank loans will help strengthen the financial structure, improve solvency and reduce liquidity risk, and in the future, under the circumstance that the bondholders convert to holding stocks gradually, it will help the company to improve its financial structure and strengthen its solvency, and improving the Company's long-term competitiveness. It has a positive impact on the shareholders' equity of the Company.

(II) Conduct cash capital increase in December, 2021

1. Plan content

(1) Approved date and the file number of the competent authority:

letter Jin-Guan-Zheng-Fa-Zi No. 1100379092 dated January 26, 2022 has filed and become effective.

(2) Total capital amount required for the plan: NT\$ 408,000 thousand

(3) Plan funding resources

17,000 thousand new shares were issued for cash capital increase, each with a face value of NT\$10 and the issue price per share is NT\$24 tentatively. The total amount of funds raising could be NT\$408,000 thousand. In this cash capital increase plan, if the actual issue price per share is adjusted due to the changes in market prices, and result in the fund raised being insufficient, the amount of repayment of bank loans will be reduced or the equity fund will be used. If the actual amount of funds raised is higher than the expected amount, it will turn into repayment for the bank loans or enriching the working capital.

(3) Project items and scheduled fund utilization progress

Unit: NT\$ thousand

Project items	Anticipated completion date	Total capital amount required	Capital advance progress	
			2022 Second Quarter	2022 Third Quarter
Enrich working capital	2022 Second Quarter	68,000	68,000	–
Bank loan repayment	2022 Third Quarter	340,000	261,528	78,472
Total		408,000	329,528	78,472

(4) Expected potential benefits

The Company's cash capital increase is expected to raise NT\$408,000 thousand, which is proposed to be used in repaying bank loans and enriching working capital. In addition to reducing the interest burden and improving the solvency, it can also reduce the debt ratio and increase long-term capital stability, to strengthen the Company's financial structure. For this fund raising, the Company proposes to repay the bank loan NT\$ 340,000 thousand, which may save approximately NT\$ 3,746 thousand in interest expenses in 2022, and NT\$ 5,971 thousand per year in the following years. In addition, for this fund raising, the Company intends to enrich working capital with NT\$ 68,000 thousand. If calculating based on the average borrowing rate 1.60% in the first three quarters of 2021, it can save approximately NT\$ 756 thousand in interest expenses in 2022, the interest expense can be saved by about NT\$ 1,088 thousand per year in the following years, which will moderately reduce the Company's financial burden, strengthen the short-term solvency, and increase the Company's ability to respond to the changes in the external environment.

Five. Operation Overview

I. Business content

(I) Business scope

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

1. The Company's businesses

- (1) Touch-sensitive glass processing and trading: Providing glass cutting, polishing, strengthening, and thinning services for touch panels.
- (2) Optical coating glass processing and trading: Providing glass coating services for touch panels.
- (3) Thin glass processing and trading: Providing photoelectric glass and architectural glass.
- (4) Cover glass processing and trading: Providing protective cover glass products for touch/display panels.
- (5) Green building glass processing and trading: Providing process services and products such as glass cutting, strengthening, gluing, and surface treatment for energy-conserving buildings.
- (6) Others

2. The Company's main products and their business weight

Unit: NT\$ thousand

Product type \ Year	2020		2021	
	Sales value	%	Sales value	%
Smart optoelectronics	406,329	16.59%	693,456	24.64%
Smart cars	260,441	10.64%	196,268	7.56%
Smart buildings	517,608	21.14%	271,408	11.37%
Others	1,264,158	51.63%	1,452,701	56.43%
Total	2,448,536	100.00%	2,613,833	100.00%

3. The Company's current products (Service)

- (1) Smart optics: Providing process services such as glass coating for touch panels and protective cover glass for display panels.
- (2) Smart cars: Providing glass cutting, polishing, strengthening, coating, thinning, 3D

forming glass, and automotive glass for touch panels.

- (3) Smart buildings: OEM for building energy-conserving glass, environmentally friendly baking of varnish decoration glass, easy to clean anti-fog glass, and electrochromic glass.
- (4) Other: Commerce.

4. New products (Service) planned to be developed by the Company

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

- (1) Development and promotion of 3D high transmittance multi-layer coating technology.
- (2) Development and promotion of vehicle display multi-curved glass with advanced design.
- (3) Continued promotion of power generating board adhesive products for curtain walls.
- (4) Development and promotion of PDLC (Polymer Dispersed Liquid Crystal) adhesive product.
- (5) Development and promotion of manufacturing processes for Smart Windows (electrochromic glass) with integrated building adhesive/IGU.
- (6) Development of LED layer glass curtain walls.

(II) Industry overview

1. Industry status and development

The Company is a professional glass machining service provider. Its principal businesses include manufacturing and international trade of glass, glass products and electronic components. It provides products and machining services such as glass cutting, polishing, thinning, reinforcement, coating, 3D forming glass and building glass. Has been deeply engaged in the industry of optical glass for more than 2 decades, it is particularly good at processing super-size glass, ultra-thin glass and glass with special custom specifications. However, with evolution of electronic products and technologies, the Company has shifted from past glass machining and production for scanners, photocopiers, even TN/STN and TFT LCD displays to recent years' manufacturing of products such as thinned glass, reinforced glass for touch panels, coated glass, cover glass and 2.5D~3D forming glass. Dependent upon its complete integrated glass machining services, it has gotten down to entering fields of vehicle-borne equipment, industrial control and green buildings. At present, its products are widely applied in various displays and electronic devices, including smartphones, notebooks, laptop computers, e-book readers, LCDs, TV sets and other consumer electronic products. For applications in the automobile industry, they are primarily applied in automobile interiors, including display panels of central

control systems, car dashboards, display panels of air conditioners, applications of navigation systems, display covers of intelligent I-KEY automobile remote controls. As to applications in green buildings, they are applied in intelligent glass, environment-friendly decorative baking varnish and easy-to-clean anti-fog glass. The Company has become a worldwide rare glass machining service provider for diverse fields. Industries of products are hereby summarized as follows:

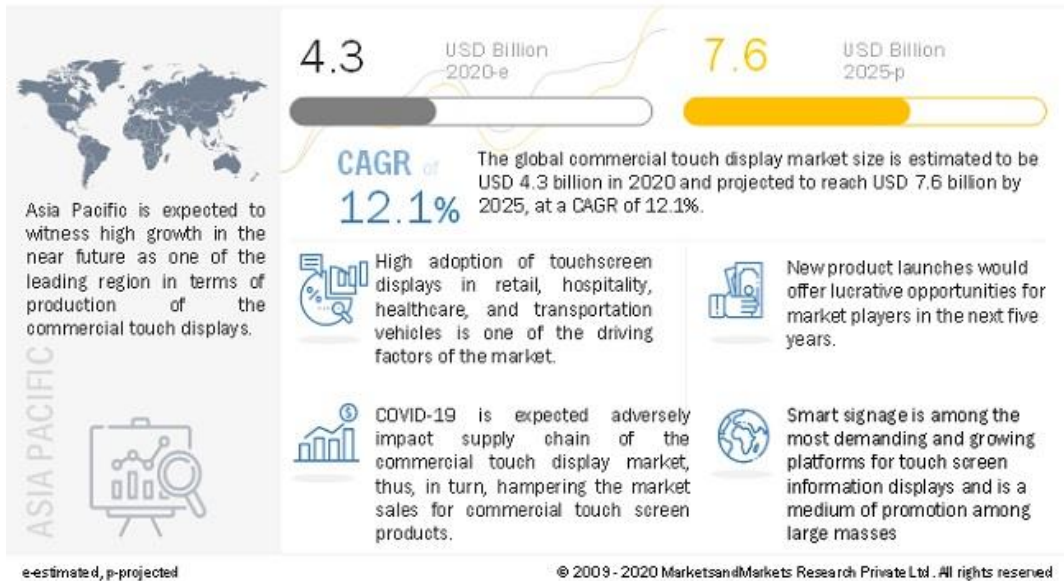
(1) Smart optics

① Touch panels

As the industry of touch panels became increasingly more powerful, the business scale of many manufacturers of touch screens has been significantly narrowed through elimination in the past years. Many of these manufacturers have even gone bankrupt, delisted and restructured. At present, the Company only has partnerships with TPK and O-Film, which have formed two groups with GIS of Hon Hai. In the past years, the industry of touch panels has had excess capacity for horizontal competitions. It was ever deemed a miserable industry. Hence, niche markets featured by small quantity and diversity, which require customization, including industrial control and medical products, have become ways out for Taiwan plants to evade price competitions of red supply chains. These products are characterized by long certification period and service life. In addition, certified suppliers are hard to replace. A single type of machines may be maintained for more than 3 to 5 years. In addition, orders are relatively stable and products are highly customized in European and American markets of industrial control equipment. Therefore, price competitions in these markets are not so fierce as those in the markets of Mainland China or Taiwan. Hence, the European and American markets of industrial control equipment are niche markets. The global commercial touch display market is estimated to reach US\$4.3 billion in 2020 and is expected to reach US\$7.6 billion by 2025, with a compound annual growth rate of 12.1%.

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

Attractive Opportunities In Commercial Touch Display Market



e-estimated, p-projected

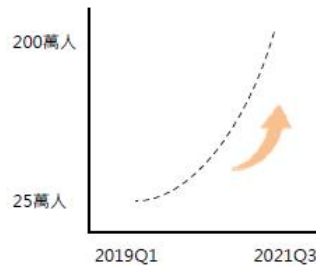
End customers have begun to guide the modular services for TP Modules, so TP Modules will gradually be driven by LCD panel manufacturers or their agents, and most TP manufacturers will slowly become supporting actors. Therefore, our strategy has gradually shifted from originally being industrial control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

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

上萬健人齊聚一堂



聯網健身用戶 | 200萬人 ↑



網紅教練吸引用戶

用戶年保留率 | 92% ↑



運動排行榜增加參與感



線上課程



3D動態捕捉



視訊互動



即時記錄

Information source: IEK (2021/11/11)

② Cover Glass

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

(2) Smart cars

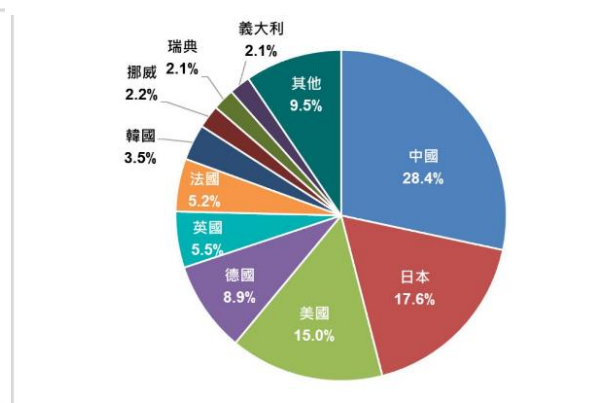
Intelligence of automobile cockpits has become a primary factor that drives needs for vehicle-borne display panels. Electric vehicles need more display panels, including central control displays, head-up displays and even displays for appreciating films on back seats, all of which are desirable for consumers and practitioners of related manufacturing industries. As global epidemic situation

was further controlled in the first half of this year, the automobile market has been gradually recovered, and the needs for vehicle-borne display screens have increased as well. According to Omdia's Automotive Display Market Tracker, the demands for vehicle-borne panels in the first half of 2021 were more vigorous than those in 2019 before the outbreak of COVID-19, but shortage of semiconductors would result in a decrease in shipment quantity of automobiles and vehicle-borne panels in 2021. Nevertheless, in the post-pandemic era, the demands for vehicle-borne panels would continue growing. The display screens inside vehicles will be bigger and wider for supporting automatic driving functions of new-generation electric vehicles.

Electric vehicles are one of requisite strategies for vehicle manufacturers to meet future international standards. Led by these driving forces, more than 4,300,000 vehicles were sold in the global market of electric vehicles (including hybrid vehicles) were sold in 2019. Without being impacted by the epidemic in 2020, over five million vehicles (as shown on the left figure) were further sold, and vehicle sales still maintained positive growth (20.4%). Since Mainland China transcended Japan in 2018, it has been ranked top in market shares (28.4%) among global sales of electric vehicles. Japan has been ranked No.2 (17.6%) in market shares while maintaining stable sales of hybrid vehicles. The United States has been ranked No.3 in market shares with the support of sales of hybrid vehicles. Impelled by favorable policies, swift growth has been achieved in sales of electric vehicles in Europe. Germany (8.9%) and France (5.5%) were ranked No.4 and No.5 on a worldwide basis in 2020 (as shown on the right of the figure below).



資料來源：工研院產科國際所(2021/08)



資料來源：工研院產科國際所(2021/08)

The sales of pure electric and hybrid new energy vehicles have performed well despite the global automobile consumer market downturn resulting from COVID-19. New energy vehicles are still in an early stage of development. As they became more and more aware of energy conservation, reduction of carbon emissions and environmental protection, countries have successively declared restricting fuel vehicles and launching subsidization policies. Under global harsh

conditions of the epidemic, electric vehicles have seemingly become important for the automobile industry to make breakthroughs and transformations.

① North American market

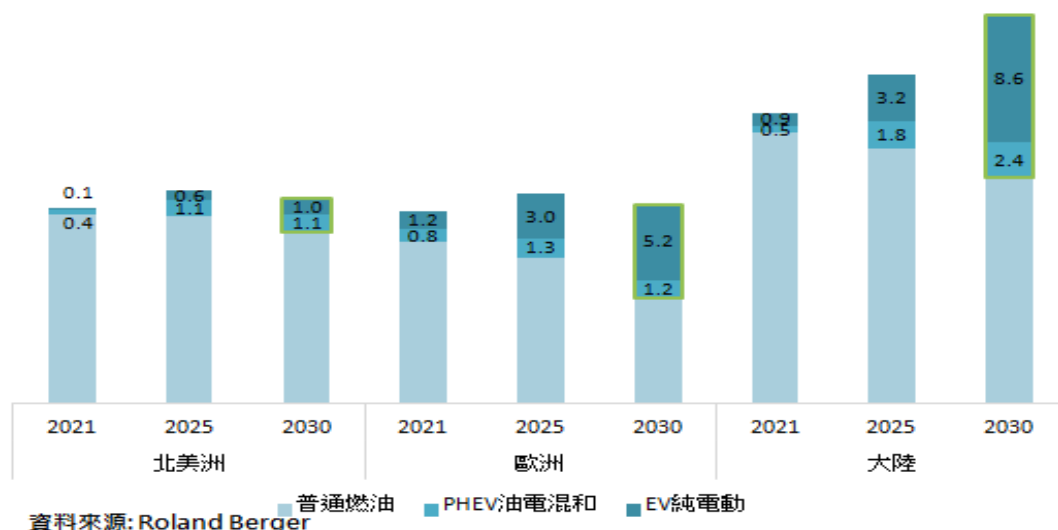
- The new energy vehicle market is expected to reach 2 million units/year by 2025.
- The growth of new energy vehicle sales is attributed to the help of policy subsidies, the rise of environmental protection awareness, and the innovation and new experiences from the supply side.

② European market

- The penetration of new energy vehicles in the European market will be more radical with a higher proportion of pure electric vehicles. It is forecast that five million vehicles per year would be produced in 2025.
- Supply end: Subsidies for new energy vehicle development.
- Market end: Subsidies for replacing old fuel vehicles with new energy vehicles.
- Policy end: Strict CO₂ emission standards facilitating the elimination of old fuel vehicles.

③ Mainland China market

- Mainland China has started to enter the mature phase for the new energy market in 2020:
- The improvements in endurance technology give consumers greater confidence.
- New energy vehicles are widely accepted and gradually becoming mainstream. License restriction factors also help to persuade consumers to choose new energy vehicles.
- As government subsidies gradually withdraw, the impetus for new energy development starts to shift towards product and user demands.



In the 5G era, autonomous driving technology is developing rapidly, and cars will provide increasingly more information to occupants. Vehicle-mounted screens must be able to fully display this information and make sure that the display is clear enough. The trend of large and multiple screens in cars has become inevitable regardless of whether it is simply trendy or can improve safety. So, how do we install these screens so that they can ensure safety in the limited space of a vehicle while enhancing aesthetics and a sense of technology?

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



As cellphone market gradually became saturated with fierce competitions and wearable articles progressively turned mature, main cellphone manufacturers have focused on material and style design for top high-end product lines. Consumers are rigidly impressed that plastic materials are undervalued, and metal materials have been widely used. The cellphone manufacturers have gradually shifted their attention to use of 3D forming glass.

The 3D glass production process is extremely complex with extremely high technology and capital thresholds, and requires large-scale capital investment. The Company has been engaged in the curved glass processing industry for many years, accumulated rich production experience, and gained the most advanced production technology in the industry, which has laid a solid foundation for the Company's technology R&D and capital expenditure. At present, the curved glass industry is ushering in two major trends: Glass phone back covers and 3D glass upgrades. The Company has technical, capital, and customer advantages in the glass processing industry and is expected to expand its lead against the competitors in this new trend.

In response to the vehicle market, the Company has gradually shifted its attention from internal combustion engines to electric vehicles. In terms of design, it is more necessary to introduce scientific and technological designs. The applications of 3D products shall be mainly shifted to the vehicle-borne market, generally including applications in vehicle-borne mechanisms, vehicle displays



and external charging piles.

At present, it has gradually become a mainstream to integrate existing dashboards with central control. Since 2019, visible double connected screens have been developed for products of Benz. Although they are flat and relatively monotonous, they have gradually procured some Tier-1 vehicle suppliers to present more technological streamlined product designs. This has driven the BMW IX electric vehicles which have been just launched in November 2020 to push glass to another peak. In addition to the displays which are made technology in combination with 3D glass, the design of curved surface has made the information platform look broader and more comfortable. Furthermore, crystal glass is applied in seat control on door panels, and glass application in central control is expanded. As a whole, the products look more noble and technological. It is evident that glass provides unlimited imagination space in interior elements.



(3) Smart buildings

In response to global growing awareness and worldwide trends in energy conservation and reduction of carbon emissions, the Building Research Institute, Construction Department, Ministry of Home Affairs, Taiwan has started to

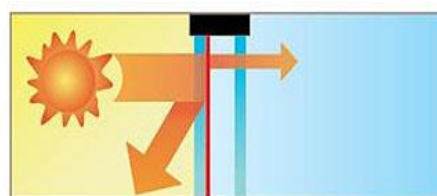
promote green building marks since 1999 and implemented policies for green buildings from January 2006. The laws were further amended in 2019 and formally implemented in 2021. The lower limit upon utilization ratio of green building materials on decorative area of buildings has been increased. The utilization ratio of green building materials has increased from 45% to 60% in interior decoration and from 10% to 20% outdoors. The energy conservation policies have been extended to the markets of commercial, office and residential buildings.

A. Energy-saving glass

With the prevalence of energy conservation and carbon emission reduction, energy-saving glass products have gradually aroused great concerns of the construction industry. The so-called “energy-saving glass” means coated glass with low infrared emissivity, also known as low-emissivity (Low-E) glass. The energy-saving glass can block most solar radiation and maintain original daylighting effects of glass. It effectively reduces energy consumption necessary for air conditioning and lighting. Functional schematic diagram of low-E glass is



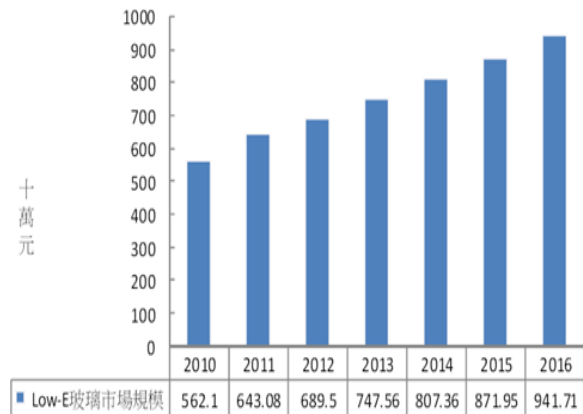
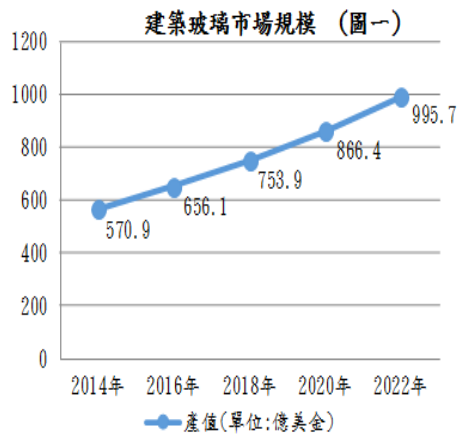
冬季：
室內的熱能因Low-E雙層玻璃的阻斷
而不易輻射至室外，而能保暖。



夏季：
阻斷大量輻射能的穿透，僅少數的熱能進入
室內（鍍面在第二面）保持涼爽。

as follows:

Low-E glass has been introduced into North America since 20 years ago. From 80s to 90s, low-E glass doors and windows have occupied more than 1/4 of the market across the United States, and demands have been growing year by year. In Europe, there are also certain requirements for energy-saving glass. For instance, it has been stipulated in Germany, Belgium, Holland, Luxembourg, Austria and Switzerland. In the near future, it will be stipulated in the new EC directives that all member states shall increase energy-saving benefits of existing buildings. Hence, low-E glass is not only standard building material in Germany. According to British building regulations, reinforced low-E coated complex glass is also reckoned as standard product. Similar regulations have been promulgated in Poland as well. According to a survey conducted by Grand View Research, it is estimated that the smart building market will grow at a compound annual growth rate of 7.2% from 2015 to 2022, and reach US\$99.57 billion by 2022.



B. Intelligent photochromic glass

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

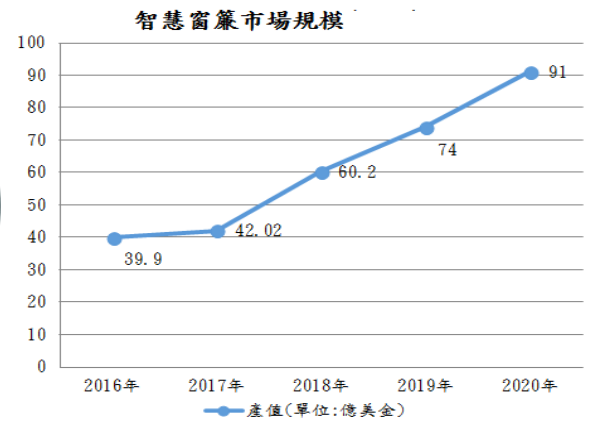
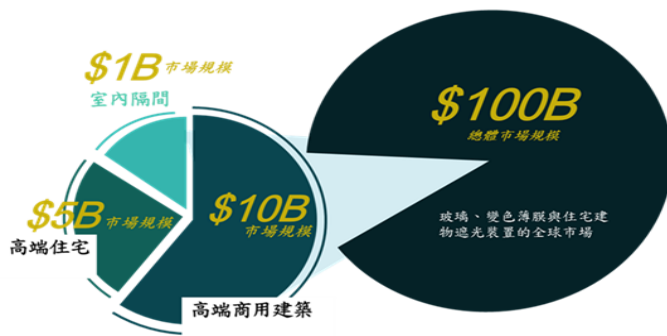
- ①. Conserve energy and save costs
- ②. Increase environmental comfort
- ③. Enhanced privacy function

Form of energy change of the color-changing glass:

- ①. Photochromic
- ②. Thermochromic
- ③. Electrochromic, SPD, PDLC

There are only options for intelligent EC windows. Ratio of penetration is optional within a wide range. With functions for rapid switching, energy-saving anti-glare control and privacy protection, these windows are durable for 20 years. The Company can produce glass products for blocking light at 99.9% within 5 minutes.

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



2. Association between upstream, midstream, and downstream industries

(1) Touch sensing glass processing process and industry chain

Glass substrate, PET film, ITO target materials and optical clear adhesive (OCA) are upstream raw materials in the industry of touch panels and displays. Glass substrate is also divided into glass substrate for touch sensor and cover lens for touch panels. Glass substrate, used for different purposes, varies in materials and specifications. Their suppliers differ as well. Present suppliers of glass substrate are still mainly from Japan (Asahi Glass, Nippon Sheet Glass) and the United States (Corning). Optically clear adhesive is mainly used for bonding touch screens. ITO target materials are sputtered on PET films for making ITO conductive films. By sputtering ITO target materials on glass substrate, ITO conductive glass can be made, and assembled into panels by professionals of touch modules, for use as final products of cellphones or tablets.

The Company is located in the upstream supply chain. Details are shown on the picture below:



(2) Optical coating and cover glass industry chain

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

The basic cover glass processes are as follows:



由正達生產

3. Various product development trends and competition status

(1) Various product development trends

At present, computer, communications and consumer electronic products tend to be designed lighter, thinner, shorter, and more stylish and concise. Display screens are getting increasingly bigger, and full-plane and narrow bezel designs are becoming more popular. In terms of input interface, mechanical keyboards have gradually been

replaced by touch panels. Impacted by COVID-19, the drastic increase in demands for online office work and education has driven needs for medium-sized and big touch displays. Therefore, big size, ultra-high definition, narrow bezel, low cost and diverse applications have become important trends of future development in the field of displays. With the application of full lamination technologies, touch displays have been produced as integrated products. Future technology development of touch screens will rely upon process innovations and material breakthroughs.

Under this trend, the requirements for glass machining processes have become more diverse and customized. Production capacity and processes shall be determined according to customers' product designs.

(2) Competition status

G-TECH's production capacity and product lines have kept pace with the times and occasionally taken the lead over the past two decade since its establishment. With its prospective industry deployment from glass cutting, thinning, strengthening, coating, to the expansion and construction of its 3D forming process plant in recent years; G-TECH is able to provide a series of diversified and integrated glass processing and production services to its clients. Although there are competitors in the glass cutting, thinning, strengthening, and coating fields, G-TECH remains the only company in Taiwan and even in the world that can provide integrated production with multiple processes in terms of integrated services. This is one of G-TECH's biggest advantages in the field of glass processing services.

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

(III) Technology and R&D overview:

1. Business technical level and R&D overview:

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

Among multi-functional coatings, curved surface coatings and multi-angle anti-reflective films with small color difference are especially focuses of development. The Company performs big data analysis using precise simulation software, in order to optimize coating design and improve customer satisfaction.

Particularly, low-reflectance AR films have to be used on operating interfaces inside vehicles to enhance LCD contrast and reduce discomfort of eyes. Furthermore, integrated anti-reflective AR films with high absorption are launched, in order that oil ink frames of display screens are identical to the black color of the visible zone, to present integrated black technology in vision as a whole. In addition to anti-reflective coatings, we have also developed stain repellent coatings, anti-glare coatings, and antibacterial coatings to meet the diverse needs of customers.

In terms of terminal applications, the Company uses glass as the base material for its products and offers various processing services for various displays and electronic devices. Small-size products include smartphones and multimedia players; medium-size products include tablets, game consoles, e-book readers, as well as satellite positioning and navigation systems; and large-size products include All-In-One PCs, notebook computers, LCD monitors, and LCD TVs. In addition to flat glass applications, the Company has also actively conducted technical R&D for special shaped glass products in order to meet the application needs of next generation cover glass demands for electronic devices. In terms of automotive industry applications, the Company has used its quality systems to achieve high-standard automotive certifications, and jointly developed non-planar glass interior integrated products with its customers. Such products include central control systems, display and touch applications, and curved or multi-curvature decorative panels. The objective is to provide durable cover glasses needed to satisfy human-machine touch-panel interface simplifications and lightweight designs in response to the electrification of vehicles, achieve product integration, and meet more innovative application requirements from the market.

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

2. R&D expenses of the most recent year and as of Q1, 2022

Unit: NT\$ thousand

Item \ Year	2021 (consolidated)	2021 (consolidated)
R&D expenditure	64,105	14,859
Net operating income	2,613,833	495,174
Ratio of R&D expenses to net revenue	2.45%	3.00%

3. Successfully developed technologies or products

Year	Contents of R&D achievements	Main benefits (feature description)
2017	1. Development of multi-cavity mold technology	Improved product efficiency
	2. Development of high-strength molding technology	Improved product strength design
	3. Multi-layer structure AR development	Development of ultra-low reflection multilayer film
	4. Development of low-impedance and high-temperature resistant conductive film	In response to smart glass product demands
	5. Development of medium and large 3D glass forming technology	In response to large-size interior panel needs after automotive electrification
	6. Electrochromic process technology development	Promoted construction market application needs
	7. Floating edge glass gluing process	Improved glass utilization rate and increased product competitiveness
	8. Electro-optical multi-layer technology	In response to large electrochromic glass demands
2018	1. Vehicle display multi-curvature glass development	In response to diverse vehicle interior design needs
	2. Multi-stage color changing process technology development	Adjusted the degree of sunlight according to weather forecasts
	3. 3D high penetration multilayer coating technology development	Multi-curvature design for use in combination with high-throughput coating due to high sunlight reflection in the driving area
	4. Optoelectronic gluing technology	Multi-curvature design and panel combination
2019	1. Development of high-temperature resistant transparent conductive film TCO material	Second supplier; reduced costs.
	2. Development of multi-stage electrochromic process technology	Developed new products and applications
	3. 3D high penetration multilayer coating technology development	Increased product performance
	4. Vehicle display multi-curvature glass development	Developed new products and applications

Year	Contents of R&D achievements	Main benefits (feature description)
2020	1. Building optoelectronic gluing technology	New technology development; improved yield.
	2. Development of automotive 3D anti-reflection film	Uniform film layer, ensuring no chromatic aberration AR for 3D curved surface
	3. Vehicle cover glass non-plating technology	Development of traceless coating technology
	4. Development of electrochromic layer materials	Use of Sputter technology to develop EC materials
2021	1. Multi-angle uniform color AR	Vehicle cover glass application
	2. Building photoelectric negative pressure gluing technology	Developed diversified product applications
	3. Development of electrochromic layer materials	Electrolyte glue development.
As of 2022 At the end of March	1. New equipment and technologies for mass production of 3D vehicle-borne forming glass	New technology development; improved yield.
	2. Vehicle-borne 3D AR evaporation coating technology	Improve coating process for 3D curved surface.
	3. Ultra-low reflectivity coatings, R<0.2%	New products made with coating technologies.
	4. Development of PDLC bonding technologies	Apply bonding technologies in the vehicle-borne market.

4. Competitive strategy

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

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

(IV) Long- and short-term business development plans

1. The Company's short-term business development plan

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

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

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

II. Market, production, and sales overview

1. Market analysis

Sales areas for main products

Unit: NT\$ thousand

Sales regions \ Year	2020		2021	
	Sales amount	Ratio	Sales amount	Ratio
Mainland China	1,405,223	57.39%	1,605,316	61.42%
Taiwan	816,037	33.33%	956,942	36.61%
Belize	125,143	5.11%	0	0.00%
United States	15,466	0.63%	16,869	0.65%
Others	86,667	3.54%	34,706	1.33%
Total	2,448,536	100.00%	2,613,833	100.00%

Note: Must be based on the consolidated financial report.

Future supply and demand and growth status of the market

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

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

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

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

Since the market demand for touch panels is in an initial rising stage, the demands for strengthened cover glasses in electronic product terminal devices are expected

to take off in the next few years due to the rapid expansion of touch control terminal applications, the rapid growth of medium and large-size applications such as tablet computers, and the introduction of cover glasses for NB and LCD TV exterior designs.

Competition niche

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

Favorable and unfavorable factors for development prospects as well as countermeasures:

A. Favorable factors:

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

have already reached the mass production phase.

B. Unfavorable factors and countermeasures:

a. Upward integration of touch module and panel plants, increase of new competitors.

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

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

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

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

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

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

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

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

2. Important uses and production processes for main products

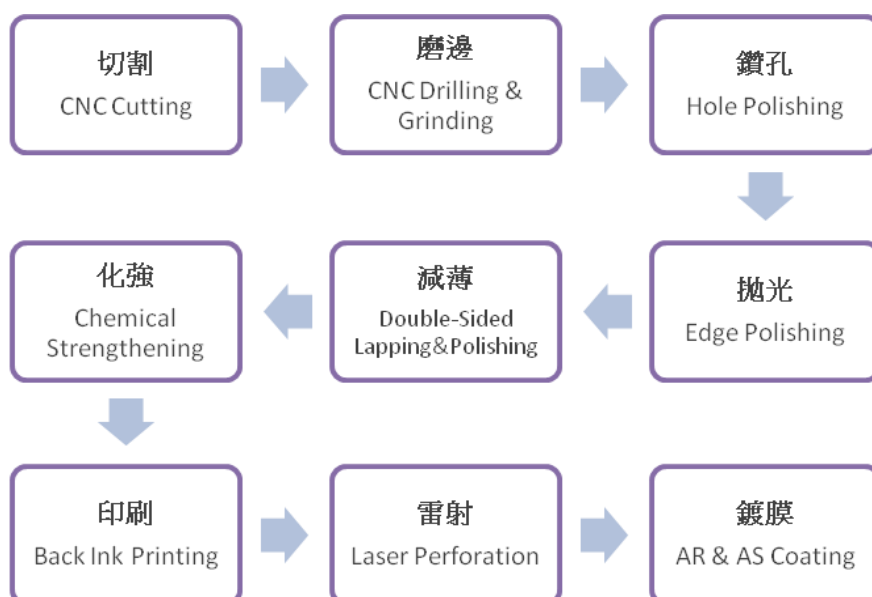
(1) Important uses for main products

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

(2) Production processes for main products:

a. Strengthened, coated, and 2D cover glass

The basic glass processing process is as follows:



b. 3D forming glass

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

3. Main raw material supply status

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

4. List of main purchase and sales customers

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

Unit: NT\$ thousand

Item	2020				2021				2022 as of March 31			
	Name	Amount	Percentage to annual net purchases (%)	Relation with the issuer	Name	Amount	Percentage to annual net purchases (%)	Relation with the issuer	Name	Amount	Percentage to annual net purchases (%)	Relation with the issuer
1	Supplier A	802,845	45.63	Related parties	Supplier A	834,004	43.92	Related parties	Supplier A	196,427	56.29	Related parties
2					Supplier B	207,994	10.95	None	–			
	Others	956,753	54.37	–	Others	857,099	45.13	–	Others	152,535	43.71	–
	Net purchase amount	1,759,598	100.00	–	Net purchase amount	1,899,097	100.00	–	Net purchase amount	348,962	100.00	–

Note: The Company enters into non-disclosure agreements with its suppliers, so suppliers are named with codes.

Notes on causes of increases and decreases: The purchase amount of commodities from suppliers in 2021 was higher than that in 2020, mainly because COVID-19 was relieved.

- (2) The names of customers that have accounted for over 10% of the total sales in any of the last two years as well as the sales amount and ratio, and please describe the reasons for increases or decreases:

Unit: NT\$ thousand

Item	2020				2021				2022 as of March 31			
	Name	Amount	Percentage to annual net sales (%)	Relation with the issuer	Name	Amount	Percentage to annual net sales (%)	Relation with the issuer	Name	Amount	Percentage to annual net sales (%)	Relation with the issuer
1	Customer B	730,713	29.84	None	Customer B	678,432	25.96	None	Customer B	138,691	28.01	None
2	Customer A	134,340	5.49	None	Customer A	391,203	14.97	None	Customer C	65,337	13.19	Related parties
	Others	1,583,483	64.67	–	Others	1,544,198	59.08	–	Others	291,146	58.80	–
	Net revenue	2,448,536	100.00	–	Net revenue	2,613,833	100.00	–	Net revenue	495,174	100	–

Note: The Company enters into non-disclosure agreements with its customers, so customers are named with codes.

Notes on causes of increases and decreases: The revenues in 2021 increased by NT\$ 165 million compared with those in 2020, mainly because COVID-19 tended to be relieved in 2020.

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

Unit: PCS(K); NT\$ thousand

Year Production volume & main products	2020			2021		
	Capacity (Note)	Output volume	Output value	Capacity (Note)	Output volume	Output value
Smart optoelectronics	2,274	2,712	656,902	3,402	5,437	1,646,198
Smart cars	1,165	365	171,791	900	196	259,111
Smart buildings	6,600	2,893	288,199	5,665	2,327	224,375
Total	10,039	5,970	1,116,892	9,967	7,960	2,129,684

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

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

Analysis and explanation of changes in production value:

- ①. The increase in the output value of smart optoelectronic glass was primarily due to the increase in the demand of coated glass for iMac and sports equipment.
- ②. The output of intelligent automobile glass increased, mainly because the demands for vehicle-borne glass increased in the second half of 2021.
- ③. The output of smart architectural glass declined, mainly because government crackdown upon the real estate market and horizontal low-price competitions result in decrease in orders.

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

Unit: PCS(K); NT\$ thousand

Year Sales volume of main products	2020				2021			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Smart optoelectronics	605	142,536	360	149,816	993	317,597	673	375,859
Smart cars	396	80,153	560	302,100	453	162,327	39	33,941
Smart buildings	8,073	509,849	1	156	2,466	271,408	0	0
Others	650	83,499	28,688	1,180,427	2,034	205,610	30,938	1,247,090
Total	9,724	816,037	29,609	1,632,499	5,945	956,942	31,651	1,656,891

Analysis and explanation of sales volume changes:

Compared with 2020, the Company's sales increased by NT\$ 165 million in 2021, mainly because COVID-19 tended to be relieved.

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

Unit: No. of people; year

Item/Year		2020	2021	As of March 31 of current year
Number of employees	Indirect personnel	204	241	244
	Direct personnel	311	330	300
	Total	515	571	544
Average age		40.05	39.82	40.42
Average service tenure		8.28	7.7	8.22
Education distribution ratio (%)	Doctoral degree	0.00 %	0.00 %	0.00 %
	Master's degree	3.88 %	3.85 %	4.04 %
	University (post-secondary)	40.19 %	57.27 %	58.83 %
	Vocational high school (inclusive) or lower	55.93 %	38.88 %	37.13 %

IV. Environmental protection expenditure information

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

(1) Violation fact: Disciplinary date: 2022-02-21

Penalty No.: Fu Shou Huan Kong Zi No.1110062716

Violated clause: Article 79 of the Air Pollution Control Act

Violation: The pollution degree of particulate contaminant (opacity of black smoke) emitted by 683-Q2 self-used trucks is up to 1.1m, which exceeds the legal limit (1.0m).

Disciplinary content: A fine of NT\$5,000 even and environmental training for 1 hour.

Future countermeasure: Strengthen regular maintenance of controlled vehicles and avoid recurrence of the same circumstances.

(2) Violation fact: Disciplinary date: April 12, 2022

Disciplinary No.: Huan-Fei-Zi No. 1110021507

Violation article: Article 36, Paragraph 1 of the Waste Disposal Act

Violation: Business wastes are stored in disorder. They are not separately stored according to characteristics of their main ingredients. The storage locations, containers and facilities are not kept clean and intact. It has been discovered that business wastes are not conspicuously marked in Chinese.

Disciplinary content: A fine of NT\$18,000 even and environmental training for 1 hour.

Future countermeasure: Strengthen management of waste storage zones, and regularly check if marks have fallen off. The marks must be updated to avoid recurrence of the same circumstances.

V. Labor-capital relations

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

1. Employee welfare measures

(1) Company benefits: Labor insurance, health insurance, group insurance: The subjects are employees, and the insurance contents are accident insurance, etc.

(2) Employee benefits: Welfare subsidies (marriage, childbirth, funeral, and birthday), educational grants (employees and their children), festival bonuses (Spring Festival, Labor Day, Dragon Boat Festival, Mid-Autumn Festival), cultural and recreational activities, leisure travel, and emergency relief.

2. Continuing education and training:

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

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

2021 education and training implementation overview is shown in the table below:

2021 education and training _ total number of employees trained

Plant area	Basic training	Profession type	General education type	Rank type	Occupational Safety and Health Act	Total
G-TECH	76	1,095	102	4	59	1,336
Southern Taiwan Science Park	87	251	10	0	18	366
Total	163	1,346	112	4	77	1,702

3. Retirement system:

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

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

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

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

The Company has complied with laws and regulations, and there were no labor disputes or violations this year.

VI. Information Disclosure of Cyber Security Management.

(I) Cyber security management

1. Management framework for cyber security risks: The Company’s cyber security group is affiliated to the Administration Office.
2. Cyber security policies: Ensure normal operation of cyber security services, confidentiality, integrity, availability and legitimacy of information assets, to avoid internal and external deliberate or accidental threats.
3. Specific measures for implementing information security policies: Carry out internal resource management, protect external accesses, management virus protection, establish a backup mechanism and join in the TWCERT Information Security Alliance.
4. Specific countermeasures and preventive actions for emergency response to information security incidents:

Emergency response measures		Preventive actions for emergency response
Internal safety threatening incidents	When malicious damages, careless operations and other information security incidents are found (or suspected), rapidly investigate impacts and damages of the incidents. Enable advance backups or programs or initiate related measures for backup plans and rapidly resume normal operations.	<ol style="list-style-type: none"> 1. The information organization shall regularly test cyber security and scan vulnerabilities. Track and improve vulnerabilities. 2. The information organization shall regularly create backups for important materials, systems and application programs.
Virus infection	In case of virus intrusion, immediately interrupt the infected equipment and violate the virus to avoid spread of the epidemic. Besides, obtain requisite virus removal programs as soon as possible. Remove viruses, repair and restore according to corresponding repair procedures.	<ol style="list-style-type: none"> 1. The information organization shall install anti-virus software before all internal computers of the Company is started for initial use. 2. The information organization shall promptly distribute updated virus codes to all computers. 3. The information organization shall irregularly promote cases on virus intrusion, including website browsing and email attachment.
Hacker attack (or illegal intrusion)	In the event of intrusion, immediately disconnect physical lines of the Company’s network, reject intruders’ access, mend security breach and implement specific remedial actions for improvement.	<ol style="list-style-type: none"> 1. The information organization shall install firewalls for Internet; guard against hacker attacks and malicious attacks. 2. Perform authentication above two levels, including interactive authentication, for internal network.

Emergency response measures		Preventive actions for emergency response
Natural disasters or major emergencies	If the information system is damaged because of natural disasters (typhoon, flood, earthquake) or major accidents (fire, explosion, major building disaster), the system shall be reconstructed and restored with remote backup after elimination of the disaster or the major event.	<ol style="list-style-type: none"> 1. The information organization shall regularly create backups for important materials, systems and application programs. 2. The information organization shall organize regular drills for disaster recovery, ensuring that restoration programs and drill results are correct and effective.
Middle disruption events of cyber security network systems	Immediately find out barriers, impact interval and scope; exercise traffic control and perform rush repair.	The information organization shall create backup lines for all important internal and external network backbones.

(II) List losses arising from, potential impacts of and countermeasures for major cyber security incidents in the most recent year and as of the publication date: None.

VII. Important contracts

Nature of contract	Contract party	Contract starting date	Main content	Restriction clause
Long-term loan	Bank of Taiwan	2013-10-15~2023-10-15	Land and plant guarantee loans	None
Long-term loan	and Bank of Taiwan	2020-09-10~2023-09-10	Revitalization fund loan	None
Long-term loan	and Bank of Taiwan	2020-12-16~2023-09-10	Revitalization fund loan	None
Long-term loan	Bank of Taiwan	2014-09-29~2024-01-15	Land and plant guarantee loans	None
Long-term loan	Bank of Taiwan	2014-12-22~2024-01-15	Land and plant guarantee loans	None
Long-term loan	Taiwan Cooperative Bank	2019-09-02~2024-09-01	Land and plant guarantee loans	None
Long-term loan	Shanghai Commercial and Savings Bank	2021-10-08~2026-10-08	Mechanical equipment guarantee loan	None
Long-term loan	Sunny Bank	2020-07-14~2027-07-14	Land and plant guarantee loans	None

Nature of contract	Contract party	Contract starting date	Main content	Restriction clause
Long-term loan	Sunny Bank	2020-07-14~2027-07-14	Land and plant guarantee loans	None
Long-term loan	Hua Nan Commercial Bank	2022-01-17~2027-01-17	Taiwan businessman's loans for investments upon return to Taiwan	None
Long-term loan	Bank of Taiwan	2013-08-16~2028-08-16	Land and plant guarantee loans	None
Long-term loan	Sunny Bank	2021-09-29~2028-09-29	Land and plant guarantee loans	None
Lease contract	Kinestral Technologies Inc.	2017.05.01~2032.01.31	Factory lease	The leased subject matter is for use by Party B's production lines. Without Party A's consent, Party B shall not lend, transfer or have the leased subject matter used by others in whole or in part by other equivalent methods, but Party B's affiliates are not taken into account.
Lease contract	Kinestral Technologies Inc.	2021.10.01~2022.09.30	Venue lease	The leased subject matter is to be used by Party B as bonded warehouse. Without Party A's consent, Party B shall not lend, transfer or have the leased subject matter used by others in whole or in part by other equivalent methods, but Party B's affiliates are not taken into account.
Lease contract	Innolux Corporation Co., Ltd.	2022.01.01~2023.12.31	Venue lease	The leased subject matter must not be lent, transferred or used by others in other ways in whole or in part.

Six. Financial Overview

I. Condensed Balance Sheet and comprehensive income statement for the last five years

(I) Condensed Balance Sheet & Comprehensive Income Statement Information

1. Condensed Balance Sheet - (Consolidated Financial Report)

Unit: NT\$ thousand

Year		Financial Analysis Information for the Last 5 Years (Note 1)					Financial information for the year as of March 31 (Note 2)
		2017	2018	2019	2020	2021	
Item							
Current assets		2,268,109	2,499,737	1,502,668	1,448,489	1,610,975	1,405,543
Property, plant, and equipment		2,831,823	2,580,167	2,275,669	1,371,860	1,228,620	1,277,764
Intangible assets		2,099	1,333	1,113	6,946	5,163	3,645
Other assets		264,513	14,434	105,166	1,219,996	1,649,064	1,670,997
Total assets		5,366,544	5,095,671	3,884,616	4,047,291	4,493,822	4,357,949
Current liabilities	Before distribution	2,609,396	2,935,091	1,508,008	1,274,357	1,384,994	1,273,863
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Non-current liabilities		1,215,372	516,646	859,127	1,235,641	1,676,069	1,691,696
Total liabilities	Before distribution	3,824,768	3,451,737	2,367,135	2,509,998	3,061,063	2,965,559
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity attributable to owners of the parent company		1,541,776	1,643,934	1,517,481	1,537,293	1,432,759	1,392,390
Share capital		1,883,936	2,063,936	2,063,936	2,063,936	2,063,936	2,063,936
Additional paid-in capital		218,299	269,239	40,528	16,711	18,948	20,137
Retained earnings	Before distribution	-795,083	-919,582	-751,240	-1,019,793	-1,124,630	-1,170,784
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Other equities		234,624	230,341	164,257	476,439	474,505	479,101
Treasury shares		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	1,541,776	1,643,934	1,517,481	1,537,293	1,432,759	1,392,390
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

Note 2: The Company's consolidated financial report for Q1, 2022 has been reviewed by CPAs.

2. Condensed Statement of Comprehensive Income (Consolidated Financial Report)

Unit: NT\$ thousand

Item	Financial Analysis Information for the Last 5 Years (Note 1)					Financial information for the year as of March 31 (Note 2)
	2017	2018	2019	2020	2021	
Operating income	3,625,233	4,170,703	2,866,074	2,448,536	2,613,833	495,174
Gross profit	-152,509	84,100	-17,159	-9,098	37,067	-15,593
Operating profit or loss	-504,653	-183,715	-213,916	-436,626	-198,417	-74,555
Non-operating income and expense	521,083	64,325	154,100	146,107	77,609	28,401
Profit before tax	16,430	-119,390	-59,816	-290,519	-120,808	-46,154
Net profit for the current period for continuing business units	19,578	-124,499	-60,369	-293,123	-120,795	-46,154
Loss from discontinued units	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Net profit (loss) for the current period	19,578	-124,499	-60,369	-293,123	-120,795	-46,154
Other comprehensive income for the current period (net after tax)	34,020	-4,283	-66,084	312,182	-1,934	4,596
Total comprehensive income in the current period	53,598	-128,782	-126,453	19,059	-122,729	-41,558
Net profit attributable to the owners of the parent company	19,578	-124,499	-60,369	-293,123	-120,795	-46,154
Net profit attributable to non-controlling interests	68,040	-	-	-	-	-
Net total comprehensive profit and loss attributable to the owners of the parent company	-14,442	128,782	-126,453	19,059	-122,729	-41,558
Total comprehensive income attributable to non-controlling interests	68,040	-	-	-	-	-
Earnings per share	0.11	-0.64	-0.29	-1.42	-0.59	-0.22

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

Note 2: The Company's consolidated financial report for Q1, 2022 has been reviewed by CPAs.

3. Condensed Balance Sheet (Unconsolidated Financial Report)

Unit: NT\$ thousand

Year		Financial Analysis Information for the Last 5 Years (Note 1)				
		2017	2018	2019	2020	2021
Item						
Current assets		1,783,495	1,730,261	1,312,172	1,303,200	1,495,966
Property, plant, and equipment		2,831,823	2,580,167	2,250,744	1,345,882	1,225,552
Intangible assets		2,099	1,333	1,113	6,946	5,163
Other assets		262,048	11,946	1,036,587	1,323,997	1,716,810
Total assets		5,106,846	4,555,830	2,527,442	3,980,025	4,443,491
Current liabilities	Before distribution	2,353,622	2,402,204	1,464,099	1,207,091	1,334,663
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Non-current liabilities		1,211,448	506,692	858,034	1,235,641	1,676,069
Total liabilities	Before distribution	3,565,070	2,911,896	2,322,133	2,442,732	3,010,732
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Equity attributable to owners of the parent company		1,541,776	1,643,934	1,517,481	1,537,293	1,432,759
Share capital		1,883,936	2,063,936	2,063,936	2,063,936	2,063,936
Additional paid-in capital		218,299	269,239	40,528	16,711	18,948
Retained earnings	Before distribution	-795,083	-919,582	-751,240	-1,019,793	-1,124,630
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Other equities		234,624	230,341	164,257	476,439	474,505
Treasury shares		-	-	-	-	-
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	1,541,776	1,643,934	1,517,481	1,537,293	1,432,759
	After distribution	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

4. Condensed Statement of Comprehensive Income (Unconsolidated Financial Report)

Unit: NT\$ thousand

Item	Year	Financial Analysis Information for the Last 5 Years (Note 1)				
		2017	2018	2019	2020	2021
Operating income		3,401,520	3,206,843	2,697,547	2,322,138	2,431,645
Gross profit		-173,017	42,246	-24,652	-12,681	31,394
Operating profit or loss		287,481	-175,166	-209,115	-366,200	-190,277
Non-operating income and expense		476,928	55,776	149,299	75,681	69,469
Profit before tax		16,430	-119,390	59,816	-290,519	-120,808
Net profit for the current period for continuing business units		19,578	-124,499	-60,369	-293,123	-120,795
Loss from discontinued units		-	-	-	-	-
Net profit (loss) for the current period		19,578	-124,499	-60,369	-293,123	-120,795
Other comprehensive income for the current period (net after tax)		-34,020	-4,283	-66,084	312,182	-1,934
Total comprehensive income in the current period		-14,442	-128,782	-126,453	19,059	-122,729
Net profit attributable to the owners of the parent company		19,578	-124,499	-60,369	-293,123	-120,795
Net profit attributable to non-controlling interests		-	-	-	-	-
Net total comprehensive profit and loss attributable to the owners of the parent company		-14,442	-128,782	-126,453	19,059	-122,729
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		0.11	-0.64	-0.29	-1.42	-0.59

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

(II) Names of the CPAs in the most recent five years and their review opinions

Year	Name of CPA	Name of CPA firm	Audit opinion
2017	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2018	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2019	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2020	Chen, Tsung-Che, Chang, Shu-Ying	KPMG	Unqualified opinion
2021	Chen, Tsung-Che, Chih, Shih-Chin	KPMG	Unqualified opinion

II. Financial analysis for the last five years

(I) Consolidated financial statements

Analysis item (Note 2)		Financial analysis for the last five years					Current year until March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure%	Debt-to-asset ratio	71.27	67.74	60.94	62.03	68.12	68.05
	The ratio of long-term funds to property, plant, and equipment	97.36	83.74	104.44	202.13	253.03	241.37
Solvency %	Current ratio	86.92	85.17	99.65	113.66	116.32	110.34
	Quick ratio	77.43	76.62	87.36	101.29	100.83	93.25
	Interest coverage ratio	1.33	-1.55	-0.43	-7.52	-2.11	-3.34
Management capacity	Accounts receivable turnover rate (times)	4.51	3.59	2.73	3.34	3.99	3.65
	Average cash collection days	80.93	101.65	133.76	109.12	91.47	100.12
	Inventory turnover rate (times)	14.53	16.85	13.59	14.80	14.00	9.66
	Payables turnover rate (times)	7.20	5.43	5.47	9.31	8.13	6.86
	Average sales days	25.12	21.67	26.86	24.67	26.07	37.80
	Property, plant, and equipment turnover rate (times)	1.16	1.54	1.18	1.34	2.01	1.58
	Total assets turnover rate (times)	0.63	0.80	0.64	0.62	0.61	0.45
Profitability	Return on assets (%)	1.05	-1.66	-0.60	-6.70	-2.10	-0.85
	Return on equity (%)	1.40	-7.82	-3.82	-19.19	-8.13	-13.07
	Percentage of net profit before tax to the paid-in capital (%)	0.87	-5.78	-2.90	-14.08	-5.85	-2.24
	Net profit margin (%)	0.54	-2.99	-2.11	-11.97	-4.62	-9.32
	Earnings per share (NT\$)	0.11	-0.64	-0.29	-1.42	-0.59	-0.22
Cash flows	Cash flow ratio (%)	-16.31	-1.96	18.66	16.55	11.23	8.02
	Cash flow adequacy ratio (%)	23.99	0.96	-25.23	52.53	63.12	395.26
	Cash reinvestment ratio (%)	-6.85	-1.00	4.97	4.55	3.09	2.06
Leverage	Operating leverage	-5.16	-18.78	-12.17	-4.78	-9.74	-5.61
	Financial leverage	0.91	0.80	0.84	0.93	0.84	0.88

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

1. Ratio of long-term funds to fixed assets: This ratio increased, because of increase in corporate bonds payable in 2021.
2. Interest coverage ratio: The amount of loss in 2021 decreased compared with that of 2020, which led to an increase in interest coverage.
3. Return on assets and return on equity: In 2021, revenue increased by 6.75% compared to the same period of 2020. As a result, the operating loss declined and rate of return increased compared with those in 2020.
4. Net profit ratio and net profit before tax to paid-in capital ratio and earnings per share: In 2021, revenue increased by 6.75% on a year-on-year basis, which decrease in the operating loss as well as increase in the net profit ratio and earnings per share compared with 2020.
5. Cash flow ratio: This ratio increased in 2021 due to year-on-year-on-year increase in current liabilities.
6. Cash flow adequacy ratio: All cash flow for business activities from 2019 to 2021 was cash inflow, which resulted in an increase in cash flow adequacy ratio.
7. Cash reinvestment ratio: In 2021, non-current assets increased, which resulted in a decline of the cash reinvestment ratio.
8. Operating leverage: A year-on-year increase of 6.75% was seen in operating income in 2021, which caused an increase in operating leverage.

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

Note 2: Financial analysis calculation formulas:

1. Financial Structure

(1) Liabilities to assets ratio = total liabilities / total assets.

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

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Interest protection multiples = net profit before income tax and interest expense / interest expense in the current period.

3. Management capacity

(1) Turnover rate for accounts receivable (including accounts receivable and bills receivable due to businesses) = net sales / average balance of accounts receivable (including accounts receivable and bills receivable due to businesses) for each period.

(2) Average number of days for cash collection = 365 / turnover rate for accounts receivable.

(3) Inventory turnover rate = cost of goods sold / average inventory value.

(4) Turnover rate for accounts payable (including accounts payable and bills payable due to business) = net sales / average balance of accounts payable (including accounts payable and bills payable due to business) for each period.

(5) Average number of sales days = 365 / inventory turnover rate.

(6) Property, plant and equipment turnover rate = net sales / average net amount for property, plant, and equipment.

(7) Turnover rate for total assets = net sales / total average assets.

4. Profitability

(1) Return on assets = [after-tax profit and loss + interest expense x (1 - tax rate)] / average total assets.

(2) Return on equity = after-tax profit and loss / average total equity.

(3) Net profit rate = after-tax profit and loss / net sales.

(4) Earnings per share = (profit and loss attributable to owners of the parent company - special stock dividends) / weighted average number of issued shares. (Note 4)

5. Cash flows

(1) Cash flow ratio = net cash flow from operating activities / current liabilities.

(2) Cash flow adequacy ratio = (net cash flow from operating activities in the last five years / (capital expenditure + inventory increase + cash dividends) in the last five years.

(3) Cash re-investment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (net operating income - operating variable cost and expense) / operating income (Note 6).

(2) Financial leverage = operating income / (operating income - interest expense).

Note 4: Please pay special attention to the following matters when assessing the aforementioned calculation formula of earnings per share.

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

Note 5: Please pay special attention to the following matters when measuring the cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow from capital investment.
3. The increase in inventory is only included when the closing balance is greater than the opening balance. If the inventory is decreased at the end of the year, it shall be calculated as zero.
4. Cash dividends include cash dividends on ordinary shares and special shares.
5. Gross property, plant, and equipment refers to the total amount of property, plant, and equipment prior to the deduction of accumulated depreciation.

Note 6: The issuer shall classify the various operating costs and expenses as fixed or variable according to their nature. If estimates or subjective judgments are involved, pay attention to reasonableness and maintain consistency.

Note 7: If the Company's stock has no denomination or the denomination per share is not NT\$10, the aforementioned paid-in capital ratio calculation shall be calculated based on the equity ratio attributable to the balance sheet of the parent company owner.

(II) Unconsolidated Financial Statements

Analysis item (Note 2)		Financial analysis for the last five years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure %	Debt-to-asset ratio	69.81	63.92	60.48	61.37	67.76
	The ratio of long-term funds to property, plant, and equipment	97.22	83.47	105.54	206.03	253.67
Solvency %	Current ratio	75.78	72.03	89.62	107.96	112.09
	Quick ratio	65.49	61.59	76.97	94.90	96.01
	Interest coverage ratio	1.46	-1.63	-0.43	-7.52	-2.11
Management capacity	Accounts receivable turnover rate (times)	5.18	3.84	3.52	3.54	4.06
	Average cash collection days	70.46	95.12	103.81	103.06	89.88
	Inventory turnover rate (times)	13.81	13.11	12.83	14.06	13.04
	Payables turnover rate (times)	9.96	7.39	9.33	10.67	9.02
	Average sales days	26.44	27.85	28.45	25.97	28.00
	Property, plant, and equipment turnover rate (times)	1.09	1.19	1.12	1.29	1.89
	Total assets turnover rate (times)	0.65	0.66	0.64	0.59	0.58
Profitability	Return on assets (%)	0.95	-1.82	-0.64	-6.80	-2.13
	Return on equity (%)	1.40	-7.82	-3.82	-19.19	-8.13
	Percentage of net profit before tax to the paid-in capital (%)	0.87	-5.78	-2.90	-14.08	-5.85
	Net profit margin (%)	0.58	-3.88	-2.24	-12.62	-4.97
	Earnings per share (NT\$)	0.11	-0.64	-0.29	-1.42	-0.59
Cash flows	Cash flow ratio (%)	-19.87	0.84	20.48	19.78	10.66
	Cash flow adequacy ratio (%)	-82.80	-38.81	-48.98	198.09	266.02
	Cash reinvestment ratio (%)	-7.69	0.36	5.10	4.99	2.69
Leverage	Operating leverage	-5.17	-14.19	-11.64	-5.35	-9.20
	Financial leverage	0.93	0.79	0.83	0.91	0.83

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

- Ratio of long-term funds to fixed assets: This ratio increased, because of increase in corporate bonds payable in 2021.
- Interest coverage ratio: The amount of loss in 2021 decreased compared with that of 2020, which led to an increase in interest coverage.
- Turnover rate of fixed assets: In 2021, the operating income increased by 4.7% on a year-on-year basis, which caused an increase in the turnover rate.
- Return on assets and return on equity: In 2021, revenue increased by 4.7% on a year-on-year basis. As a result, the operating loss declined and rate of return increased compared with those in 2020.
- Net profit ratio and net profit before tax to paid-in capital ratio and earnings per share: In 2021, revenue increased by 4.7% on a year-on-year basis, which caused a decrease in the operating loss as well as increase in the net profit ratio and earnings per share compared with 2020.
- Cash flow ratio: This ratio increased in 2021 due to year-on-year-on-year increase in current liabilities.
- Cash flow adequacy ratio: All cash flow for business activities from 2019 to 2021 was cash inflow, which resulted in an

- increase in cash flow adequacy ratio.
8. Cash reinvestment ratio: In 2021, non-current assets increased, which resulted in a decline of the cash reinvestment ratio.
 9. Operating leverage: A year-on-year increase of 4.7% was seen in operating income in 2021, which caused an increase in operating leverage

Note 1: The Company's financial reports for all past years have been audited and verified by CPAs.

Note 2: Please refer to the explanations in Note 2 of the table above for details on financial analysis calculation formulas.

III. Audit Committee's audit report for the latest financial report

G-TECH Optoelectronics Corporation

Audit Committee's Review Report

The board of directors has prepared the 2021 business report, financial statements, and proposal for covering of losses, in which the financial statements have been fully audited by the CPAs of KPMG Taiwan, and an unqualified audit report has been issued. The aforementioned business reports, financial statements, and loss offsetting proposal table have been audited by the Audit Committee, and no discrepancy was found. A report has been prepared and submitted for examination pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2022 Annual General Meeting of G-TECH Optoelectronics Corporation

Chairperson of the Audit Committee

Huang, Kuo-Shih

March 21, 2022

IV. Latest financial report and CPA audit report: Please refer to pages 131~200.

V. Most recent individual financial report verified by CPAs: Please refer to pages 201~268

VI. In case of financial difficulties for the Company and its affiliated companies in the most recent year and as of the date of publication for the annual report, please indicate its impact on the Company's financial status: None.

Seven. Financial Status and Operation Results Review Analysis & Risk

Matters

I. Financial status

(I) Consolidated financial statements

Unit: NT\$ thousand

Item \ Year	2021	2020	Difference	
	Amount	Amount	Amount	%
Current assets	1,610,975	1,448,489	162,486	11.22%
Property, plant, and equipment	1,228,620	1,371,860	-143,240	-10.44%
Intangible assets	5,163	6,946	-1,783	-25.67%
Other assets	1,649,064	1,219,996	429,068	35.17%
Total assets	4,493,822	4,047,291	446,531	11.03%
Current liabilities	1,384,994	1,274,357	110,637	8.68%
Long-term liabilities	1,676,069	1,235,641	440,428	35.64%
Total liabilities	3,061,063	2,509,998	551,065	21.95%
Share capital	2,063,936	2,063,936	0	0.00%
Additional paid-in capital	18,948	16,711	2,237	13.39%
Retained earnings	-1,124,630	-1,019,793	-104,837	10.28%
Other equities	474,505	476,439	-1,934	-0.41%
Total shareholders' equity	1,432,759	1,537,293	-104,534	-6.80%
<p>1. Description of significant changes: (For those with a change of over 20% before and after, and the amount of change reached NT\$10 million)</p> <p>(1) Increase in other assets: Mainly arising from restricted assets of NT\$179 million recategorized as non-current assets and an increase in prepayments for equipment by NT\$158 million in 2021.</p> <p>(2) Increase in long-term liabilities: Mainly incurred by increase in debts payable to the Company by NT\$ 484 million in 2021.</p> <p>2. The impact of significant changes: None.</p>				

(II) Unconsolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	2021	2020	Difference	
	Amount	Amount %	Amount	%
Current assets	1,495,966	1,303,200	192,766	14.79%
Property, plant, and equipment	1,225,552	1,345,882	-120,330	-8.94%
Intangible assets	5,163	6,946	-1,783	-25.67%
Other assets	1,716,810	1,323,997	392,813	29.67%
Total assets	4,443,491	3,980,025	463,466	11.64%
Current liabilities	1,334,663	1,207,091	127,572	10.57%
Long-term liabilities	1,676,069	1,235,641	440,428	35.64%
Total liabilities	3,010,732	2,442,732	568,000	23.25%
Share capital	2,063,936	2,063,936	0	0.00%
Additional paid-in capital	18,948	16,711	2,237	13.39%
Retained earnings	-1,124,630	-1,019,793	-104,837	10.28%
Other equities	474,505	476,439	-1,934	-0.41%
Total shareholders' equity	1,432,759	1,537,293	-104,534	-6.80%
<p>1. Description of significant changes: (For those with a change of over 20% before and after, and the amount of change reached NT\$10 million)</p> <p>(1) Increase in other assets: Mainly arising from restricted assets of NT\$179 million recategorized as non-current assets and an increase in prepayments for equipment by NT\$146 million in 2021.</p> <p>(2) Increase in long-term liabilities: Mainly incurred by increase in debts payable to the Company by NT\$ 484 million in 2021.</p> <p>2. The impact of significant changes: None.</p>				

II. Financial performance
(I) Consolidated financial statements

Unit: NT\$ thousand

Item \ Year	2021	2020	Increase (decrease)	
	Amount	Amount	Amount	%
Total operating income	2,721,436	2,466,955	254,482	10.32%
Minus: Sales returns and discounts	107,603	18,419	89,185	484.21%
Net operating income	2,613,833	2,448,536	165,297	6.75%
Operating cost	2,576,766	2,457,634	119,132	4.85%
Gross profit	37,067	-9,098	46,165	507.42%
Operating expenses	235,484	427,528	-192,044	-44.92%
Operating profit	-198,417	-436,626	238,209	-54.56%
Non-operating income and benefits	145,138	288,632	-143,494	-49.72%
Non-operating expenses and losses	-67,529	-142,525	74,996	-52.62%
Net profit before tax for continuing business departments	-120,808	-290,519	169,711	-58.42%
Minus: Income tax expense	-13	2,604	-2,617	0.00%
Net profit after tax for continuing business departments	-120,795	-293,123	172,328	-58.79%

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

- (1) Increase in sales return and discounts: Increased orders of iMac products in 2021 caused a year-on-year increase in sales discounts.
- (2) Increase in gross profit: The increased revenue from iMac products in 2021 contributed to an increase in gross profit.
- (3) Decrease in operating expenses and operating losses: The year-on-year decrease in loss in 2021 resulted from the bad debt losses presented in 2020.
- (4) Decrease in non-operating income: Mainly caused by gain on reversal of impairment of recognized fixed assets and government grants in 2020.
- (5) Decrease in non-operating expenses: Mainly incurred by decrease in loss of foreign currency valuation and miscellaneous expenditures in 2021.

(II) Unconsolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	2021	2020	Increase (decrease)	
	Amount	Amount	Amount	%
Total operating income	2,539,166	2,340,498	198,668	8.49%
Minus: Sales returns and discounts	107,521	18,360	89,161	485.64%
Net operating income	2,431,645	2,322,138	109,507	4.72%
Operating cost	2,400,251	2,334,819	65,432	2.80%
Gross profit	31,394	-12,681	44,075	347.57%
Operating expenses	221,671	353,519	-131,848	-37.30%
Operating profit	-190,277	-366,200	175,923	-48.04%
Non-operating income and benefits	136,076	212,657	-76,581	-36.01%
Non-operating expenses and losses	-66,607	-136,976	70,369	-51.37%
Net profit before tax for continuing business departments	-120,808	-290,519	169,711	-58.42%
Minus: Income tax expense	-13	2,604	-2,617	0.00%
Net profit after tax for continuing business departments	-120,795	-293,123	172,328	-58.79%
Description of significant changes: (For those with a change of over 20% before and after, and the amount of change reached NT\$10 million)				
(1) Increase in sales discounts and return: Increased orders of iMac products in 2021 caused a year-on-year increase in sales discounts.				
(2) Increase in gross profit: The increased revenue from iMac products in 2021 contributed to an increase in gross profit.				
(3) Decrease in operating expenses and operating losses: The year-on-year decrease in loss in 2021 resulted from the bad debt losses presented in 2020.				
(4) Decrease in non-operating income: Mainly caused by gain on reversal of impairment of recognized fixed assets and government grants in 2020.				
(5) Decrease in non-operating expenses: Mainly incurred by decrease in loss of foreign currency valuation and miscellaneous expenditures in 2021.				

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

The Company's products have continued to expand into the automotive and smart building markets according to expected sales plans in order to significantly reduce dependence on the consumer electronics industry and gradually detach from the plight of the mature development of the electronics industry. Since 2021, operating income has been undesirable. In addition to impacts of COVID-19, global shortage and supply chain bottlenecks short of materials have led to significant increase in costs. As a consequence, mass production and delivery of vehicle-borne glass have been delayed. In addition, costs of building raw materials have soared. The Company has suffered pressure from rivals' pricing strategies. Besides, project delay caused by lack of workers resulting from governments' crackdown policies for the real estate market and epidemic warnings have made revenue lower than expected.

It is expected that significant growth would be achieved in sales of smart automobile products based on customers' orders and in operating income after increase of production capacity in 2022. Smart photoelectric products will be continuously and stably supplied in 2022. Owing to low-price horizontal competitions in smart buildings, it is forecast that the operating income would increase for relatively large-scale construction plans in 2022 third quarter.

Other products are mainly traded. After IC shortage is relieved, it is estimated that orders of consumer electronics would also increase next year.

The Company has actively responded to market changes and strengthened cost/expense control, to present net cash inflow in its operating activities.

III. Cash flows

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

Unit: NT\$ thousand

Cash balance at beginning of period	Expected net cash flow from operating activities for the whole year	Annual cash inflow (outflow) from investment and financing activities	Cash surplus (deficit) amount	Remediation measures against expected cash flow deficit	
				Investment plans	Financial management plans
499,504	155,562	(32,734)	621,683	-	-

Analysis of cash flow change for the year:

1. Operating activities: The cash inflow from operating activities in 2021 was NT\$155,562 thousand because the product structure was adjusted and costs were strictly controlled.
2. Investment activities: Fixed assets were purchased in 2021 and amount of pledged collateral increased, so the cash outflow from investment activities was NT\$ 368,494 thousand.
3. Financing activities: The financing conditions were adjusted and corporate bonds were issued in 2021, so the cash outflow from financing activities was NT\$ 335,760 thousand.

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

(III) Cash liquidity analysis for the coming year

Unit: NT\$ thousand

Cash balance at beginning of period	Expected net cash flow from operating activities for the whole year	Annual cash inflow (outflow) from investment and financing activities	Cash surplus (deficit) amount	Remediation measures against expected cash flow deficit	
				Investment plans	Financial management plans
621,683	(5,948)	(99,387)	516,348	-	-

Analysis of cash flow change for the year:

1. Business activities: The operating activities throughout 2022 will be regarded as net cash outflow mainly due to the cash collection of accounts receivable and the cash payment of accounts payable, salary, etc. Hence, it is expected that the net cash outflow would amount to NT\$ 5,948 thousand throughout the year.
2. Investment activities: The increase in capital expenditures in 2022 has resulted in net cash outflows from investment activities throughout the year. The net cash outflows amount to NT\$ 203,186 thousand.
3. Financing activities: The repayment of bank loans and the issuance of secured corporate bonds in 2022 have resulted in net cash inflow from financing activities throughout the year. The net cash flow amounts to NT\$ 103,799 thousand.

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

In response to the plan for expanding production capacity of smart automobiles, about NT\$200 million is spent in additional purchase of mechanical equipment and factory maintenance in 2022. This investment plan has been approved and archived as Zhao Fu Zi No.11005091450 letter by the Action Plan for Welcoming Taiwan Businessmen's Return to Taiwan for Investments. A financing limit totaling NT\$ 150 million has been obtained for special equipment from Shanghai Commercial and Savings Bank. In other aspects, the Company uses its own funds, so the most recent year's major capital expenditures will not impact the Company's financial businesses.

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

(I) Reinvestment policies, main causes of their profits or losses and improvement plan:

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

In addition, the Company established its subsidiary Golden Start Global Corp (where it held all shares) in Samoa in 2010. The subsidiary was wholly reinvested by Charmtex Global Corp., which reinvested in Ruizhida Optoelectronics (Chengdu) Co., Ltd.

Unit: NT\$ thousand

Reinvestment companies	Shareholding Ratio	Investment gains or losses recognized in 2021	Main cause of profit or loss	Improvement plan
Fast Achievement Global Ltd.	100%	1,351	As a holding company, gain profit as return on investments recognized for Brave	Continuously supervise management to increase returns on investments
Brave Advance International Corp.	25%	1,351	As a holding company, gain profit as return on investments recognized for Hongda	Continuously supervise management to increase returns on investments
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	25%	783	As a reinvested company indirectly holding 25% of shares, mainly profit from rental income from leasing idle plants	Continuously supervise management to increase returns on investments
Golden Start Global Corp.	100%	(23,708)	As a holding company, suffer investment losses recognized for Charmtex	Continuously supervise management to increase returns on investments
Charmtex Global Corp.	100%	(23,708)	As a holding company, suffer investment losses recognized for Ruizhida Optoelectronics (Chengdu)	Continuously supervise management to increase returns on investments
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	100%	(25,389)	Losses mainly arise from COVID-19 and shortage of IC chips	Continuously supervise management to increase returns on investments

(II) Investment plan for the next year:

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

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

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

1. Interest rate changes:

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

2. Exchange rate fluctuations:

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

A. Forward forex hedging trade

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

B. Natural hedging methods

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

C. Provision of business (procurement) as basis for sales price quotes (procurement prices)

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

3. Inflation:

The Company is part of the manufacturing industry. In response to the production cost increase caused by raw material inflation, energy, and other production factors, the Company is also committed to energy conservation, consumption reduction, yield improvement, and other cost-reducing measures. In addition, the Company has established long-term strategic partnerships with raw material suppliers to reduce the

impact that inflation has on the Company's profit and loss. In the future, the Company will continue to work on various cost reduction measures, pay attention to raw material price changes, and take corresponding measures at the appropriate time.

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

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

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

1. Future R&D plans

- (1) Development of AR coating for automotive 3D glass.
- (2) Development of multi-stage electrochromic process technology.
- (3) Development of large >1000mm vehicle display multi-curvature glass.
- (4) Development of electrochromic glass G3 products.
- (5) Technical development of building photoelectric gluing technology and sheet glass physical strengthening.

2. Expected expenses of R&D investments

In response to the highly customized glass processing and the rapid changes in the market for its application, the Company has spent NT\$ 39,440,000 on R&D in 2020, NT\$ 64,110,000 on R&D in 2021, and is expected to invest NT\$ 64,270,000 in R&D in 2022. The Company will devote itself to R&D and innovation in the coming year.

(IV) The effects that the key domestic and international policy and law changes in the most recent year have on the financial operations of the Company, and the response measures:

The Company's daily operations are handled in accordance with important domestic and foreign policies and laws, so such policies and laws have no significant impact on the Company. The Company will pay close attention to possible changes in important domestic and foreign policies and laws at all times, evaluate the possible impact on the Company's financial business, and take appropriate measures in advance.

(V) Effects of technological changes (Include information security risks) and industry changes on the Company's financial operations and response measures:

The Company will continue to closely observe and master market information, invest

resources in advance to strengthen R&D, and conduct in-depth cooperation with upstream and downstream customers. The goal is to adjust production lines, product development, and company resource investment at any time in accordance with market fluctuations, and to take relevant response measures to grasp market demand and profitable business opportunities.

The Company has formulated complete network and computer-related information security protection measures, but with constant changes in technologies and growing demands for cloud network services, the Company is more likely to face malicious network attacks from any external third-party collapsed systems. Apart from formulating specific measures for cyber security, it cooperates with manufacturers to perform irregular drills on vulnerability scanning, information security assessment and email social engineering, to prevent and reduce harms of similar attacks.

(VI) Effects of corporate image on corporate crisis management and countermeasures:

The Company always strives to uphold the principles of integrity and professionalism, fulfill social responsibilities, improve quality and performance, maintain the corporate image, and abide by relevant laws and regulations. As of the publication date of the prospectus, no incident has ever negatively impacted the Company's image. In the future, the Company will continue to fulfill its corporate social responsibilities while maximizing the shareholders' rights and interests.

(VII) Expected benefits and possible risks of mergers and acquisitions and countermeasures:

At present, the Company has no plans for mergers and acquisitions.

(VIII) Expected benefits and possible risks of plant expansions and countermeasures:

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

(IX) Risks of concentrated procurement or sales and countermeasures:

(1) Procurement

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

(2) Sales

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

(X) Effects and risks of large-number transfers or replacements of directors, supervisors, or major shareholders holding over 10% of the Company's shares on the Company and countermeasures: None.

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

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

1. The Company's major litigations, non-litigations, or administrative disputes that have been finalized or remain pending in the most recent year and as of the printing date of the annual report of which the results may have major impacts on the shareholders' rights or share prices: None.
2. Finalized judgments or pending litigations, non-litigations, or administrative disputes associated with the Company's directors, supervisors, or major shareholders holding over 10% of the Company's shares in the last two years and as of the printing date of the annual report of which the results may have major impacts on the shareholders' rights or share prices: None.
3. Company directors, supervisors, or major shareholders holding over 10% of the Company's shares who have been involved in the matters described in Article 157 of the Securities and Exchange Act in the last two years and as of the printing date of this annual report, and the Company's current handling status:
The spouse of Director Hsiao, OO violated the short-term trading related provisions provided by Article 157 of the Securities and Exchange Act on March 2020. The Company issued a notification to calculate and recover the statutory interest based on the annual interest rate of 5% pursuant to the Civil Code, and recovered the short-term trading benefit made by said director on December 2020.

(XIII) Other important risks and countermeasures:

1. High capital and technology intensive industry with large long-term capital needs

The optical glass cutting, edging, polishing, strengthening, thinning, coating, and molding processes require a large number of precision production equipment. Because multi-processes such as preheating, ion exchange, molding, and annealing are required for chemical strengthening, molding, etc., the process time is long, and large-scale mass production equipment and good utilization rates are required to achieve economic scale and meet the huge and fast niche market demand for consumer electronic products. The Company conducts long- and short-term financing with financial institutions in combination with future capital market financing planning in response to long- and short-term funding needs.

2. Smart building glass products are widely used, the market development time is long, and the results do not manifest easily

Smart color-changing glass will replace traditional glass and sun blinds in buildings and residences, especially for smart building indoor compartment applications as well as high-end residential and commercial buildings. This product offers a wide range of functions such as penetration rate selection, fast on/off switching, energy-conserving anti-glare control, and offers more privacy and durability. However, building design and construction times are long, and the initial product efficiency does not manifest easily. The Company can combine the supply chain advantages with its strategic partners by forming strategic alliances to significantly shorten the product development period and enhance competitiveness.

3. Light and thin is the trend for electronic products, and new touch panel technology has been adopted by the industry

New touch panel technology has been widely adopted by manufacturers. Compared to the GG (double glass) technology that was used extensively by the market, the chemically strengthened production capacity of the original touch-sensitive glass has been internalized and used for the currently popular 3D forming glass. The yield rate of the new technology is still an important production cost determination factor. In addition, the market for consumer electronics production capacity has gradually become saturated in recent years, and the capital investment and recovery benefits required for technological refinement have been evaluated. The Company will give priority to leveraging the outsourcing supplier capacity and strictly control the economies of scale effect. These efforts can also prevent idle production capacity loss caused by sudden socioeconomic problems, and strive to achieve the best profit for the Company.

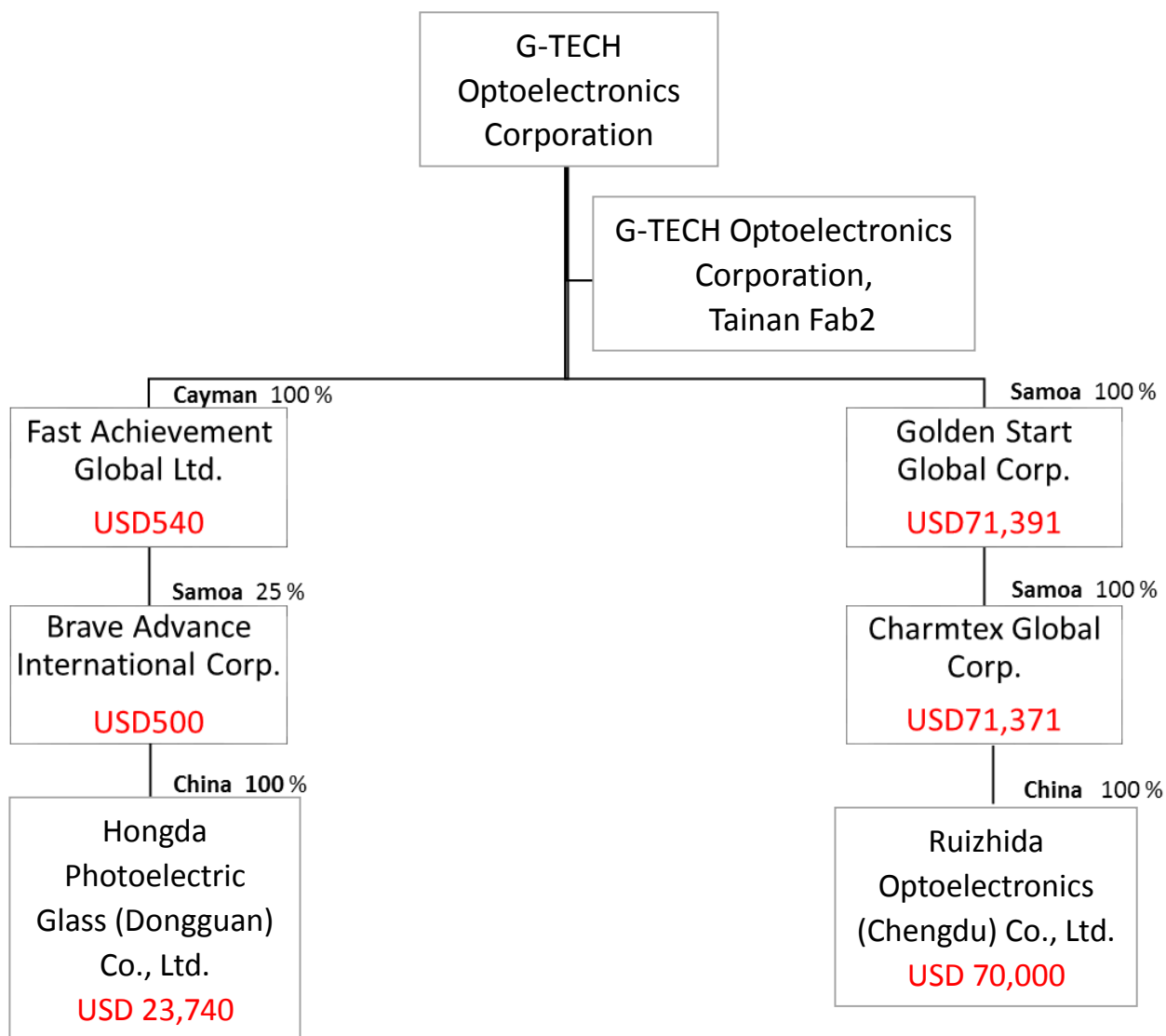
VII. Other significant matters: None.

Eight. Special Record Items

I. Information related to affiliated enterprises

(I) Affiliated enterprises organization chart (December 31, 2021)

Unit: NT\$ thousand



(II) Basic information of each affiliated enterprise

Unit: NT\$ thousand

Enterprise name	Establishment date	Address	Paid-in capital	Main business items
Fast Achievement Global Ltd.	2007-12-26	Cayman Islands	USD540	Holding
Brave Advance International Corp.	2007-12-26	Samoa	USD500	Holding
Hongda Photoelectric Glass (Dongguan) Co., Ltd. (Note 1)	2008-01-14	Dongguan, China	USD23,740	Production and sale of TFT-LCD Flat panel display materials
Golden Start Global Corp.	2010-05-14	Samoa	USD71,391	Holding
Charmtex Global Corp.	2010-05-14	Samoa	USD71,371	Holding
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	2011-05-11	Chengdu, China	USD70,000	Production and sale of TFT-LCD Flat panel displays and materials

Note 1: This company completed a cash capital increase in January 2019. Since the consolidated company did not recognize the shareholding ratio and the chairperson of the board was re-elected, the shareholding ratio fell to 25% and the Company lost control over it. As such, the profit and loss of said company has ceased to be included in the consolidated financial statements since May 1, 2017, in accordance with the reporting guidelines of the International Accounting Standards.

(III) Matters for be disclosed for those having controlling and subordinate relationship as presumed by the Company Act: Not applicable.

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

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

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

Unit: thousand shares, NT\$; December 31, 2021

Enterprise name	Position	Name or representative	Shareholding	
			Number of shares	Shareholding Ratio
Fast Achievement Global Ltd.	Director	G-Tech Optoelectronics Corp. Representative: Chung, Chih-Ming	540,000	100%
Brave Advance International Corp.	Director	DE RONG INTERNATIONAL CO., LTD. Representative: Liu, Song	500,000	25%
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	Chairman and President	Brave Advance International Corp. Representative: Chou, Lei	23,740,000	25%
	Supervisor	Brave Advance International Corp. Representative: Lee, Shih-Hung		
Golden Start Global Corp.	Director	G-Tech Optoelectronics Corp. Representative: Chiu, Huo-Sheng	71,391,373	100%
Charmtex Global Corp.	Director	Golden Start Global Corp. Representative: Chiu, Huo-Sheng	71,371,373	100%
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Chairman and President	Charmtex Global Corp. Representative: Wang, Yao-Chang	70,000,000	100%
	Supervisor	Charmtex Global Corp. Representative: Wu, Tai-Chiou		

(VI) Affiliated enterprise operation status overview

December 31, 2021; unit: NT\$ thousand

Enterprise name	Capital	Total assets	Total liabilities	Net value	Operating income	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after tax)
Fast Achievement Global Ltd.	14,947	47,833	-	47,833	-	-	1,351	-
Brave Advance International Corp.	13,840	194,840	113	194,727	18,185	931	5,407	-
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	657,123	79,072	15,879	63,192	63,925	-8,748	-3,131	-
Golden Start Global Corp.	1,976,113	79,410	-	79,410	-	-	-23,708	-
Charmtex Global Corp.	1,975,560	94,203	14,802	79,402	55,512	1,390	-23,708	-
Ruizhida Optoelectronics (Chengdu) Co., Ltd.	1,937,600	109,316	35,530	73,786	126,758	-9,529	-25,389	-

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

(VII) Affiliated Enterprises Consolidated Business Report, Affiliated Enterprises Consolidated Financial Report, and Affiliation Report: Please refer to pages 131 to 200.

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

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

IV. Other matters requiring supplementary explanation: None.

V. Matters Occurred in the Most Recent Year and as of the Publication Date of This Annual Report that Have a Significant Impact on the Shareholders' Equity or Securities Prices Pursuant to Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None.

Declaration

The Company hereby declares that the companies required to be incorporated into the preparation of the consolidated financial statements of the affiliates for 2021 (from January 1, 2021 to December 31, 2021) according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to the companies required to be incorporated into the preparation of the consolidated financial statements of affiliates and parent company according to the “International Financial Reporting Standards 10 (IFRS 10)” approved by the Financial Supervisory Commission; in addition, relevant information required to be disclosed in the consolidated financial statements of the affiliates has been disclosed completely in the consolidated financial statements of affiliates and parent company. Accordingly, no separate consolidated financial statements of the affiliates is further provided.

Declared by

Company Name: G-TECH Optoelectronics Corporation

Chairman of the Board: Chung, Chih-Ming

Date: March 21, 2022

Independent Auditor's Report

The Board of Directors G-TECH Optoelectronics Corporation

Audit opinion

We have audited the accompanying consolidated financial statements of G-TECH Optoelectronics Corporation and its subsidiaries (the "Group") which comprise the consolidated balance sheets for the years ended December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows and notes to consolidated financial statements, including a summary of significant accounting policies, for the years ended December 21, 2021 and 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 21, 2021 and 2020 in accordance with the regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRS Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effects by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matters for the audit of the financial statements are stated as follows:

I. Revenue Recognition

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

Description of Key Audit Matters:

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

Corresponding Audit Procedures:

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

II. Investment Property Fair Value Evaluation

Please refer to Note 4(10) of the consolidated financial statements for detailed accounting policy on investment property fair value evaluation. Please refer to Note 5(2) of the consolidated financial statements for detailed accounting estimation and assumption uncertainty for the investment property fair value. Please refer to Note 6(6) of the consolidated financial statements for details of the investment property.

Description of Key Audit Matters:

The investment property of the Group refers to important assets for operation, and its amount accounts for 25% of the total assets. For the investment property, the accounting procedure adopts the standard of IAS 40, and the fair value model is selected for the adoption. Subsequent fair value change is reorganized as current profit/loss. Since the Group uses the recommendations of external real estate appraiser reports as the basis for the evaluation of the investment property fair value, the neighborhood rental market prices referenced and financial

information related to the investment property rental provided by the Group for the execution of the appraisal procedure may involve material judgment and estimation uncertainty. Accordingly, any inappropriate evaluation of the fair value change may result in misstatement of the financial statements. Accordingly, the investment property fair value evaluation is identified as a key audit matter for the execution of the audit of the financial statements of the Group.

Corresponding Audit Procedures:

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

Other Matters

G-TECH Optoelectronics Corporation has prepared the parent company only financial statements for 2021 and 2020, to which we have issued an independent auditor's report with unqualified opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards will always detect a material misstatement when it exists in the consolidated financial

statements. Misstatement can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

1. Identify and assess the risk of material misstatement in the consolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Group.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, then relevant disclosures of the consolidated financial statements are required to be provided in our audit report to allow users of consolidated financial statements to be aware of such events or circumstances, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including relevant notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of individual entities of the Group and provide an opinion on the consolidated financial statements. We handle the guidance, supervision and execution of the audit on the Group and are responsible for preparing the opinion on the Group.

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

We have also provided the governance body with a declaration of independence stating that all relevant personnel of the accounting firm have complied with auditors' professional ethics, and communicated with the governance body on all matters that may affect the auditor's independence

(including protection measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Group's 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Zong Zhe, Chen and Shi-Ching, Chi.

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

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated 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)	\$ 2,613,833	100	2,448,536	100
5000	Operating costs (Note 6(3), (12) and 7)	2,576,766	99	2,457,634	100
	Gross profit (loss)	37,067	1	(9,098)	-
	Operating expenses (Notes 6(12), (15) and 7):				
6100	Selling and marketing expenses	30,950	1	31,187	1
6200	Administrative expenses	145,372	6	134,746	6
6300	Research and development expenses	64,105	2	39,442	2
6450	Expected credit losses (Gain from price recovery) (Note 6(2))	(4,943)	-	222,153	9
	Total operating expenses	235,484	9	427,528	18
	Net operating loss	(198,417)	(8)	(436,626)	(18)
	Non-operating revenue and expenses:				
7100	Interest income (Note 6(19))	19,991	-	3,030	-
7020	Other gains and losses (Note 6(6), (10), (11), (19) and 7)	95,171	4	174,571	7
7050	Finance costs (Note 6(10), (19) and 7)	(38,904)	(1)	(34,082)	(1)
7060	Share of profit or loss on of associated companies and joint ventures accounted for using the equity method (Note 6(4))	1,351	-	2,588	-
	Total non-operating income and expenses	77,609	3	146,107	6
	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	Evaluated amount of property	-	-	361,495	15
8349	Loss: Income tax related to items not reclassified	-	-	48,808	2
	Total items that will not be reclassified to profit or loss	-	-	312,687	13
8360	Items that may subsequently be reclassified to profit or loss (Note 6(14))				
8361	Difference in exchange from the conversion of financial statements of overseas operating entities	(2,274)	-	(1,401)	-
8370	Share of other comprehensive income of associated companies and joint ventures accounted for using the equity method	340	-	896	-
8399	Loss: 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 (loss) of current period	(1,934)	-	312,182	13
8500	Total comprehensive income of current period	\$ (122,729)	(5)	19,059	1
	Net loss of current period attributable to:				
8610	Owners of the parent	\$ (120,795)	(5)	(293,123)	(12)
	Total comprehensive income attributable to:				
8710	Owners of the parent	\$ (122,729)	(5)	19,059	1
	Earnings per share (Note 6(16))				
9710	Basic loss per share (Unit: NTD)	\$	(0.59)	(1.42)	

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

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021 and 2020

Unit: NTD thousand

	Common share capital	Capital surplus	Losses to be covered	Other equity		Total	Total equity
				Financial statements of foreign operations Exchange differences translated	Revalued amount of property		
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 Consolidated Financial Statements enclosed for details)

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 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	206,542	274,319
Amortizations	4,691	4,095
Expected (Gain from price recovery) credit losses	(4,943)	222,153
Net loss on financial asset or financial liability at fair value through profit or loss	726	-
Investment income recognized under the equity method	(1,351)	(2,588)
Loss (gain) on disposal and retirement of property, plant and equipment	(985)	7,056
Interest expense	38,904	34,082
Interest income	(19,991)	(3,030)
Share-based payment cost	5,471	753
Impairment loss on property, plant, and equipment	20,215	-
Gain on reversal of impairment of financial assets	-	(71,389)
Gain on fair value adjustment of investment property	(22,994)	-
Total adjustments to reconcile profit and loss	<u>226,285</u>	<u>465,451</u>
Change in assets/liabilities relating to operating activities:		
Net changes in assets related to operating activities:		
Decrease (increase) in notes and accounts receivable (including related parties)	13,075	(57,903)
(Increase) decrease in Inventory	(54,834)	18,826
Decrease in other current assets	15,569	71,294
Decrease (increase) in other financial assets	7,745	(21,082)
Total net changes in assets related to operating activities	<u>(18,445)</u>	<u>11,135</u>
Net changes in liabilities related to operating activities:		
Increase (decrease) in contract liabilities - current	(2,896)	1,547
Increase in notes and accounts payable (including related parties)	61,017	46,044
Increase in other payables	15,121	7,335
Increase in provision for liabilities - current	27,039	886
Increase (decrease) in other current liabilities - others	12	(4)
Decrease in other non-current liabilities - others	-	(1,077)
Total net changes in liabilities related to operating activities	<u>100,293</u>	<u>54,731</u>
Total net changes in assets and liabilities related to operating activities	<u>81,848</u>	<u>65,866</u>
Total adjustments	<u>308,133</u>	<u>531,317</u>
Cash inflow generated by operating activities	187,325	240,798
Interest received	1,933	3,030
Interest paid	(33,934)	(32,892)
Income tax refunded	238	2
Net cash inflow generated by operating activities	<u>155,562</u>	<u>210,938</u>
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	(27,498)	(7,143)
Disposal of property, plant and equipment	985	1,450
Acquisition of intangible assets	(2,908)	(9,928)
Increase in other financial assets	(177,337)	(708)
Increase in prepayments for equipment	(162,010)	-
Net cash used in investing activities	<u>(368,494)</u>	<u>(16,329)</u>
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	<u>335,760</u>	<u>(16,240)</u>
Effect of exchange rate changes on cash and cash equivalents	(649)	932
Increase of cash and cash equivalents in current period	122,179	179,301
Balance of cash and cash equivalents at beginning of period	499,504	320,203
Balance of cash and cash equivalents at end of period	<u>\$ 621,683</u>	<u>499,504</u>

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

Chairman of the Board: Chung, Chih-Ming

Managerial Officer: Chung, Chih-Ming

Accounting Officer: Wu, Tai-Chiou

G-TECH Optoelectronics Corporation and Subsidiaries
Notes to the Consolidated 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 and its subsidiaries (collectively referred to as the “Group”) include glass and glass products, electronics parts manufacturing and international trade business, etc.

II Date and Procedure for Approval of Financial Statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 21, 2022.

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

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 consolidated financial statements of the Group.

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

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 consolidated financial statements of the Group.

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

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 Group will not have a significant effect on the consolidated financial statements of the Group.

- 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”

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

New standards and Interpretations not yet endorsed by the FSC

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

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- Amendments to IAS 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 consolidated financial statements are summarized as follows. The following accounting policies have been applied consistently throughout the presented periods in the consolidated financial statements.

(I) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (referred to as the “Regulations”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs” endorsed and issued into effect by the FSC).

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(II) Basis of Preparation

1. Basis of measurement

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

(III) Basis of Consolidation

1. Principle for preparation of consolidated financial statements

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

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

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

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

2. Subsidiaries included in the consolidated financial statements:

The subsidiaries included in the consolidated financial statements are:

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Name of investor	Name of subsidiary	Nature of business	Percentage of ownership (%)		Explanation
			2021-12-31	2020-12-31	
G-TECH	Fast Achievement Global Ltd.	Holding	100.00%	100.00%	
"	Golden Start Global Corp.	"	100.00%	100.00%	
Golden Global	Charmtex Global Corp.	"	100.00%	100.00%	
Charmtex Global	Ruizhida Optoelectronics (Chengdu) Co., Ltd.	Manufacturing and sale of TFT-LCD panel display screen materials	100.00%	100.00%	

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

(IV) Foreign currency

1. Foreign currency transactions

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

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

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

2. Foreign operations

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

In case of disposal of a foreign operation leading to loss of control, joint control or material impact, the accumulated exchange difference related to the foreign operation shall be reclassified as profit or loss in full. During partial disposal of subsidiaries involving

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

foreign operations, relevant accumulated exchange difference shall be reclassified as non-controlling interest proportionally. During partial disposal of affiliated enterprise or joint venture investment involving foreign operations, relevant accumulated exchange difference shall be reclassified as profit or loss proportionally.

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

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

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

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

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

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

(VI) Cash and cash equivalents

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

(VII) Financial instruments

Accounts receivable and debt securities are initially recognized upon receipt. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments. Financial assets not measured at fair value through profit or loss (excluding account receivables not containing a significant

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

financial component) or financial liabilities were initially measured at fair value plus the transaction cost directly attributed to the acquisition or issuance thereof. Accounts receivable not containing a significant financial component were initially measured at the transaction price.

1. Financial assets

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

During the initial recognition, the financial assets are classified as: financial assets measured at amortized cost or financial assets at fair value through profit or loss.

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

(1) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principle and interest on the 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 or measured at fair value through other comprehensive income as described above are measured at fair value through profit or loss, including derivative financial assets. When making initial recognition, the Group 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 gain or loss (including any dividends and interest income) is recognized as profit or loss.

(3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

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

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

Loss allowance for trade receivables is measured at an amount equal to lifetime ECLs.

To determine whether the credit risk has significantly increased after the initial recognition, the Group considers reasonable and verifiable information (information that can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis conducted by the Group based on past experience, credit assessment and prospective information.

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

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

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

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

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

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

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

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

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

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

(4) Derecognition of financial assets

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

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

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(2) Equity transaction

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

(3) Compound financial instruments

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

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

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

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

(4) Financial liabilities

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

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

(5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

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

(6) Offsetting of financial assets and liabilities

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

(VIII) Inventories

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

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

(IX) Investment in Associates

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

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

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

The unrealized profit and loss arising from the transactions between the Group and associates is recognized in the company's financial statements only within the

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

equity scope of the non-related party on the associate. When the loss amount of the associate required for recognition proportionally by the Group is equal to or exceeds its equity in the associate, its loss is no longer recognized, and additional loss and relevant liabilities are recognized only within the scope of occurrence of statutory obligation, presumed obligation or payments made on behalf of the investee.

(X) Investment Property

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

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

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

(XI) Property, Plant and Equipment

1. Recognition and measurement

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

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

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

2. Subsequent cost

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

3. Depreciation

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

Land is not depreciated.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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	3~11 years
(4) Leasehold Improvements	1~10 years

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

Depreciation methods, useful lives and residual values are reviewed by the Group at 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 Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the Group periodically assesses whether the right-of-use asset has any impairment and handles any impairment

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

loss already incurred, and under the condition where remeasurement on the lease liability occurs, the right-of-use-asset is adjusted.

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

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

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

For short-term leases of other equipment and low-value underlying asset leases, the Group chooses not to recognize them as right-of-use assets or lease liabilities, but recognizes relevant lease payments associated with these leases as expenses on a straight-line basis over the lease term.

2. Lessor

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

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

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

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

(XIII) Intangible Assets

1. Recognition and measurement

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

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

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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 3 years

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

(XIV) Impairment of Non-financial Assets

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

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

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs of disposal or its value in use. During the assessment of the use value, the future cash flow estimation uses a pre-tax discount rate for calculating the current value, and the discount rate shall reflect the current market assessment on the currency time value and the unit specific risk arising from the asset or cash.

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

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

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XV) Provision for Liabilities

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

1. Restoration

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

2. Sales return and allowance

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

(XVI) Recognition of Revenue

1. Income from customer contracts

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for rendering services to its customers. Revenue is recognized in the reporting period when the Group satisfies a performance obligation by transferring its control of the product or service to the customer. The main revenue items of the Group are explained as follows:

(1) Sales of goods

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

(2) Financial component

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

(XVII) Government Grants

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

(XVIII) Employee Benefits

1. Defined contribution plans

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

2. Short-term employee benefits

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

3. Separation benefits

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

(XIX) Share-based Payment Transactions

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

complying with the service conditions and the non-market vesting conditions on the vesting date as the basis for measurement.

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

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

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

(XX) Income tax

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

Current taxes comprise the expected tax payable or receivable on the taxable income (or loss) for the year and any adjustment to tax payable or receivable in respect of previous years. The amount 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 Group is able to control the reversal of the temporary difference and where there is a high probability that such temporary differences will not reverse in the future; and
3. Taxable temporary difference arising from initial recognition of goodwill.

A deferred tax asset shall be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is possible that future taxable profit

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

will be available against which it can be utilized. In addition, such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; or the originally reduced amount is reversed within the scope that it is likely to become sufficient taxable income.

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

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

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

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

(XXII) Information on segments

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

V. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

When the management performs the preparation of these consolidated 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 consolidated financial statements.

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

(I) Loss allowance for accounts receivable

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

(II) Investment property fair value

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

Valuation process

The accounting policies and disclosures of the Group include the use of fair value to measure its financial, non-financial assets and liabilities. The Group establishes a relevant internal control system for the fair value measurement, and the Financial Department is responsible for verifying all material fair value measurements (including Level 3 fair value) and periodically verifies the material inputs and adjustment that cannot be observed. If the inputs used in the measurement of fair value use external third party information, the Financial Department evaluates the evidence that supports the inputs provided by the third party in order to determine that the valuation and its fair value level classification comply with the requirements of the IFRSs. For the property of the Group, it is assumed that the Group has retained an external appraiser to perform appraisal according to the valuation method and parameters announced by the FSC.

When the Group measures its assets and liabilities, it uses the observable inputs in the market as much as possible. The levels of fair value are classified in the following different levels

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

according to the inputs used in the valuation technique:

- Level 1: Public quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Input parameters other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Input parameters of assets or liabilities not based on the observable market information (non-observable parameters).

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

Please refer to Note 6(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	\$ 678	704
Demand deposits	383,754	333,104
Checking accounts	51	40
Time deposits	237,200	165,656
Cash and cash equivalent indicated in the statements of cash flow	\$ 621,683	499,504

The Group's exposure to interest rate risk and the sensitivity analysis on the financial assets and liabilities of the Group are disclosed in Note 6(20).

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

	2021-12-31	2020-12-31
Notes receivable	\$ 74,044	90,328
Accounts receivable	692,683	665,716
Accounts receivable - related parties	123,124	129,163
Less: Allowance for loss	(230,360)	(235,703)
	\$ 659,491	649,504

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

	2021-12-31		
Carrying amount of notes and	Weighted-average expected	Loss allowance	lifetime

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	<u>accounts receivables</u>	<u>credit loss rate</u>	<u>expected credit losses</u>
Not overdue	\$ 611,419	0%~1%	4,166
Overdue less than 90 days	50,719	1%~15%	6,832
Overdue more than 91 days	<u>227,713</u>	1%~100%	<u>219,362</u>
	<u>\$ 889,851</u>		<u>230,360</u>

	2020-12-31		
	<u>Carrying amount of notes and accounts receivables</u>	<u>Weighted-aver age expected credit loss rate</u>	<u>Loss allowance lifetime expected credit losses</u>
Not overdue	\$ 569,374	0.16%	884
Overdue less than 90 days	54,802	0.04%	20
Overdue more than 91 days	<u>261,031</u>	1%~100%	<u>234,799</u>
	<u>\$ 885,207</u>		<u>235,703</u>

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

	2021	2020
Balance at beginning of the period	\$ 235,703	11,986
Impairment loss recognized	-	222,551
Impairment loss reversed	(4,943)	-
Foreign currency translation gains or losses	(400)	1,166
Balance at end of the period	<u>\$ 230,360</u>	<u>235,703</u>

1. The amount in the accounts receivable that is overdue for more than 90 days mainly comes from key customers, the purchase of optical cement from the Group by such customers and the sale of LCD displays to various large manufacturers in Shenzhen, China. However, due to the COVID-19 pandemic, the upstream and downstream supply chain operations were affected so that payments were delayed. To protect its own interest, the Group has filed civil lawsuits with the Xiamen Intermediate People's Court in China and it is recognized as allowance for loss.
2. On December 31, 2021 and 2020 the accounts receivable of the Group were not provided as pledged assets.

(III) Inventories

	2021-12-31	2020-12-31
Raw materials and supplies	\$ 127,589	92,249

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

Work in progress	16,072	6,024
Finished goods	67,869	57,953
Merchandise inventory	<u>3</u>	<u>473</u>
	<u>\$ 211,533</u>	<u>156,699</u>

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

	2021	2020
Inventory sale recognition	<u>\$ 2,574,245</u>	<u>2,468,993</u>
(Reversal of) write-down of inventories	<u>2,521</u>	<u>(11,359)</u>
	<u>\$ 2,576,766</u>	<u>2,457,634</u>

2. On December 31, 2021 and 2020, the inventories of the Group were not provided as pledged assets.

(IV) Investment Accounted for Using Equity Method

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

	110.12.31	109.12.31
Associate	<u>\$ 47,814</u>	<u>47,473</u>

1. Associates

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

	2021-12-31	2020-12-31
The summary carrying amount at the end of the period for equity of individual non-material associates	<u>\$ 194,727</u>	<u>193,463</u>

	2021	2020
Amount attributable to the Group:		
Net profit for the current period for continuing business units	\$ 1,351	2,588
Other comprehensive income	<u>340</u>	<u>896</u>
Total comprehensive income	<u>\$ 1,691</u>	<u>3,484</u>

2. Pledge

On December 31, 2021 and 2020, the investments of the Group 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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

the Group 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	240,305	421,524	7,107	4,350,668
Additions	-	1,984	1,346	1,786	1,400	20,860	27,376
Disposals and retirements	-	-	(39,803)	(39,895)	-	-	(79,698)
Reclassifications	-	1,680	4,534	5,407	-	(7,399)	4,222
Impact of changes in foreign exchange rate	-	-	-	(200)	-	(28)	(228)
Balance on December 31, 2021	\$ 319,648	1,417,138	1,914,687	207,403	422,924	20,540	4,302,340
Balance on January 1, 2020	\$ 495,360	2,322,163	2,050,039	276,244	421,524	195	5,565,525
Additions	-	-	840	675	-	8,370	9,885
Disposals and retirements	-	(260)	(103,796)	(37,062)	-	-	(141,118)
Reclassifications	(175,712)	(908,429)	1,527	-	-	(1,527)	(1,084,141)
Impact of changes in foreign exchange rate	-	-	-	448	-	69	517
Balance on December 31, 2020	\$ 319,648	1,413,474	1,948,610	240,305	421,524	7,107	4,350,668
Depreciation and impairment loss:							
Balance on January 1, 2021	\$ -	557,843	1,867,723	208,561	344,681	-	2,978,808
Depreciation	-	72,627	38,711	10,541	32,514	-	154,393
Disposals and retirements	-	-	(39,803)	(39,895)	-	-	(79,698)
Impairment loss	-	-	-	20,215	-	-	20,215
Impact of changes in foreign exchange rate	-	-	-	2	-	-	2
Balance on December 31, 2021	\$ -	630,470	1,866,631	199,424	377,195	-	3,073,720
Balance on January 1, 2020	\$ -	844,316	1,912,959	222,603	309,978	-	3,289,856
Depreciation	-	115,744	50,218	22,771	34,703	-	223,436
Disposals and retirements	-	(260)	(95,454)	(36,898)	-	-	(132,612)
Reclassifications	-	(401,957)	-	-	-	-	(401,957)
Impact of changes in foreign exchange rate	-	-	-	85	-	-	85
Balance on December 31, 2020	\$ -	557,843	1,867,723	208,561	344,681	-	2,978,808
Carrying value:							
December 31, 2021	\$ 319,648	786,668	48,056	7,979	45,729	20,540	1,228,620
January 1, 2020	\$ 495,360	1,477,847	137,080	53,641	111,546	195	2,275,669
December 31, 2020	\$ 319,648	855,631	80,887	31,744	76,843	7,107	1,371,860

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

In October 2020, the Group recognized its own land and facility as investment

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

Statement of investment property of the Group 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	<u>\$ 375,972</u>	<u>762,090</u>	<u>1,138,062</u>
Balance on January 1, 2020	\$ -	-	-
Transfer from property, plant and equipment	293,165	821,903	1,115,068
Balance on December 31, 2020	<u>\$ 293,165</u>	<u>821,903</u>	<u>1,115,068</u>

The inputs used in the fair value measurement technique for the subsequent measurement of the Company's investment property belong to Level 3. For the reconciliation of the beginning and ending balance regarding the Level 3 assets, please refer to the above schedule of changes. Besides, no investment property had been classified as or classified out of Level 3 of the fair value hierarchy during the period.

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

1. December 31, 2021

Subject property	Miaoli Plant land and buildings
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Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

<u>Subject property</u>	<u>Miaoli Plant land and buildings</u>
Important contract terms	1. Rent: NT\$5,867 thousand/month 2. Lease period: 136 months 3. Total future annual tax amount borne by lessor: NT\$7,421 thousand
Local rent status	NT\$130~160/3.3058 m ² /month
Rent status of similar property	NT\$140/3.3058 m ² /month
Current condition	Normal use
Past income amount	NT\$140/3.3058 m ² /month
Income capitalization rate	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

<u>Subject property</u>	<u>Miaoli Plant land and buildings</u>
Important contract terms	1. Rent: NT\$5,867 thousand/month 2. Lease period: 136 months 3. Total future annual tax amount borne by lessor: NT\$7,421 thousand
Local rent status	NT\$130~160/3.3058 m ² /month
Rent status of similar property	NT\$140/3.3058 m ² /month
Current condition	Normal use
Past income amount	NT\$140/3.3058 m ² /month
Income capitalization rate	3.814%
Discount rate	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	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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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. Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period	·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: ·Discount rate after risk adjustment decreases (increases).

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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.		
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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 Group changed the recognition of the land and houses of Miaoli Plant III from property, plant and equipment to investment property according to the actual condition of use in October 2020. Please refer to Note 6(5) for details.

For details on the status of the investment property of the Group provided as pledged assets on December 31, 2021 and 2020, please refer to Note 8.

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

	<u>2021-12-31</u>	<u>2020-12-31</u>
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	4,915	6,518
Others	421	452
	<u><u>\$ 280,797</u></u>	<u><u>112,105</u></u>

(VIII) Short-term Borrowings

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

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

1. Please refer to Note 8 for details on the status of the collaterals provided for short-term bank borrowings with a portion of assets under pledge setting of the Group.
2. Please refer to Note 6(20) for details on risk information related to the Group's interest rate, foreign currency and liquidity risk.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(IX) Long-term Borrowings

Statement, criteria and terms of long-term borrowings of the Group 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	<u>1,301,230</u>
				1,339,230
Less: Portion with maturity due in one year				<u>(273,781)</u>
Total				<u><u>\$ 1,065,449</u></u>
Unused amount				<u><u>\$ -</u></u>

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 loans	NTD	3.1927%~3.6823%	2021	<u>3,376</u>
				1,401,526
Less: Portion with maturity due in one year				<u>(232,993)</u>
Total				<u><u>\$ 1,168,533</u></u>
Unused amount				<u><u>\$ -</u></u>

1. Please refer to Note 8 for details on the status of the collaterals provided for bank loans with a portion of assets under pledge setting of the Group.
2. Please refer to Note 6(20) for details on risk information related to the Group's interest rate, foreign currency and liquidity risk.

(X) Bonds Payable

Information on the Group'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	<u>(12,952)</u>
Ending balance of bonds payable	<u><u>\$ 487,048</u></u>
Embedded derivative — repurchase agreement of secured convertible bonds(recognized as financial assets at fair value through profit or loss)	<u><u>\$ 1,250</u></u>
Equity component- — conversion option (recognized as capital surplus— share option)	<u><u>\$ 12,724</u></u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

	2021
Embedded derivative—loss on re-measurement at fair value of repurchase options	\$ <u><u>(1,000)</u></u>
Interest expense	\$ <u><u>4,344</u></u>

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 Group, since nearly all of the risks and remunerations associated with the ownership of the underlying asset are not transferred, the lease contracts are classified as operating lease. Please refer to Note 6(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	\$ <u><u>711,435</u></u>	<u><u>784,197</u></u>

2021 and 2020 rental incomes from investment property were NT\$72,762 thousand and NT\$18,381 thousand.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XII) Employee Benefits

1. Defined contribution plans

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

The pension expense confirmed and appropriated by the Group according to the pension regulations and the retirement premium recognized under each subsidiary of the consolidated financial statements are as follows:

	<u>2021</u>	<u>2020</u>
Operating cost	\$ 10,236	8,461
Selling and marketing expenses	846	710
Administrative expenses	2,440	2,308
Research and development expenses	1,021	1,151
	<u>\$ 14,543</u>	<u>12,630</u>

2. Short-term leave with pay liabilities

	<u>2021-12-31</u>	<u>2020-12-31</u>
Short-term leave with pay liabilities	<u>\$ 9,348</u>	<u>7,911</u>

(XIII) Income Tax

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

	<u>2021</u>	<u>2020</u>
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	<u>\$ (13)</u>	<u>2,604</u>

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

	<u>2021</u>	<u>2020</u>
Items not reclassified subsequently to profit or loss:		
Revalued amount of property	\$ -	<u>48,808</u>

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

	<u>2021</u>	<u>2020</u>
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)
Effect of foreign jurisdiction tax rate differences	(1,269)	(3,383)
Change of unrecognized deductible temporary differences	25,430	64,091
Overestimation in the previous period	(13)	-
	<u>\$ (13)</u>	<u>2,604</u>

3. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The items not recognized as deferred tax assets by the Group are as follows:

	<u>2021-12-31</u>	<u>2020-12-31</u>
Deductible temporary differences	\$ 52,655	50,593
Tax loss	1,142,203	1,242,499
	<u>\$ 1,194,858</u>	<u>1,293,092</u>

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. The reason for not recognizing such items as deferred income tax assets is because the Company is not very likely to have sufficient taxable income in the future for deductible temporary difference use.

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:

<u>Loss Year</u>	<u>Loss not yet deducted</u>	<u>Final year for deduction</u>
Approved value for 2013	\$ 209,457	2023
Approved value for 2014	910,923	2024
Approved value for 2015	1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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	<u>228,338</u>	2031
	<u>\$ 5,711,015</u>	

(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 valuation loss	Total
January 1, 2021	\$ -	-	-	-
Recognized in income statement	<u>4,643</u>	-	-	<u>4,643</u>
December 31, 2021	<u>\$ 4,643</u>	-	-	<u>4,643</u>
January 1, 2020	\$ -	1,565	1,039	2,604
Recognized in income statement	<u>-</u>	<u>(1,565)</u>	<u>(1,039)</u>	<u>(2,604)</u>
December 31, 2020	<u>\$ -</u>	-	-	-

Deferred income tax liabilities:

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

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 number of shares issued is 206,394 thousand shares. 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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

tentative price of NT\$24 per share, and the total amount to be raised is expected to be NT\$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:

	<u>2021-12-31</u>	<u>2020-12-31</u>
Share-based payments	\$ 6,224	16,711
Convertible corporate bonds	12,724	-
	<u>\$ 18,948</u>	<u>16,711</u>

In accordance with the Company Act, after having first offset losses using capital surplus, the realized capital surplus can be used to issue new shares or cash dividends according to the original percentage of shares of shareholders. The aforementioned realized capital surplus includes share premiums from the outstanding shares issued at a price above the par value and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to increase share capital shall not exceed 10% of the paid-in capital amount.

The Company has passed the 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 then 10% shall be appropriated as legal reserve; provided that if the legal reserve has reached the paid-in capital of the Company, the appropriation may be exempted. In addition, special reserve shall be appropriated or reversed in accordance with the laws or regulations of the competent authority. When there are still surplus earnings, the balance plus the accumulated unappropriated earnings from the previous fiscal year may be for shareholders' bonuses, and the board of directors shall establish a distribution proposal. When the distribution is to be made in the form of issuance of new shares, the proposal shall be submitted to the shareholders' meeting for resolution before distribution.

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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
Exchange differences arising from the translation of net assets of foreign operations	(2,274)	-	(2,274)
Share of translation difference of associates accounted for using the equity method	340	-	340
Balance on December 31, 2021	\$ 161,818	312,687	474,505
Balance on January 1, 2020	\$ 164,257	-	164,257
Exchange differences arising from the translation of net assets of foreign operations	(1,401)	-	(1,401)
Share of translation difference of associates accounted for using the equity method	896	-	896
Revalued amount of property	-	312,687	312,687
Balance on December 31, 2020	\$ 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:

	<u>Equity settlement</u> <u>Employee stock</u> <u>option</u>
Type	
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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

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

	<u>2021-12-31</u>	<u>2020-12-31</u>
Exercise price interval	\$ 10.40	10.40
Weighted-average remaining contractual life (years)	2.75	3.75

4. Employee expenses

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

	<u>2021</u>	<u>2020</u>
Expenses arising from employee stock options	<u>\$ 5,471</u>	<u>753</u>

(XVI) Earnings Per Share

	<u>2021</u>	<u>2020</u>
Basic loss per share		
Loss attributable to common shareholders of the Company	<u>\$ (120,795)</u>	<u>(293,123)</u>
Number of outstanding common shares	<u>206,394</u>	<u>206,394</u>
	<u>\$ (0.59)</u>	<u>(1.42)</u>

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 and supervisors. 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.

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

(XVIII) Revenue from Customer Contracts

1. Revenue details

	2021			
	Optoelectro nics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 479,924	271,408	205,610	956,942
Mainland China	381,186	-	1,224,130	1,605,316
United States	16,698	-	171	16,869
Others	11,916	-	22,790	34,706
	\$ 889,724	271,408	1,452,701	2,613,833
Main products:				
Photoelectric glass	\$ 889,724	-	-	889,724
Green building glass	-	271,408	-	271,408
Others	-	-	1,452,701	1,452,701
	\$ 889,724	271,408	1,452,701	2,613,833
	2020			
	Optoelectro nics	Green building industry	Others	Total
Primary regional markets:				
Taiwan	\$ 222,689	509,849	83,499	816,037
Mainland China	244,904	7,603	1,152,716	1,405,223
United States	15,163	156	147	15,466
Belize	125,143	-	-	125,143
Others	58,870	-	27,797	86,667
	\$ 666,769	517,608	1,264,159	2,448,536
Main products:				
Photoelectric glass	\$ 666,769	-	-	666,769
Green building glass	-	517,608	-	517,608
Others	-	-	1,264,159	1,264,159
	\$ 666,769	517,608	1,264,159	2,448,536

Notes to the G-TECH Optoelectronics Corporation and Subsidiaries Consolidated Financial Statements (continued)

2. Contract balance

	2021-12-31	2020-12-31	2020-1-1
Accounts receivable (including related parties)	\$ 889,851	885,207	826,509
Less: Allowance for loss	(230,360)	(235,703)	(11,986)
Total	\$ 659,491	649,504	814,523
Contract liabilities	\$ 4,661	7,592	5,957

Please refer to Note 6(2) for the details of the disclosure of accounts receivable and impairment thereof.

The contract liabilities of January 1, 2021 and 2020, recognized as income for 2021 and 2020 amounted to NT\$7,098 thousand and NT\$ 4,449 thousand, respectively.

(XIX) Non-operating Income and Expenses

1. Interest income

Statement of interest income of the Group is as follows:

	2021	2020
Interest income	\$ 19,991	3,030

2. Other gains and losses

Statement of other gains and losses of the Group 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)	-
Impairment loss on property, plant, and equipment	(20,215)	-
Gain on reversal of impairment	-	71,389
Other income		
Income from lease	79,710	101,333
Income from government subsidy	-	24,042
Other income	18,024	18,322
Other expenses	(7,410)	(28,435)
Total	\$ 95,171	174,571

3. Financial costs

Statement of financial costs of the Group is as follows:

	<u>2021</u>	<u>2020</u>
Interest expense		
Loans	\$ 30,505	32,334
Corporate bonds payable	4,344	-
Others	4,055	1,748
	<u>\$ 38,904</u>	<u>34,082</u>

(XX) Financial Instruments

1. Credit risk

The main potential credit risk of the Group comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the Group is deposited at different financial institutions. The Group controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the Group.

Customers of the Group are concentrated in the optoelectronics industry, and to reduce accounts receivable credit risk, the Group continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for doubtful accounts. On December 21, 2021 and 2020, the accounts receivable of these customers of the Group were 35% and 38% respectively, indicating that the Group is subject to obvious concentration of credit risk.

(1) 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(7) for details on how the Group makes the judgment on 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	<u>(20)</u>
Balance on December 31, 2021	<u>\$ 646</u>
Balance on January 1, 2020	\$ 1,064
Impairment loss reversed	<u>(398)</u>
Balance on December 31, 2020	<u>\$ 666</u>

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)	347,268	347,268	347,268	-	-	-
Other payables	125,103	121,801	121,801	-	-	-
Construction and equipment payable	3,303	3,303	3,303	-	-	-
Lease liabilities	108,613	110,441	58,157	52,284	-	-
	<u>\$ 2,944,926</u>	<u>3,026,003</u>	<u>1,360,956</u>	<u>1,105,675</u>	<u>148,772</u>	<u>410,600</u>
January 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,493,718	1,592,851	361,872	385,769	401,065	444,145
Unsecured bank loans	474,209	479,368	479,368	-	-	-
Secured non-financial institution loans	3,376	3,395	3,395	-	-	-
Notes and accounts payable (including related parties)	286,994	286,994	286,994	-	-	-
Other payables	106,724	106,724	106,724	-	-	-
Construction and equipment payable	3,424	3,424	3,424	-	-	-
Lease liabilities	50,877	51,381	51,381	-	-	-
	<u>\$ 2,419,322</u>	<u>2,524,137</u>	<u>1,293,158</u>	<u>385,769</u>	<u>401,065</u>	<u>444,145</u>

The Group does not expect that the timing of the occurrence of the cash flows

estimated through the maturity date analysis will be significantly earlier, or that the actual cash flow amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk

The Group's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	2021-12-31			2020-12-31		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
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
<u>Non-monetary items</u>						
USD : NTD	1,727	27.68	47,814	1,667	28.48	47,473
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD : NTD	14,045	27.68	388,777	9,870	28.48	281,098

(2) Sensitivity analysis

The Group'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 income after tax in 2021 and 2020 would have been increased or decreased 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 Group 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 Group's financial assets and liabilities.

The sensitivity analyses below were determined based on the exposure to interest rates for non-derivative instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the report date was outstanding throughout the year. The rate of change is expressed as the increment or decrement by 1% when reporting internally to the management personnel of the Group, which also represents the management's assessment of the reasonable interest rate change.

If the interest rate had increased or decreased by 1%, under conditions where other variables remained unchanged, then the Group's net loss before 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 Group.

5. Fair value information

(1) Categories and fair value of financial instruments

The financial assets and liabilities measured at fair price through profit or loss, derivative financial assets and liabilities for hedging and financial assets measured at fair value through other comprehensive income of the Group are measured at fair price based on the repetitiveness. The information on the carrying amount and fair value of various financial assets and financial liabilities (including fair value and level information; however, for the carrying amount of financial instruments not measured at fair value as the reasonable close value of fair value, and lease liabilities, their fair values are not required to be disclosed according to the regulations) is as follows:

	2021-12-31				
	Carrying amount	Fair value			
	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	\$ 621,683	-	-	-	-
Notes and accounts receivable (including related parties)	659,491	-	-	-	-
Other financial assets - (current and non-current)	280,797	-	-	-	-
Subtotal	1,561,971	-	-	-	-
Total	\$ 1,563,221	-	1,250	-	1,250

Financial liabilities measured at amortized cost						
Short-term borrowings	\$	534,361	-	-	-	-
Notes and accounts payable (including related parties)		347,268	-	-	-	-
Other payables		125,103	-	-	-	-
Construction and equipment payable		3,303	-	-	-	-
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	\$	2,944,926	-	-	-	-

2020-12-31						
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Total	
Financial assets at amortized cost						
Cash and cash equivalents	\$	499,504	-	-	-	-
Notes and accounts receivable (including related parties)		649,504	-	-	-	-
Other financial assets - (current and non-current)		112,105	-	-	-	-
Total	\$	1,261,113	-	-	-	-
Financial liabilities measured at amortized cost						
Short-term borrowings	\$	569,777	-	-	-	-
Notes and accounts payable (including related parties)		286,994	-	-	-	-
Other payables		106,724	-	-	-	-
Construction and equipment payable		3,424	-	-	-	-
Lease liabilities (current)		50,877	-	-	-	-
Long-term borrowings (including the portion with maturity in one year)		1,401,526	-	-	-	-
Total	\$	2,419,322	-	-	-	-

(2) Fair value valuation technique for financial instruments not measured at fair value

The methods and assumptions the Group adopted to estimate the instruments not measured at fair value are as follows:

(2.1) Financial assets and liabilities at amortized cost

If there is transaction or quote information from a market maker, then the latest transaction price and quote information are used as the basis for the evaluation of the fair value. If no market price is available for reference, then a valuation method is used for estimation. The estimation and assumption adopted for the valuation method refers to the discounted value of the cash

flow estimated fair value.

(3) Fair value valuation technique for financial instruments measured at fair value

(3.1) Non-derivative financial instruments

When a financial instrument has an active market open quote, then the open quote of the active market is used for the fair value. For the market price of the main exchange and announced by the exchange center of the central government determined to be on-the-run securities, the publicly listed equity instruments and debt instruments with an active market open quote are determined to have a basis for fair value.

If an open quote of a financial instrument can be timely and frequently obtained from an exchange, broker, underwriter, industry association, pricing service institution or competent authority, and the price represents an actual and frequently occurring fair market transaction, then the financial instrument has an active market open quote. If the aforementioned criteria are not met, then the market is deemed to be inactive. In general, when the bid-ask spread is great, and the bid-ask spread obviously increases or the trading volume is small, then it serves as indicators of an inactive market.

Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. For the fair value of financial instruments measured by using valuation techniques, reference can be made to the current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculations by model using market information available at the balance sheet date.

If a financial instrument held by the Group has no active market, then its fair value is determined according to the following category and attribute:

·Equity instrument without open quote: The market comparable company method is used to estimate the fair value, and its main assumption is to use the rate of return on investees as the basis for measurement. For the estimated value, the discount effect of the lack of market liquidity of such equity security has been adjusted.

(3.2) Derivative financial instruments

The valuation is based on the valuation model widely used and accepted by users in the market, such as discount method and option pricing model. Forward exchange agreement is typically evaluated based on the current forward exchange rate.

(4) Transfer between Level 1 and Level 2

The Group was not subject to any transfer of financial assets and liabilities for 2021 and 2020.

(XXI) Financial Risk Management

1. Overview

The Group is exposed to the following risks arising from the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies and procedures with regard to the Group's measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the consolidated financial statements.

2. Risk management framework

The board of directors is fully responsible for the establishment and oversight of the risk management framework of the Group. For the board of directors, the chairperson's office is responsible for the development and control of the financial risk management policies of the Group and to provide reports on the operation thereof to the board of directors periodically.

The establishment of the financial risk management policy of the Group is to identify and analyze the financial risk faced by the Group, and to set up appropriate financial risk limits and control, as well as to monitor risk and risk limit compliance. The financial risk management policy is reviewed periodically to reflect market conditions and changes in the operation of the Group. The Group, through training, management standards and operation procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors of the Group monitors the management, such as monitoring of the financial risk management policy and procedure compliance of the Group, and reviews the appropriateness of the relevant financial management framework for the risks faced by the Group. The internal auditing personnel of the Group provides assistance to the board of directors of the Group to perform their role of supervision. Such personnel undertakes both regular and ad hoc reviews of risk management controls and procedures, and the results thereof are reported to the board of directors.

3. Credit risk

Credit risk refers to the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers' notes and accounts as well as bank deposits.

(1) Accounts receivable and other receivables

The credit risk exposure of the Group is mainly affected by the individual condition of each customer. However, the management considers the basic statistical data of customers of the Group, including the industry of customers and country default risk since such factors may affect the credit risk.

The Group has established a credit policy, and according to such policy, before the Group makes standard payment and delivery terms, it is necessary to analyze the credit rating of each new customer individually.

The Group has set up an allowance for bad debt account to reflect the estimated losses arising from notes receivable and others receivable as well as investments. The allowance for debt account mainly consists of a specific loss component relating to individually significant exposure, and a combinational loss component established for losses already occurred but not yet identified in similar asset groups. The combinational loss account allowance account is determined based on the statistical data of past payments of similar financial assets.

(2) Investments

The credit risk of bank deposits and other financial instruments are measured and monitored by the financial department of the Group. Since the transaction counterparties and the contract performance parties of the Group are banks with excellent credit standing, there are no non-compliance issues; therefore, there is no significant credit risk.

(3) Guarantees

The Group's policy is executed in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies. Up to December 31, 2021 and 2020, the Group has not provided any endorsements/guarantees.

4. Liquidity risk

Liquidity risk refers to the risk that the Group is unable to deliver cash or other financial assets for repayment of financial debts, and the risk of failure to perform relevant obligations. The Group's liquidity management method is to ensure that under general conditions and conditions of pressure, the Group is still able to have

sufficient working capital capable of paying liabilities that are due for payment, such that unacceptable loss would not occur or the risk of the reputation of the Group being damaged would not occur.

As of December 31, 2021 and 2020, the unused amount of bank financing of the Group 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 Group's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within an acceptable range, and to optimize investment returns.

To manage market risks, the Group engages in derivative instrument transactions and also generates financial assets and liabilities accordingly. The all transactions were executed in accordance with the instructions of the board of directors.

(1) Exchange rate risk

The Group is exposed to currency risk on transactions of sales, purchases and loans that are denominated in a currency other than the respective functional currencies of the Group. The functional currencies of the Group are mainly NTD and USD. The main pricing currency for such transactions is NTD and USD.

In addition, based on the principle of natural hedging, the Group performs hedging according to the capital demand of each currency and the net position with respect to the market exchange condition.

(2) Interest rate risk

The Group's policy is to ensure that the loan interest rate change risk exposure is evaluated according to the international economic status and market interest rates.

(XXII) Capital Management

The Group's capital management objective is to safeguard the Group's ability to continue as a going concern in order to continue to provide returns for shareholders and interests of other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, execute capital reduction to return share capital to shareholders, issue new shares or sell assets in order to repay debts.

The Group, similar to others in the same industry, uses the debt-to-capital ratio as the basis for capital control and monitoring. Such ratio is calculated by dividing the net liabilities by the total capital. The net liabilities refer to the total liabilities indicated on

the balance sheet less cash and cash equivalents. Total capital refers to all components (i.e. share capital, capital surplus, retained earnings and other equity) of equity plus net liabilities.

The capital management strategy of the Group in 2021 was to ensure that the Group is able to perform financing at a reasonable cost. Debt-to-capital ratio at report date is as follows:

	<u>2021-12-31</u>	<u>2020-12-31</u>
Total liabilities	\$ 3,061,063	2,509,998
Less: Cash and cash equivalent	<u>(621,683)</u>	<u>(499,504)</u>
Net liabilities	2,439,380	2,010,494
Total equity	<u>1,432,759</u>	<u>1,537,293</u>
Capital after adjustment	<u>\$ 3,872,139</u>	<u>3,547,787</u>
Debt-to-capital ratio	<u>63.00%</u>	<u>56.67%</u>

Since the Group issued convertible 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 non-cash transaction investment activities of the Group for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Purchase of property, plant and equipment in the current period	\$ 27,376	9,885
Add: Equipment and construction payables at beginning of the period	3,424	682
Less: Equipment and construction payables at end of the period	(3,303)	(3,424)
Add: Impact of changes in foreign exchange rate	<u>1</u>	<u>-</u>
	<u>\$ 27,498</u>	<u>7,143</u>

(XXIV) Sound Financial Plan

Due to rapid changes in the industry, the Group has suffered continuous losses in recent years, and the management of the Group has consecutively adopted the following measures in order to ensure the operation of the Group and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the Group plans to adopt the following plans:

1. Operations

- (1) 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 Group shall Improve 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 Group 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 that have had transactions with the Group during the periods covered in the financial statements are as follows:

Related party name	Relationship with the Group
Hon Hai Precision Industry Co., Ltd.	Investment company using the indirect equity method on the Company
Chin Ming Glass Co., Ltd.	The chairperson of this company is a relative within the first degree of kinship of the chairperson of the Company
PT. Sharp Electronics Indonesia	Its ultimate parent company is an investment company using the indirect equity method on the Company
FIH (Hong Kong) Limited	"
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.	"
General Interface Solution Business (Wuxi) Co., Ltd.	"
Innolux Corporation	"
Chiun Mai Communication Systems Inc.	"
VC3 Networks (Chengdu) Co., Ltd.	"

Century Technology (Shenzhen) Co., Ltd.	"
Zhengzhou Yuteng Precision Co., Ltd.	"
Foshan Innolux Optoelectronics Ltd.	"
Ennoconn Corporation	"
Ningbo Innolux Optoelectronics Ltd.	"
Ningbo CarUX Technology Co., Ltd.	"
Shenzhen Futaihong Precision Industrial Co., Ltd.	"
Brave Advance International Co., Ltd.	Associates of the Group
Hongda Photoelectric Glass (Dongguan) Co., Ltd.	"

(II) Significant related party transactions and balances

1. Operating revenue

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

	2021	2020
Other related parties:		
Other related parties	\$ 538,008	397,089

The price and payment collection terms for the sales of the Group to other related parties are open account 45~120 days, and there are no major differences for general customers.

2. Purchases

Purchase costs of the Group from related parties were as follows:

	2021	2020
Other related parties:		
Futaihua Industry (Shenzhen) Co., Ltd.	\$ 834,004	802,845
Other related parties	66,195	162,809
	\$ 900,199	965,654

The purchases from related parties by the Group refer to single suppliers, and the payment terms are open account 45~90 days, and the payment terms for general suppliers are LC120 days and open account 45~90 days.

3. Receivables from related parties

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

Accounts	Type of related party	2021-12-31	2020-12-31
Accounts receivable - related parties	Other related parties	\$ 123,124	129,163
Other financial assets - current	Other related parties	\$ -	16

4. Payables to related parties

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

<u>Accounts</u>	<u>Type of related party</u>	<u>2021-12-31</u>	<u>2020-12-31</u>
Accounts payable - related parties	Other related parties: Futaihua Industry (Shenzhen) Co., Ltd.	\$ 168,908	165,587
	Other related parties	9,425	13,860
		<u>\$ 178,333</u>	<u>179,447</u>
Other payables	Other related parties	<u>\$ 6,589</u>	<u>13,039</u>

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 \$164,724 thousand. Thereafter, the Group renewed a one-year lease agreement with other related parties with a total contract amount of \$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 \$101,024 thousand. Interest expense of \$505 thousand was recognized in both 2021 and 2020, and the balance of lease liabilities were \$101,024 thousand and \$50,877 thousand up to December 31, 2021 and 2020, respectively.

(III) Personnel transactions from key management

Remuneration of key management includes:

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 16,810	15,182
Share-based payments	1,459	201
	<u>\$ 18,269</u>	<u>15,383</u>

VIII. Pledged Assets

Statement of the carrying value of pledged or secured assets of the Group is as follows:

<u>Asset name</u>	<u>Pledged or secured subject matter</u>	<u>2021-12-31</u>	<u>2020-12-31</u>
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	Bank borrowings	1,138,062	1,115,068
		<u>\$ 2,459,911</u>	<u>1,901,883</u>

IX. Significant Contingent Liabilities and Unrecognized Commitments

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

	2021-12-31	2020-12-31
Signed contract prices	\$ 337,379	13,535
Paid amount	\$ 178,345	7,107

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	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense						
Salary expense	268,813	102,708	371,521	207,224	91,062	298,286
Labor and health insurance expense	24,117	7,837	31,954	19,189	7,235	26,424
Pension expense	10,236	4,307	14,543	8,461	4,169	12,630
Other employee benefit expenses	10,672	4,451	15,123	10,138	3,019	13,157
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 Group for 2021 and 2020 were NT\$5,524 thousand and NT\$24,480 thousand, respectively.

XIII. Separately Disclosed Items

(I) Information on Significant Transactions

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 Group is as follows:

1. Loaning funds to others: None.
2. Endorsements/guarantees made for others: None.
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint venture equities): None.

4. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more:

Unit: NTD thousand

Company of purchase (sale)	Related party name	Relationship	Transaction details				Difference of transaction conditions with general transactions and reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage of total purchase (sale)	Payment term	Unit price	Payment term	Balance	Percentage of total notes and accounts receivable (payable)	
G-TECH Optoelectronics Corporation	Futaihua Industry (Shenzhen) Co., Ltd.	Other related parties	Purchase	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).
10. Business relationships and significant transactions between parent and subsidiaries: None.

(II) Information on investees:

The information on investees of the Group 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			Mid-term highest shareholding or investment status	Current profit or loss of investee	Current investment profit/loss recognized	Remarks
				End of current period	End of last year	Number of shares	Ratio	Carrying amount				
G-TECH Optoelectronics Corporation	Fast Achievement Global Ltd.	Cayman Islands	Holding	14,947 (USD540)	14,947 (USD540)	540,000	100.00%	47,833	100.00%	1,351 (USD48)	1,351 (USD48)	
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	100.00%	(23,708) (USD(848))	(23,708) (USD(848))	
Fast Achievement Global Ltd.	Brave Advance International Corp.	Samoa	Holding	13,840 (USD500)	13,840 (USD500)	500,000	25.00%	47,814 (USD1,727)	25.00%	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)	100.00%	(23,708) (USD(848))	(23,708) (USD(848))	

Note: Except for Brave Advance International Corp., the aforementioned transactions have been written off during the preparation of the consolidated financial statements.

(III) Information on Investments in China:

1. Information of name of investees in China, and main business items:

Unit: NTD thousand

Name of investee in China:	Main business items	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at beginning of the current period	Outward remittance or repatriation of investment amount at beginning of the current period		Accumulated outward remittance for investment from Taiwan at end of the current period	Current profit or loss of investee	% of ownership of direct or indirect investment by the Company	Mid-term highest shareholding or investment status	Current investment profit/loss recognized	Investment carrying value at end of the period Value	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%	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) (USD908)	100.00%	100.00%	(25,389) (USD908)	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.

Note 3: Except for Hongda Photoelectric Glass (Dongguan) Co., Ltd., the aforementioned transactions have been written off during the preparation of the consolidated financial statements.

2. Upper limit on the amount of investment in China region:

Accumulated outward remittance for investment in China region at end of the period	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
NTD 2,594,723 (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:

Name of major shareholder	Shares	Shareholding	Shareholding percentage
Hong Yuan International Investment Co., Ltd.		15,728,165	7.62%
Bao Xin International Investment Co., Ltd.		10,922,337	5.29%

XIV. Information on Segments

(I) General information

Since April 2016, the Group has made organization segment adjustments, and the reportable segments and operations thereof after the adjustment respectively refer to the Optoelectronics Business Unit (referred to as "Optoelectronics BU") and the Green Building Business Unit (referred to as "Green Building BU"). The Optoelectronics BU is mainly responsible for the R&D, design, manufacturing and sales of general consumer electronics, vehicle glass and protective touch control glass for industrial control computers. The Green Building BU is mainly responsible for the R&D and sales of green building material glass, and provides various sorts of building glass surface treatment and reinforcement, abnormality processing services.

(II) Information on profit/loss, assets, liabilities and measurement basis and adjustment of reportable segments

The Group uses the income before tax of segments (excluding gain/loss occurred infrequently and exchange gain/loss) from the internal management reports reviewed by key operating decision makers as a basis for management resource allocation and performance evaluation. Since the income tax, gain/loss occurred infrequently and exchange gain/loss are managed with the Group as the basis, the Group does not amortize the income tax expense (profit), gain/loss occurred infrequently and exchange gain/loss to the reportable segments. In addition, not all of the gain/loss of reportable segments includes material non-monetary items other than the depreciation and amortization. The amounts reported and the reports used by the operating decision makers are consistent.

The pension expense of each operating segment is recognized and measured based on the pension program paid in cash, and the accounting policies of operating segments are the same as Note 4 "Summary of Significant Accounting Policies".

The Group treats the sales and transfers among segments as transactions with third parties. The transactions are measured at current market prices.

Information and adjustment of operating segments of the Group are as follows:

2021	Optoelec tronics	Green building	Others	Adjustment and elimination	Total
Revenue					
Revenue from external customers	\$ 889,724	271,408	1,452,701	-	2,613,833
Inter-segment revenue	-	-	-	-	-
Interest income	19,991	-	-	-	19,991
Total revenue	<u>\$ 909,715</u>	<u>271,408</u>	<u>1,452,701</u>	<u>-</u>	<u>2,633,824</u>
Interest expense	\$ (38,904)	-	-	-	(38,904)
Depreciation and amortization	(126,180)	(85,053)	-	-	(211,233)
Investment gain	1,351	-	-	-	1,351
Segment profit or loss	<u>\$ (270,098)</u>	<u>89,029</u>	<u>60,261</u>	<u>-</u>	<u>(120,808)</u>
Segment total assets	<u>\$ 3,640,421</u>	<u>853,401</u>	<u>-</u>	<u>-</u>	<u>4,493,822</u>
Segment liabilities	<u>\$ 2,536,096</u>	<u>524,967</u>	<u>-</u>	<u>-</u>	<u>3,061,063</u>
2020					
Revenue					
Revenue from external customers	\$ 666,769	517,608	1,264,159	-	2,448,536
Inter-segment revenue	-	-	-	-	-
Interest income	3,030	-	-	-	3,030
Total revenue	<u>\$ 669,799</u>	<u>517,608</u>	<u>1,264,159</u>	<u>-</u>	<u>2,451,566</u>
Interest expense	\$ (34,082)	-	-	-	(34,082)
Depreciation and amortization	(209,673)	(68,741)	-	-	(278,414)
Investment gain	2,588	-	-	-	2,588
Segment profit or loss	<u>\$ (520,628)</u>	<u>167,706</u>	<u>62,331</u>	<u>-</u>	<u>(290,591)</u>
Segment total assets	<u>\$ 3,514,350</u>	<u>532,941</u>	<u>-</u>	<u>-</u>	<u>4,047,291</u>
Segment liabilities	<u>\$ 2,035,659</u>	<u>474,339</u>	<u>-</u>	<u>-</u>	<u>2,509,998</u>

(III) Information on Product Type and Labor Type

Information on revenue from external customers of the Group is as follows:

Product name	2021	2020
Photoelectric glass	\$ 889,724	666,768
Green building	271,408	517,609
Others	1,452,701	1,264,159
Total	<u>\$ 2,613,833</u>	<u>2,448,536</u>

(IV) Geographical Information

The geographical information of the Group is as follows. The income described in the following is classified according to the geographical location of customers. In addition, non-current assets are classified according to the geographical location of assets.

Geography	2021	2020
Revenue from external customers:		
Mainland China	\$ 1,605,316	1,405,223
Taiwan	956,942	816,037
Belize	-	125,143
United States	16,869	15,466
Others	34,706	86,667
	<u>\$ 2,613,833</u>	<u>2,448,536</u>
Non-current assets:		
Taiwan	<u>\$ 2,484,352</u>	<u>2,518,773</u>
Mainland China	<u>3,068</u>	<u>25,978</u>
Total	<u>\$ 2,487,420</u>	<u>2,544,751</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, investment property and other assets; however, financial instruments, deferred income tax assets, assets of retirement benefits and non-current assets arising from rights of insurance policies are excluded.

(V) Information on Major Customers

	2021	2020
Customer B	\$ 678,432	730,713
Customer A	391,203	134,340
	<u>\$ 1,069,635</u>	<u>865,053</u>

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

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

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

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

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

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

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

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

1. Identify and assess the risk of material misstatement in the unconsolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain a necessary understanding of internal control concerning the inspection in order to design appropriate inspection procedures that are appropriate for the time being. The purpose, however, is not to effectively express opinions on the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
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

Assets		2021-12-31		2020-12-31						2021-12-31		2020-12-31	
		Amount	%	Amount	%					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							
			<u>1,495,966</u>	<u>34</u>	<u>1,303,200</u>	<u>33</u>							
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	-							
			<u>2,947,525</u>	<u>66</u>	<u>2,676,825</u>	<u>67</u>							
Total assets		\$	4,443,491	100	3,980,025	100							
Liabilities and equity													
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							
			<u>1,334,663</u>	<u>30</u>	<u>1,207,091</u>	<u>30</u>							
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	-	-							
			<u>1,676,069</u>	<u>38</u>	<u>1,235,641</u>	<u>31</u>							
Total liabilities			<u>3,010,732</u>	<u>68</u>	<u>2,442,732</u>	<u>61</u>							
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							
			<u>1,432,759</u>	<u>32</u>	<u>1,537,293</u>	<u>39</u>							
Total equity			<u>1,432,759</u>	<u>32</u>	<u>1,537,293</u>	<u>39</u>							
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		Total	Total equity
					Financial statements of foreign operations Exchange differences translated	Revalued amount of property		
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	<u>228,188</u>	<u>481,420</u>
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	<u>(41,148)</u>	<u>47,875</u>
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	<u>116,807</u>	<u>32,595</u>
Total net changes in assets and liabilities related to operating activities	<u>75,659</u>	<u>80,470</u>
Total adjustments	<u>303,847</u>	<u>561,890</u>
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	<u>150,018</u>	<u>238,812</u>

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

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

G-TECH Optoelectronics Corporation

Statements of 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”

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

(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. 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".

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(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

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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 Company considers such debt security to have a low credit risk.

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

The Company assumes that the credit risk on the financial asset has been breached if it 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).

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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

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

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

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

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

The gross carrying amount of a financial asset is written off, either in full or partially, to the extent that there is no realistic prospect of recovery for the Company. For corporate accounts, the Company individually analyzes the write-off timing and 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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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 derivative instrument, or

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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 value. Any change thereof is recognized in profit or loss.

The profit or loss from disposition of investment property (calculated based on the difference between the net disposition amount and the carrying amount of such item) is recognized in profit or loss. If an investment property for sale was previously classified as

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

(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

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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

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.

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

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:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

	2021-12-31		
	Carrying amount of notes and accounts receivables	Weighted-aver age 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-avera ge 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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

(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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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(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

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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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 measurement technique for the subsequent measurement of the Company's investment property belong to Level 3. For the reconciliation of the beginning and ending balance regarding the Level 3 assets, please refer to the above schedule of changes. Besides, no investment property had been classified as or classified out of Level 3 of the fair value hierarchy during the 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:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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1. December 31, 2021

<u>Subject property</u>	<u>Miaoli Plant land and buildings</u>
Important contract terms	1. Rent: NT\$5,867 thousand/month 2. Lease period: 136 months 3. Total future annual tax amount borne by lessor: NT\$7,421 thousand
Local rent status	NT\$130~160/3.3058 m ² /month
Rent status of similar property	NT\$140/3.3058 m ² /month
Current condition	Normal use
Past income amount	NT\$140/3.3058 m ² /month
Income capitalization rate	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

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

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)

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:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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Fair value valuation technique	Significant unobservable inputs	Relationship between material unobservable inputs and fair value measurement
<p>The discounted cash flow analysis (DCF) under income approach is used as the evaluation method, and the contract rent price provided by the Group during the lease period is used for evaluation. After the expiration of the lease period, the market rent price is used for evaluation.</p> <p>Discounted cash flow analysis under income approach: This refers to the net income and value at the end of the period during the future discounted cash flow of the subject property analysis period, and after discount at appropriate discount rate the sum of the estimated subject property values are added. Such method is applicable to the property investment evaluation for the purpose of investment.</p>	<ul style="list-style-type: none"> Discount rate after risk adjustment (3.6% and 2.9% on December 31, 2021 and 2020, respectively) 	<p>The estimated fair value will be increased (or decreased) if:</p> <ul style="list-style-type: none"> Discount rate after risk adjustment decreases (increases).

Investment property refers to facilities leased out to others, and the lease contract includes the original non-cancellable lease period, and the subsequent lease period is negotiated with the lessee, and rent is either collected or not yet collected. Please refer to Note 6(11) for relevant information. In addition, the Company changed the recognition of the land and houses of Miaoli Plant III from property, plant and equipment to investment property according to the actual condition of use in 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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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(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				\$ -

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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	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

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
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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	<u>\$ 711,435</u>	<u>784,197</u>

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:

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

	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

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

3. Deferred tax assets and liabilities

(1) Unrecognized deferred tax assets

The items not recognized as deferred tax assets by the Company are as follows:

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

Regarding tax losses, according to the provisions of the Income Tax Act specifying that losses of the past ten years approved by the taxation authority may be deducted from the net profit of the current year, followed by the payment of the income tax. The reason for not recognizing such items as deferred income tax assets is because the Company is not very likely to have sufficient taxable income in the future for deductible temporary difference use.

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:

<u>Year of loss</u>	<u>Loss not yet deducted</u>	<u>Final year for deduction</u>
Approved value for 2013	\$ 209,457	2023
Approved value for 2014	910,923	2024
Approved value for 2015	1,073,944	2025
Approved value for 2016	457,378	2026
Approved value for 2017	1,862,692	2027
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	<u>228,338</u>	2031
	<u>\$ 5,711,015</u>	

(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:

	<u>Covering Losses</u>	<u>Unrealized sales allowance</u>	<u>Unrealized exchange loss</u>	<u>Total</u>
January 1, 2021	\$ -	-	-	-
Recognized in income statement	<u>4,643</u>	-	-	<u>4,643</u>

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

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

Deferred income tax liabilities:

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

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	<u>12,724</u>	-
	<u>\$ 18,948</u>	<u>16,711</u>

Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements (continued)

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.

**Notes to the G-TECH Optoelectronics Corporation Unconsolidated Financial Statements
(continued)**

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:

	<u>Equity settlement</u>
	<u>Employee stock option</u>
Type	
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:

<u>Employee stock options grant period</u>	<u>2020</u>
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:

	<u>2020</u>
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:

	<u>2021</u>		<u>2020</u>	
	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	<u>\$ 10.40</u>	<u>3,000</u>	<u>10.40</u>	<u>3,000</u>

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

	<u>2021-12-31</u>	<u>2020-12-31</u>
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:

	<u>2021</u>	<u>2020</u>
Expenses arising from employee stock options	<u>\$ 5,471</u>	<u>753</u>

(XVI) Earnings Per Share

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

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

	<u>2021</u>			
	<u>Optoelectronics</u>	<u>Green building industry</u>	<u>Others</u>	<u>Total</u>
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
	<u>\$ 889,724</u>	<u>271,408</u>	<u>1,270,513</u>	<u>2,431,645</u>

	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:

	<u>2021</u>	<u>2020</u>
Interest income	<u>\$ 18,733</u>	<u>331</u>

2. Other gains and losses

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

	<u>2021</u>	<u>2020</u>
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)
	<u>\$ 111,997</u>	<u>174,258</u>

3. Financial costs

Statement of financial costs of the Company is as follows:

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

(XX) Financial Instruments

1. Credit risk

(1) Maximum credit risk exposure amount

The maximum credit risk exposure of financial assets is equal to their carrying amount.

(2) Concentration of credit risk

The main potential credit risk of the Company comes from the financial commodities of cash and cash equivalents and accounts receivable. The cash of the Company is deposited at different financial institutions. The Company controls the credit risk of each financial institution exposed, and believes that there is no likelihood of obvious concentration of material credit risk in the cash and cash equivalents of the Company.

Customers of the Company are concentrated in the optoelectronics industry, and to reduce accounts receivable credit risk, the Company continues to evaluate the financial status of customers, and periodically evaluates the feasibility of recovery of accounts receivable and appropriates allowance for losses, and impairment loss is within the 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	<u>(20)</u>
Balance on December 31, 2021	<u>\$ 646</u>
Balance on January 1, 2020	\$ 1,064
Impairment loss reversed	<u>(398)</u>
Balance on December 31, 2020	<u>\$ 666</u>

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
<u>Financial assets</u>						
<u>Monetary items</u>						
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
<u>Non-monetary items</u>						
USD : NTD	4,597	27.68	127,243	5,321	28.48	151,534
<u>Financial liabilities</u>						
<u>Monetary items</u>						
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				
	Carrying amount	Fair value			
		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	<u>(556,396)</u>	<u>(427,554)</u>

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

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:

	<u>2021</u>	<u>2020</u>
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	<u>(2,871)</u>	<u>(3,424)</u>
	<u>\$ 31,768</u>	<u>4,104</u>

(XXIV) Sound Financial Plan

Due to rapid changes in the industry, the Company has suffered continuous loss in recent years, and the management of the Company has consecutively adopted the following measures in order to ensure the operation of the Company and to improve the financial structure and cash flow in a positive direction. In response to these circumstances, the Company plans to adopt the following plans:

1. Operations

- (1) 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.	e 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

The Company leased the facility office building at Tainan Science Park from other related parties and signed a three-year lease contract with reference to the office rental market price in the neighboring area, and the contract total price was NT\$164,724 thousand. In December 2020, the Company renewed a one-year lease agreement with a total contract value of \$51,381 thousand and signed a new lease agreement in December 2021 with a total contract value of \$101,024 thousand for a two-year term. Interest expense of \$505 thousand was recognized in both 2021 and 2020, and the balance of lease liabilities were \$101,024 thousand and \$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 nature	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	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:

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

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) Information on Significant Transactions

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 (USD48)	
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(848))	
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) (USD(848))	(23,708) (USD(848))	

(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) (USD908)	100.00%	(25,389) (USD908)	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 NTD237,577) (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:

Name of major shareholder	Shares	Shareholding	Shareholding percentage
Hong Yuan International Investment Co., Ltd.		15,728,165	7.62%
Bao Xin International Investment Co., Ltd.		10,922,337	5.29%

XIV. Information on Segments

Please refer to the 2021 consolidated financial statements for details.

G-TECH Optoelectronics Corporation

Chairman of the Board: Chung, Chih-Ming