VISUAL PHOTONICS EPITAXY CO., LTD.

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of VISUAL PHOTONICS EPITAXY CO., LTD.

Opinion

We have audited the accompanying balance sheets of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2020 and 2019, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Visual Photonics Epitaxy Co., Ltd. as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Visual Photonics Epitaxy Co., Ltd.'s financial statements of the current period are stated as follows:

Appropriateness of cut-off of warehouse operating revenue

Description

For the accounting policy on revenue recognition, please refer to Note 4(21).

The types of sale is separated into direct delivery from factory and warehouse operating revenue. The warehouse operating revenue involves shipping the goods to the warehouse in the USA or others first, then customer pick-up the goods. When the control of goods are transferred, revenue is recognized. Visual Photonics Epitaxy Co., Ltd.'s revenue is recognized in accordance with statements provided by sales customers or online shipping system information.

Due to the multi-location of the warehouses and the different frequency of each custodian providing their statements, the revenue recognition procedure is complex and involves reconciliation of mutual payments. Visual Photonics Epitaxy Co., Ltd.'s daily transaction quantity is numerous and the transaction amount around the balance sheet date is significant to the financial statements, therefore, we determined that the appropriateness of cut-off of warehouse operating revenue as one of the key audit matters for this fiscal year.

How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Obtained an understanding and tested the timing of sales revenue recognition procedures between Visual Photonics Epitaxy Co., Ltd. and the customers to verify the effectiveness of the internal control for warehouse operating revenue recognition.
2. Performed cut-off test on the transactions of warehouse operating revenue around the period of balance sheet date, including verifying the supporting documents of warehouse custodian, the movement of accounted inventory, and related records of cost of goods sold generated to evaluate the timing appropriateness of warehouse operating revenue recognition.
3. Perform confirmation or physical inventory count observation to confirm the inventory quantities and agreed the results to accounting records. In addition, inspected the reason for the difference between the confirmation replies or physical inventory count observation and accounting records and tested the reconciling items made by management in order to confirm whether the significant differences have been adjusted.

Valuation of inventory

Description

For the accounting policy on inventory valuation, please refer to Note 4(9). For the accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2). For a description of allowance for inventory valuation losses, please refer to Note 6(3).

As of December 31, 2020, Visual Photonics Epitaxy Co., Ltd.'s inventories and allowance for inventory valuation losses amounted to NT $422,476 thousand and NT $50,180 thousand, respectively.

Visual Photonics Epitaxy Co., Ltd.'s inventories are mainly optoelectronics semiconductor Epi wafer products. Since the industry involves rapidly changing technology and are affected by the communications industry, there is a higher risk of incurring inventory valuation losses. Visual Photonics Epitaxy Co., Ltd.'s inventories are measured at the lower of cost and net realisable value, if the price change does not have the expected net realizable value, it may affect the net realizable value estimation result of the inventory evaluation.

Visual Photonics Epitaxy Co., Ltd.'s determination of net realisable value for obsolete or slow-moving inventories involves subjective judgement resulting in a high degree of estimation uncertainty. Considering the inventories and the allowance for inventory valuation losses are material to its financial statements, we determined that the estimates of the allowance for inventory valuation losses as one of the key audit matters for this fiscal year.

How our audit addressed the matter

Our key audit procedures performed in respect to the above matter included:

1. Assessed the reasonableness and the consistency of provision policies on allowance for inventory valuation losses and procedures based on our understanding of Visual Photonics Epitaxy Co., Ltd.'s operation and industry, including the classification of inventory for determining net realizable value.
2. Obtained an understanding of the Visual Photonics Epitaxy Co., Ltd.'s warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count event in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Selected samples to check the inventory clearance and historical data of inventory discount in order to evaluate the reasonableness of allowance of inventory valuation losses.
4. Tested the appropriateness of the estimated basis that Visual Photonics Epitaxy Co., Ltd. adopted to evaluate net realizable value, selected a sample of individual inventory data like inventory selling and

accuracy of purchase price, and recalculated and evaluated the reasonableness of allowance for inventory valuation losses which were determined by management.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for 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.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Chou, Hsiao-Tzu Lee, Hsiu-Ling

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,066,356	25	$ 874,549	20
1150	Notes receivable, net	6(2)	432	-	432	-
1170	Accounts receivable, net	6(2)	463,482	11	513,599	12
1200	Other receivables		2,695	-	1,135	-
130X	Inventories	6(3)	372,296	9	330,153	8
1410	Prepayments		67,047	1	65,295	1
11XX	**Current Assets**		1,972,308	46	1,785,163	41
	Non-current assets					
1600	Property, plant and equipment	6(4) and 8	2,318,762	54	2,529,540	59
1755	Right-of-use assets	6(5)	937	-	2,706	-
1780	Intangible assets		4,110	-	2,808	-
1840	Deferred income tax assets		13,931	-	7,841	-
1915	Prepayments for business facilities	6(4)	7,732	-	11,303	-
1920	Guarantee deposits paid		67	-	67	-
1975	Net defined benefit asset, non-current	6(9)	753	-	161	-
15XX	**Non-current assets**		2,346,292	54	2,554,426	59
1XXX	**Total assets**		$ 4,318,600	100	$ 4,339,589	100

(Continued)

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(6)	$ 380,000	9	$ 470,000	11
2130	Current contract liabilities	6(13)	17,359	1	6,936	-
2170	Accounts payable		317,432	7	303,605	7
2200	Other payables	6(7)	221,472	5	245,677	6
2230	Current income tax liabilities	6(20)	74,096	2	74,473	2
2280	Current lease liabilities	6(5)	886	-	1,774	-
2300	Other current liabilities		5,425	-	5,266	-
21XX	**Current Liabilities**		1,016,670	24	1,107,731	26
	Non-current liabilities					
2540	Long-term borrowings	6(8) and 8	400,000	9	400,000	9
2570	Deferred income tax liabilities	6(20)	150	-	32	-
2580	Non-current lease liabilities	6(5)	61	-	947	-
25XX	**Non-current liabilities**		400,211	9	400,979	9
2XXX	**Total Liabilities**		1,416,881	33	1,508,710	35
	Equity attributable to owners of parent					
	Share capital	6(10)				
3110	Oridinary shares		1,849,059	43	1,849,059	43
	Capital surplus	6(11)				
3200	Capital surplus		16,736	-	16,691	-
	Retained earnings	6(12)				
3310	Legal reserve		502,110	12	450,724	10
3350	Unappropriated retained earnings		533,814	12	514,405	12
3500	Treasury stocks	6(10)	-	-	-	-
3XXX	**Total equity**		2,901,719	67	2,830,879	65
	Significant commitments and contingent liabilities	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 4,318,600	100	$ 4,339,589	100

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(13)	$ 2,645,003	100	$ 2,530,909	100
5000	Operating costs	6(3)(18)(19)	(1,530,599)	(58)	(1,496,637)	(59)
5900	Net operating margin		1,114,404	42	1,034,272	41
	Operating expenses	6(18)(19)				
6100	Selling expenses		(11,883)	(1)	(10,901)	-
6200	General and administrative expenses		(114,052)	(4)	(117,763)	(5)
6300	Research and development expenses		(299,346)	(11)	(256,598)	(10)
6450	Impairment loss determined in accordance with IFRS 9	12(2)	(1,608)	-	(27)	-
6000	Total operating expenses		(426,889)	(16)	(385,289)	(15)
6900	Operating profit		687,515	26	648,983	26
	Non-operating income and expenses					
7100	Interest income	6(14)	3,049	-	3,418	-
7010	Other income	6(15)	1,541	-	3,560	-
7020	Other gains and losses	6(16)	(37,315)	(2)	(19,065)	(1)
7050	Finance costs	6(17)	(7,487)	-	(8,293)	-
7000	Total non-operating income and expenses		(40,212)	(2)	(20,380)	(1)
7900	**Profit before income tax**		647,303	24	628,603	25
7950	Income tax expense	6(20)	(114,715)	(4)	(114,278)	(5)
8200	**Profit for the year**		$ 532,588	20	$ 514,325	20
8311	(Losses) gains on remeasurements of defined benefit plans	6(9)	$ 589	-	($ 583)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(118)	-	117	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		471	-	(466)	-
8300	**Total other comprehensive (loss) income for the year**		$ 471	-	($ 466)	-
8500	**Total comprehensive income for the year**		$ 533,059	20	$ 513,859	20
9750	Total basic earnings per share	6(21)		$ 2.88		$ 2.79
9850	Total diluted earnings per share	6(21)		$ 2.86		$ 2.78

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Capital Surplus		Retained earnings			
	Notes	Oridinary shares	Additional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings	Treasury stocks	Total equity
Year 2019								
Balance at January 1, 2019		$ 1,849,059	$ 102,682	$ 4,500	$ 411,007	$ 410,075	($ 241,471)	$ 2,535,852
Profit for the year		-	-	-	-	514,325	-	514,325
Other comprehensive loss		-	-	-	-	(466)	-	(466)
Total comprehensive income		-	-	-	-	513,859	-	513,859
Earnings appropriation								
Legal reserve	6(12)	-	-	-	39,717	(39,717)	-	-
Cash dividends	6(11)(12)	-	(92,453)	-	-	(369,812)	-	(462,265)
Treasury shares reissued to employees	6(10)	-	-	1,962	-	-	241,471	243,433
Balance at December 31, 2019		$ 1,849,059	$ 10,229	$ 6,462	$ 450,724	$ 514,405	$ -	$ 2,830,879
2020								
Balance at January 1, 2020		$ 1,849,059	$ 10,229	$ 6,462	$ 450,724	$ 514,405	$ -	$ 2,830,879
Profit for the year		-	-	-	-	532,588	-	532,588
Other comprehensive income		-	-	-	-	471	-	471
Total comprehensive income		-	-	-	-	533,059	-	533,059
Appropriation and distribution of retained earnings								
Legal reserve	6(12)	-	-	-	51,386	(51,386)	-	-
Cash dividends	6(12)	-	-	-	-	(462,264)	-	(462,264)
Purchase of treasury shares	6(10)	-	-	-	-	-	(126)	(126)
Treasury shares reissued to employees	6(10)	-	-	45	-	-	126	171
Balance at December 31, 2020		$ 1,849,059	$ 10,229	$ 6,507	$ 502,110	$ 533,814	$ -	$ 2,901,719

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 647,303	$ 628,603
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(4)(5)(18)	284,482	254,873
Amortization expense	6(18)	810	756
Expected credit loss	12(2)	1,608	27
Interest expense	6(17)	7,487	8,293
Interest income		(2,620)	(3,380)
Unrealized foreign exchange (profit) loss		8,192	10,254
Share-based compensation cost		-	1,971
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		-	(150)
Accounts receivable		48,509	(240,348)
Other receivables		(1,560)	5,774
Inventories		(42,143)	45,157
Prepayments		(1,752)	(18,427)
Other non-current liabilities		(3)	(89)
Changes in operating liabilities			
Current contract liabilities		10,423	303
Accounts payable		13,827	70,917
Other payables		2,553	32,751
Other current liabilities		159	149
Cash inflow generated from operations		977,275	797,434
Interest received		2,620	3,380
Interest paid		(7,487)	(8,293)
Income taxes paid		(121,182)	(97,353)
Net cash flows from operating activities		851,226	695,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(22)	(86,194)	(127,974)
Acquisition of intangible assets		(2,112)	(1,536)
Increase in prepayments for business facilities		(8,928)	(65,443)
Decrease in refundable deposits		-	62
Net cash flows used in investing activities		(97,234)	(194,891)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(90,000)	(30,000)
Repayments of long-term debt	6(8)	(1,500,000)	-
Proceeds from long-term debt	6(8)	1,500,000	20,000
Payments of lease liabilities		(1,774)	(1,694)
Cash dividends paid	6(12)	(462,264)	(462,265)
Purchase of treasury shares	6(10)	(126)	-
Treasury shares reissued to employees	6(10)	171	241,462
Net cash flows used in financing activities		(553,993)	(232,497)
Effect of exchange rate changes on cash and cash equivalents		(8,192)	(10,254)
Net increase in cash and cash equivalents		191,807	257,526
Cash and cash equivalents at beginning of year	6(1)	874,549	617,023
Cash and cash equivalents at end of year	6(1)	$ 1,066,356	$ 874,549

The accompanying notes are an integral part of these financial statements.

VISUAL PHOTONICS EPITAXY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

Visual Photonics Epitaxy Co., Ltd. (the “Company”) was incorporated in November 1996. The Company is primarily engaged in research & development, manufacture and sales of optoelectronic semi-conductors epitaxy, optoelectronic components products and etc. On January 24, 2002, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 ,‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) <u>Basis of preparation</u>

A. Except for defined benefit assets and liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) <u>Foreign currency translation</u>

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and presentation currency.

Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Accounts and notes receivable

A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(10) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	50 ～ 60 years
Machinery and equipment	3 ～ 15 years
Office equipment	3 ～ 4 years
Other equipment	3 ～ 15 years

(11) Leasing arrangements (lessee) - right-of-use assets / lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference between remeasured lease liability in profit or loss.

(12) Intangible assets

Intangible assets, mainly patent and computer software, are stated at cost and amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

(13) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(14) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(15) Notes and accounts payable

A. Accounts payable are liabilities for purchases of goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(16) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(17) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(18) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(19) Share capital

A. Ordinary shares are classified as equity.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(20) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(21) Revenue recognition

Sales of goods

A. The Company manufactures and sells optoelectronic semi-conductors epitaxy, component and etc. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is recognised based on the price specified in the contract, net of the business tax, sales return and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days after control of goods are transferred, which is consistent with market practice.

C. A receivable is recognised when the control of goods are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(22) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Company's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

Lease period

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an option (or not to exercise an option), including expected changes of all facts and situations happens from the beginning of lease date to the exercise date of option. The main consideration including the contract terms and conditions in the period of options, significant lease rights improvement in the contract period and the significance of target assets to the leasee. When significant events or significant changes happen in the control range of the Company, the lease period will be revalued.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2020, the carrying amount of inventories was $372,296.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	$ 335	$ 335
Checking accounts and demand deposits	702,181	498,374
Time deposits	363,840	375,840
	$ 1,066,356	$ 874,549

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable

Items	December 31, 2020	December 31, 2019
Notes receivable	$ 432	$ 432
Accounts receivable	$ 464,062	$ 514,179
Less: Allowance for uncollectible accounts	(580)	(580)
	$ 463,482	$ 513,599

A. The ageing analysis of accounts receivable and notes receivable are as follows:

Accounts receivable	December 31, 2020	December 31, 2019
Not past due	$ 431,304	$ 397,074
Up to 60 days	30,463	85,625
61 to 90 days	2,107	7,921
91 to 180 days	-	21,753
Over 180 days	188	1,806
	$ 464,062	$ 514,179

Notes receivable	December 31, 2020	December 31, 2019
Not past due	$ 432	$ 432

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. As of December 31, 2020 and 2019, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $274,140.

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 161,212	($ 4,728)	$ 156,484
Work in progress	50,465	(430)	50,035
Finished goods	210,799	(45,022)	165,777
Total	$ 422,476	($ 50,180)	$ 372,296

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 163,129	($ 4,728)	$ 158,401
Work in progress	40,510	(430)	40,080
Finished goods	176,694	(45,022)	131,672
Total	$ 380,333	($ 50,180)	$ 330,153

The cost of inventories recognised as expense for the period:

	For the years ended December 31,	
	2020	2019
Cost of goods sold	$ 1,530,718	$ 1,496,716
Revenue from scraps	(119)	(79)
Scrap loss	-	499
Gain on reversal of decline in market value	-	(499)
	$ 1,530,599	$ 1,496,637

The gain on reversal of decline in market value arose from partially scrapping of slow-moving finished goods for the year ended December 31, 2019.

(4) Property, plant and equipment

	2020						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	$ 141,004	$ 1,229,493	$ 3,718,928	$ 21,201	$ 222,770	$ 27,498	$ 5,360,894
Accumulated depreciation	-	(627,402)	(2,031,453)	(20,812)	(151,687)	-	(2,831,354)
	$ 141,004	$ 602,091	$ 1,687,475	$ 389	$ 71,083	$ 27,498	$ 2,529,540
Opening net book amount	$ 141,004	$ 602,091	$ 1,687,475	$ 389	$ 71,083	$ 27,498	$ 2,529,540
Additions	-	10,589	26,192	363	7,271	15,021	59,436
Reclassifications	-	552	10,351	-	3,661	(2,065)	12,499
Depreciation charge	-	(60,160)	(209,906)	(284)	(12,363)	-	(282,713)
Closing net book amount	$ 141,004	$ 553,072	$ 1,514,112	$ 468	$ 69,652	$ 40,454	$ 2,318,762
At December 31							
Cost	$ 141,004	$ 1,240,634	$ 3,755,471	$ 21,564	$ 233,702	$ 40,454	$ 5,432,829
Accumulated depreciation	-	(687,562)	(2,241,359)	(21,096)	(164,050)	-	(3,114,067)
	$ 141,004	$ 553,072	$ 1,514,112	$ 468	$ 69,652	$ 40,454	$ 2,318,762

	2019						
	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Construction in progress and equipment under acceptance	Total
At January 1							
Cost	$ 141,004	$ 1,040,600	$ 2,678,541	$ 21,201	$ 172,229	$ 1,105,451	$ 5,159,026
Accumulated depreciation	-	(574,508)	(1,849,311)	(20,560)	(141,990)	-	(2,586,369)
	$ 141,004	$ 466,092	$ 829,230	$ 641	$ 30,239	$ 1,105,451	$ 2,572,657
Opening net book amount	$ 141,004	$ 466,092	$ 829,230	$ 641	$ 30,239	$ 1,105,451	$ 2,572,657
Additions	-	30,716	85,162	-	8,418	4,172	128,468
Reclassifications	-	158,902	962,679	-	42,123	(1,082,125)	81,579
Depreciation charge	-	(53,619)	(189,596)	(252)	(9,697)	-	(253,164)
Closing net book amount	$ 141,004	$ 602,091	$ 1,687,475	$ 389	$ 71,083	$ 27,498	$ 2,529,540
At December 31							
Cost	$ 141,004	$ 1,229,493	$ 3,718,928	$ 21,201	$ 222,770	$ 27,498	$ 5,360,894
Accumulated depreciation	-	(627,402)	(2,031,453)	(20,812)	(151,687)	-	(2,831,354)
	$ 141,004	$ 602,091	$ 1,687,475	$ 389	$ 71,083	$ 27,498	$ 2,529,540

A. The significant components of buildings include main plants, which are depreciated over 50 to 60 years.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

C. For the requirement of production and operation, the Company has successively entered into equipment purchase contracts starting from 2017. As of December 31, 2020 and 2019, the amounts of partial payment for undelivered equipment were $7,732 and $11,303 (shown as 'prepayments for business facilities').

(5) Leasing arrangements－lessee

A. The Company leases various assets including business vehicles. Rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. Short-term leases with a lease term of 12 months or less comprise business vehicles and printers. On December 31, 2020 and 2019, payments of lease commitments for short-term leases amounted to $570 and $716, respectively.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Transportation equipment (Business vehicles)	$ 937	$ 2,706

	For the years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Transportation equipment (Business vehicles)	$ 1,769	$ 1,709

C. The Company increased right-of-use asset by $0 and $2,157 for the years ended December 31, 2020 and 2019, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 21	$ 38
Expense on short-term lease contracts	570	716

E. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases were $2,365 and $2,448, respectively.

(6) Short-term borrowings

Type of borrowings	December 31, 2020	December 31, 2019
Bank unsecured borrowings	$ 380,000	$ 470,000
Interest rate range	0.745%~0.75%	0.88%~0.909%

The Company did not provide any collateral for the abovementioned borrowings.

(7) Other payables

	December 31, 2020	December 31, 2019
Wages, salaries and bonus payable	$ 202,318	202,070
Payables on machinery and equipment	3,704	30,462
Other	15,450	13,145
	$ 221,472	$ 245,677

(8) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 21, 2018 to June 21, 2023 ; interest is repayable monthly.	0.9680%	Land, Building and Machinery	$ 400,000
Less: Current portion				-
				$ 400,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 21, 2018 to June 21, 2023 ; interest is repayable monthly.	1.1228%~ 1.1230%	Land, Building and Machinery	$ 400,000
Less: Current portion				-
				$ 400,000

(9) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($ 141)	($ 658)
Fair value of plan assets	894	819
Net defined benefit liability	$ 753	$ 161

(c) Movements in net defined benefit liabilities are as follows:

	2020		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 658)	$ 819	$ 161
Current service cost	(41)	-	(41)
Interest (expense) income	(6)	8	2
Past service cost	-	-	-
Settlement profit or loss	-	-	-
	(705)	827	122
Remeasurements:			
Change in financial assumptions	(16)	-	(16)
Experience adjustments	580	25	605
	564	25	589
Pension fund contribution	-	42	42
At December 31	($ 141)	$ 894	$ 753

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 57)	$ 712	$ 655
Interest (expense) income	(1)	9	8
	(58)	721	663
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	17	17
Change in financial assumptions	(64)	-	(64)
Experience adjustments	(536)	-	(536)
	(600)	17	(583)
Pension fund contribution	-	81	81
At December 31	($ 658)	$ 819	$ 161

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2020	2019
Discount rate	0.5%	0.90%
Future salary increases	2.75%	2.75%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 10)	$ 11	$ 10	($ 10)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 41)	$ 44	$ 41	($ 39)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2021 amount to $42.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 30 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$	-
1-2 year(s)		-
2-5 years		-
Over 5 years		164
	$	164

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2020 and 2019, were $8,715 and $8,103, respectively.

(10) Share capital/Treasury shares

A. As of December 31, 2020, the Company's authorised capital was $2,600,000, consisting of 260,000 thousand shares of ordinary stock (including 15,000 thousand shares reserved for employee stock options), and the paid-in capital was $1,849,059 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the company's ordinary shares outstanding are as follows:

	2020		2019	
At January 1	$	184,906	$	181,042
Treasury shares reissued to employees		2		3,864
Shares reacquisition (treasury shares)	(	2)		-
At December 31	$	184,906	$	184,906

B. Treasury shares

(a) On July 16, 2020, the Board of Directors has resolved to reissue 2,000 shares of treasury stock purchased on March 23, 2020 to employees totaling $126 at $63.24 (in dollars) per share. As of December 31, 2020, the transfer has been completed.

On January 25, 2019, the Board of Directors has resolved to reissue 3,864 thousand shares of treasury stock purchased in 2018 to employees totaling $241,471 at $62.49 (in dollars) per share. As of December 31, 2019, the transfer has been completed.

(b) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

No such transaction was recorded as at December 31, 2020 and 2019.

(c) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(e) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(11) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. On June 12, 2019, the stockholders resolved that the Company shall distribute cash dividend of $0.5 (in dollars) per share from the capital surplus arising from paid-in capital in excess of par value on issuance of common stocks amounting to $92,453.

(12) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve unless existing legal reserve exceeds or is equal to issued share capital. Special reserve is set aside or reversed in accordance with related laws or regulations.

B. The Company's dividend policy is summarised below: as the Company operates in a growth stage and future expansion plans are expected in the future years, the earnings dividend policy considers fostering of competitiveness, capital needs in future years and expansion of share capital. For stable growth of earnings per share, dividends are adjusted based on performance, and cash dividends shall account for at least 10% of the total dividends distributed. The Board of Directors shall propose for dividend distribution based on capital structure and budget, and the proposals shall be resolved in shareholders' meetings.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriation of earnings and distribution of capital reserve of years 2019 and 2018 had been resolved at the stockholders' meeting on June 12, 2020 and June 12, 2019, respectively. Details are summarised below:

	2019		2018	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	$ 51,386		$ 39,717	
Cash dividends	462,264	$ 2.50	369,811	$ 2.03

Information about the distribution of retained earnings of the Company as proposed by the Board of Directors and resolved at the meeting of shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. On March 18, 2021, the Board of Directors proposed and approved the appropriation of 2020 retained earnings in cash with $2.59 per share, total dividend was $478,906. As of March 18, 2021, abovementioned appropriation of 2020 retained earnings has not been resolved by the shareholders in the meeting.

(13) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended December 31, 2020	Taiwan	US	All other segments	Total
Revenue from external customer contracts	$ 1,252,596	$ 1,074,362	$ 318,045	$ 2,645,003

For the year ended December 31, 2019	Taiwan	US	All other segments	Total
Revenue from external customer contracts	$ 1,217,245	$ 1,124,540	$ 189,124	$ 2,530,909

B. Contract assets and liabilities

The Company has recognised the following revenue-related contract liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Advance sales receipts	$ 17,359	$ 6,936	$ 6,633

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	For the years ended December 31,	
	2020	2019
Advance sales receipts	$ 4,744	$ 5,890

(14) Interest income

	Year ended December 31, 2020	Year ended December 31, 2019
Interest income from bank deposits	$ 2,620	$ 3,380
Other interest income	429	38
	$ 3,049	$ 3,418

(15) Other income

	Year ended December 31, 2020	Year ended December 31, 2019
Other income, others	$ 1,541	$ 3,560
	$ 1,541	$ 3,560

(16) Other gains and losses

	For the years ended December 31,	
	2020	2019
Net foreign exchange losses	($ 37,022)	($ 18,808)
Other losses	(293)	(257)
Total	($ 37,315)	($ 19,065)

(17) Finance costs

	For the years ended December 31,	
	2020	2019
Interest expense	$ 7,487	$ 8,293

(18) Expenses by nature

	For the years ended December 31,			
	2020		2019	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Change in inventory of finished goods and work in progress	($ 44,060)	$ -	$ 52,013	$ -
Raw materials and supplies used	1,065,290	-	931,898	-
Employee benefit expense	211,205	120,099	209,938	116,775
Depreciation charges on property, plant and equipment	141,627	141,086	153,502	99,662
Depreciation charges on right-of-use assets	-	1,769	-	1,709
Amortisation charges on intangible assets	-	810	-	756
Other expenses	156,537	163,125	149,286	166,387
Operating costs and expenses	$ 1,530,599	$ 426,889	$ 1,496,637	$ 385,289

(19) Employee benefit expense

	For the years ended December 31,			
	2020		2019	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Wages and salaries	$ 179,732	$ 108,476	$ 176,081	$ 106,375
Labour and health insurance fees	12,890	5,477	12,299	4,625
Pension costs	6,293	2,461	6,072	2,023
Other personnel expenses	12,290	3,685	12,499	3,337
	$ 211,205	$ 120,099	$ 206,951	$ 116,360

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be at least 5 ~ 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at $58,185 and $56,504, respectively; directors' remuneration was accrued at $21,819 and $21,189, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees' compensation and directors' remuneration were estimated and accrued based on 8% and 3% of distributable profit of current year for the years ended December 31, 2020 and 2019.

   Employees' compensation and directors' remuneration of 2019 as resolved by the meeting of Board of Directors were in agreement with those amounts recognised in the 2019 financial statements.

   Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	$ 136,678	$ 124,997
Tax on undistributed surplus earnings	10	-
Prior year income tax overestimation	(15,883)	(12,380)
Total current tax	120,805	112,617
Deferred tax:		
Origination and reversal of temporary differences	(6,090)	1,661
Income tax expense	$ 114,715	$ 114,278

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	($ 118)	$ 117

B. Reconciliation between income tax expense and accounting profit

	For the years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	$ 129,461	$ 125,721
Change in assessment of realisation of deferred tax assets	240	690
Expenses disallowed by tax regulation	787	828
Temporary differences not recognised as deferred tax assets	100	(581)
Prior year income tax overestimation	(15,883)	(12,380)
Tax on undistributed surplus earnings	10	-
Income tax expense	$ 114,715	$ 114,278

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Inventory at hub recognised as gross profit	$ 4,534	$ 5,374	$ -	$ 9,908
Others	3,307	716	-	4,023
Subtotal	$ 7,841	$ 6,090	$ -	$ 13,931
－Deferred tax liabilities:				
Book-Tax difference of pension	($ 32)	$ -	($ 118)	($ 150)
	$ 7,809	$ 6,090	($ 118)	$ 13,781

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
－Deferred tax assets:				
Inventory at hub recognised as gross profit	$ 9,228	($ 4,694)	$ -	$ 4,534
Others	256	3,051	-	3,307
Subtotal	$ 9,484	($ 1,643)	$ -	$ 7,841
－Deferred tax liabilities:				
Book-Tax difference of pension	($ 131)	($ 18)	$ 117	($ 32)
	$ 9,353	($ 1,661)	$ 117	$ 7,809

D. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
Deductible temporary differences	$ 59,506	$ 59,004

E. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority.

(21) Earnings per share

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 532,588	184,905	$ 2.88
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 532,588	184,905	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,245	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 532,588	186,150	$ 2.86

	For the year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 514,325	184,332	$ 2.79
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 514,325	184,332	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	590	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 514,325	184,922	$ 2.78

(22) Supplemental cash flow information

A. Investing activities with partial cash payments

	For the years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	$ 59,436	$ 128,468
Add: Opening balance of payable on equipment	30,462	29,968
Less: Ending balance of payable on equipment	(3,704)	(30,462)
Cash paid during the period	$ 86,194	$ 127,974

B. Investing activities with no cash flow effects

	For the years ended December 31,	
	2020	2019
Prepayments for business facilities transferred to property, plant and equipment	$ 12,499	$ 81,579

7. Related Party Transactions

(1) Parent and ultimate controlling party

None.

(2) Names of related parties and relationship

None.

(3) Key management compensation

	For the years ended December 31,	
	2020	2019
Salaries and other short-term employee benefits	$ 71,041	$ 67,605
Post-employment benefits	645	644
Total	$ 71,686	$ 68,249

8. Pledged Assets

The Company’s assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Property, plant and equipment	$ 1,042,081	$ 1,175,803	For guarantee of long-term loans

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 57,428	$ 39,980

B. Guarantee for customs duties

The Company's guarantee for customs duties is as follows:

December 31, 2020	December 31, 2019
$ 10,000	$ 10,000

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On March 18, 2021, the Board of Directors proposed the appropriation of 2020 earnings. For details of the appropriation, please refer to Note 6(12).

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet). Total capital is calculated as 'equity' as shown in the balance sheet.

The gearing ratios at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Total borrowings	$ 780,000	$ 870,000
Total equity	$ 2,901,719	$ 2,830,879
Gearing ratio	27%	31%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,066,356	$ 874,549
Notes receivable	432	432
Accounts receivable	463,482	513,599
Other receivables	2,695	1,135
Guarantee deposits paid	67	67
	$ 1,533,032	$ 1,389,782

	December 31, 2020	December 31, 2019
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 380,000	$ 470,000
Accounts payable	317,432	303,605
Other accounts payable	221,472	245,677
Long-term borrowings (including current portion)	400,000	400,000
	$ 1,318,904	$ 1,419,282
Lease liability	$ 947	$ 2,721

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by Company treasury department under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company's businesses involve some non-functional currency operations (the Company's functional currency is NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 37,490	28.48	$ 1,067,715
Financial liabilities			
Monetary items			
USD:NTD	$ 8,839	28.48	$ 251,735

	December 31, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 29,444	29.98	$ 882,731
Financial liabilities			
Monetary items			
USD:NTD	$ 7,743	29.98	$ 232,135

ii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,677	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 2,517	$ -

	December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 8,827	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 2,321	$ -

iii. Total exchange gain (loss), including realized and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to ($37,022) and ($18,808), respectively.

Price risk

Not applicable.

Cash flow and fair value Interest rate risk

i. The Company's main interest rate risk arises from long-term borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit, net of tax for the years ended December 31, 2020 and 2019 would have increased/decreased by $3,200. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Company adopts following assumptions under IFRS 9 to assess when the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company classifies customers' accounts receivable in accordance with customer types. The Company applies the modified approach to estimate expected credit loss under the provision matrix basis.

vi. The Company used the forecast ability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix is as follows:

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
At December 31, 2020						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	$ 431,304	$ 30,463	$ 2,107	$ -	$ 188	$ 464,062
Loss allowance	$ 129	$ 21	$ 242	$ -	$ 188	$ 580

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
At December 31, 2019						
Expected loss rate	0.03%	0.07%	0.20%	15.00%	100.00%	
Total book value	$ 397,074	$ 85,625	$ 7,921	$ 21,753	$ 1,806	$ 514,179
Loss allowance	$ 119	$ 60	$ 16	$ 385	$ -	$ 580

vii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable is as follows:

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	$ 580	$ 580
Provision for impairment	1,608	27
Write-offs	(1,608)	(27)
At December 31	$ 580	$ 580

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating units of the Company and aggregated by the Company's treasury department. The Company's treasury department monitors rolling forecast of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The treasury department invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Company's non-derivate financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2020	Less than 1 year	Over 1 year
Short-term borrowings	$ 380,135	$ -
Accounts payable	317,432	-
Other payables	221,472	-
Other current liability	5,425	-
Lease liability	891	61
Long-term borrowings (including current portion)	3,871	405,697

Non-derivative financial liabilities

December 31, 2019	Less than 1 year	Over 1 year
Short-term borrowings	$ 470,380	$ -
Accounts payable	303,605	-
Other payables	245,677	-
Other current liability	5,266	-
Lease liability	1,794	952
Long-term borrowings (including current portion)	4,492	411,100

iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, notes receivables, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, contract liabilities-current, accounts payable, other payables, lease liability-current, long-term borrowings and lease liability-non-current) approximate to their fair values.

C. The Company has no financial instruments measured at fair value on December 31, 2020 and 2019, so there is no disclosure of relevant fair value information.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2020 and 2019, there was no transfer in and out from level 3.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.

F. Disposal of real estate reaching \$300 million or 20% of the Company's paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.

H. Receivables from related parties reaching \$100 million or 20% of the Company's paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

None.

(3) Information on investments in Mainland China

None.

(4) Major shareholders information

Major shareholders information: Please refer to table 1.

14. Segment Information

(1) General information

The Company operates business only in a single industry. The Board of Directors who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment.

(2) Information about segment profit or loss, assets and liabilities

The Company's segment information, including segment income or loss, assets and liabilities, is consistent with that in the financial statements.

(3) Reconciliation for segment income (loss)

The Company operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Company as a whole, has identified that the Company has only one reportable operating segment, therefore, no reconciliation was needed.

(4) Information on products and services

The Company is primarily engaged in manufacturing and sales of optoelectronic semi-conductors epitaxy and optoelectronic components products. Currently, the Company has no other significant products or services provided.

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,252,596	$ 2,331,541	$ 1,217,245	$ 2,546,357
US	1,074,362	-	1,124,540	-
Others	318,045	-	189,124	-
	$ 2,645,003	$ 2,331,541	$ 2,530,909	$ 2,546,357

(6) Major customer information

Major customer information of the Company for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31, 2020			Year ended December 31, 2019		
Customer	Net Sales	%	Customer	Net Sales	%
Customer A	$ 783,232	30	Customer A	$ 774,234	31
Customer C	530,363	20	Customer C	460,676	18
Customer B	366,051	14	Customer B	339,725	13
Customer D	289,381	11	Customer D	271,137	11

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 1

Item	Summary		Amount	Note
Cash on hand and revolving funds			$ 335	
Demand deposits and checking accounts				
TWD deposits			91,010	
Foreign currency deposits	USD	21,737 thousand dollars	610,516	Exchange rate 28.48
	JPY	3 thousand dollars	1	Exchange rate 0.276
	HKD	178 thousand dollars	654	Exchange rate 3.673
Time deposits				
TWD deposits			136,000	
Foreign currency deposits	USD	8,000 thousand dollars	227,840	Exchange rate 28.48
			$ 1,066,356	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 2

Customer	Amount	Note
Third parties:		
L-021	$ 131,661	
L-007	129,212	
O-022	80,829	
O-252	35,347	
Others	87,013	Each item does not exceed 5% of account balance
	464,062	
Less: allowance for bad debts	(580)	
	$ 463,482	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 3

Item	Cost	Market Value	Note
Raw materials	$ 161,212	$ 162,046	Replacement cost as net realizable value
Work in process	50,465	55,846	Net realizable value as market price
Finished goods	210,799	282,478	Net realizable value as market price
	422,476	$ 500,370	
Less: Provision for decline in market value	(50,180)		
	$ 372,296		

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 4

Item	Opening net book amount as at January 1, 2020	Addition	Deductions	Transfer	Closing net book amount as at December 31, 2020	Collateral
Cost						
Land	$ 141,004	$ -	$ -	$ -	$ 141,004	Partial guarantee for long-term loans
Bulidings and structures	1,229,493	10,589	-	552	1,240,634	〃
Machinery and equipment	3,718,928	26,192	-	10,351	3,755,471	〃
Office equipment	21,201	363	-	-	21,564	None
Other equipment	222,770	7,271	-	3,661	233,702	〃
Construction in progress and equipment under accetpance	27,498	15,021	-	(2,065)	40,454	〃
	5,360,894	$ 59,436	$ -	$ 12,499	5,432,829	
Accumulated depreciation						
Bulidings and structures	($ 627,402)	($ 60,160)	$ -	$ -	($ 687,562)	
Machinery and equipment	(2,031,453)	(209,906)	-	-	(2,241,359)	
Office equipment	(20,812)	(284)	-	-	(21,096)	
Other equipment	(151,687)	(12,363)	-	-	(164,050)	
	(2,831,354)	($ 282,713)	$ -	$ -	(3,114,067)	
	$ 2,529,540				$ 2,318,762	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF SHORT-TERM LOANS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 5

Type of borrowings	Notes	Balance at December 31, 2020	Contract Period	Interest rate range	Financing line	Collateral
Letter of credit borrowings	Financial institutions borrowings	$ 80,000	2020.12.30~2021.1.29	0.745%	$ 180,000	None
〃	〃	100,000	〃	0.750%	180,000	〃
〃	〃	100,000	2020.12.10~2021.1.7	〃	200,000	〃
〃	〃	100,000	〃	〃	200,000	〃
		$ 380,000				

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 6

Suppliers	Amount	Note
PW001	$ 149,801	
PW004	81,996	
PG004	33,519	
Others	52,116	Each item does not exceed 5% of account balance
	$ 317,432	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF LONG-TERM LOANS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 7

Creditor	Description	Amount	Term of Contract	Rat(%)	Collateral	Footnote
Bank of Taiwan	Guaranteed loan	$ 60,000	2018.06.21~2023.06.21	0.9680%	Land, Building and Machinery	None
〃	〃	60,000	〃	〃	〃	〃
〃	〃	100,000	〃	〃	〃	〃
〃	〃	50,000	〃	〃	〃	〃
〃	〃	50,000	〃	〃	〃	〃
〃	〃	80,000	〃	〃	〃	〃
		$ 400,000				

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 8

Item	Quantity	Amount	Note
Operating revenue			
Compound semiconductor wafer product and other items	342,628 (pcs)	$ 2,650,545	
Less: Sales returns		(267)	
Less: Sales discounts		(5,275)	
		$ 2,645,003	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 9

Items	Amount	Note
Opening raw materials	$ 163,129	
Add: Current purchases	1,164,845	
Less: Closing raw materials	(161,212)	
Cost of sales of raw materials	(1,189)	
Transfer expenses	(100,283)	
Current used raw materials	1,065,290	
Direct labour	21,739	
Production overheads	494,649	
Production costs	1,581,678	
Add: Opening work in progress	40,510	
Less: Closing work in progress	(50,465)	
Cost of finished goods	1,571,723	
Add: Opening finished goods	176,694	
Less: Closing finished goods	(210,799)	
Transfer expenses	(8,089)	
Current cost of manufacture and sales	1,529,529	
Add: Cost of sales of raw materials	1,189	
Others	(119)	
Cost of goods sold	1,530,599	
scrap loss	-	
Loss on decline in market value	-	
Current operating costs	$ 1,530,599	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF MANUFACTURING OVERHEAD
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 10

Item	Summary	Amount	Note
Wages and salaries		$ 157,993	
Depreciation expense		141,627	
Repair and maintenance expense		52,255	
Utility fee		44,429	
Indirect materials		31,568	
Other expenses		66,777	Each item does not exceed 5% of account balance
		$ 494,649	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 11

Item	Summary	Amount	Note
Import/export expense		$ 6,312	
Wages and salaries		3,682	
Other expenses		1,889	Each item does not exceed 5% of account balance
		$ 11,883	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 12

Item	Summary	Amount	Note
Wages and salaries		$ 79,663	
Professional service fees		6,642	
Other expenses		27,747	Each item does not exceed 5% of account balance
		$ 114,052	

VISUAL PHOTONICS EPITAXY CO., LTD.
DETAILS OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Details table 13

Item	Summary	Amount	Note
Depreciation expense		$ 140,714	
R&D materials		90,098	
Wage and salaries		25,131	
Repair and maintenance expense		16,630	
Other expenses		26,773	Each item does not exceed 5% of account balance
		$ 299,346	

VISUAL PHOTONICS EPITAXY CO., LTD.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENESS SUMMARIZED BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail table 14

By function / By nature	Year ended December 31, 2020			Year ended December 31, 2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee Benefit Expense						
Wages and salaries	$ 179,732	$ 81,899	$ 261,631	$ 176,081	$ 81,178	$ 257,259
Labour and health insurance fees	12,890	5,477	18,367	12,299	4,625	16,924
Pension expense	6,293	2,461	8,754	6,072	2,023	8,095
Directors' remuneration	-	26,577	26,577	-	25,197	25,197
Other employee benefit expense	12,290	3,685	15,975	12,499	3,337	15,836
Depreciation charges on property, plant and equipment	$ 141,627	$ 141,086	$ 282,713	$ 153,502	$ 99,662	$ 253,164
Amortisation	$ -	$ 810	$ 810	$ -	$ 756	$ 756
Depreciation charges on right-of-use	$ -	$ 1,769	$ 1,769	$ -	$ 1,709	$ 1,709

VISUAL PHOTONICS EPITAXY CO., LTD.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENESS SUMMARIZED BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Detail table 14

Note:

1. As at December 31, 2020 and 2019, the Company had 257 and 251 employees,including 8 and 7 non-employee directors, respectively.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：

(1) Average employee benefit expense in current year was $1,224.
Average employee benefit expense in previous year was $1,222.

(2) Average employees salaries in current year was $1,051.
Average employees salaries in previous year was $1,054.

(3) Adjustments of average employees salaries was (0.28)%.

(4) The Company established on audit committee, therefore there was no remuneration paid to supervisors.

(5) The Company has policies, such as 'Regulation of employees' performance assessment' and 'Salary, proceeds waiting for deduction, working process of salary' as the compliance basis of reasonable salary and remuneration policy, to implement certain and effective awards and penalties.The significant salary and remuneration policies are reviewed by the salary and remuneration committee which is composed of independent directors. Employees' performance is combined with the corporate social responsibility policy through the performance assessment process which is participated in by everyone in the Company and the employees' performance assessment rating which is performed every half year.The Company's Articles of Incorporation also requires that 5%~15% of the current year's profit will be for employees' bonus and compensation and 3% will be for directors' employees' remuneration.