VISUAL PHOTONICS EPITAXY CO., LTD.

FINANCIAL STATEMENTS AND INDEPENDENT

AUDITORS' REVIEW REPORT

MARCH 31, 2022 AND 2021

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.

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

	Assets	Notes	March 31, 2022 AMOUNT	%	December 31, 2021 AMOUNT	%	March 31, 2021 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,467,523	28	$ 1,210,205	25	$ 1,334,461	28
1150	Notes receivable, net	6(2)	-	-	416	-	573	-
1170	Accounts receivable, net	6(2)	468,633	9	584,451	12	615,802	13
1200	Other receivables		15,395	-	637	-	1,674	-
130X	Inventories	6(3)	509,823	10	415,469	8	394,291	8
1410	Prepayments		79,670	2	91,055	2	66,556	2
11XX	**Current Assets**		2,541,044	49	2,302,233	47	2,413,357	51
	Non-current assets							
1600	Property, plant and equipment	6(4) and 8	2,547,731	49	2,405,171	50	2,272,210	49
1755	Right-of-use assets	6(5)	2,107	-	535	-	1,129	-
1780	Intangible assets		5,211	-	5,327	-	4,270	-
1840	Deferred income tax assets	6(18)	8,519	-	8,533	-	12,135	-
1915	Prepayments for business facilities	6(4)	106,477	2	127,942	3	2,703	-
1920	Guarantee deposits paid		67	-	67	-	67	-
1975	Net defined benefit asset, non-current	6(9)	788	-	777	-	763	-
15XX	**Non-current assets**		2,670,900	51	2,548,352	53	2,293,277	49
1XXX	**Total assets**		$ 5,211,944	100	$ 4,850,585	100	$ 4,706,634	100

(Continued)

VISUAL PHOTONICS EPITAXY CO., LTD.
BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(The balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

			March 31, 2022		December 31, 2021		March 31, 2021	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(6) and 8	$ 480,000	9	$ 480,000	10	$ 400,000	9
2130	Current contract liabilities	6(13)	29,671	1	18,416	-	21,893	-
2170	Accounts payable		437,949	8	372,493	8	388,159	8
2200	Other payables	6(7)	366,865	7	356,083	7	234,546	5
2230	Current income tax liabilities	6(18)	194,456	4	139,530	3	128,730	3
2280	Current lease liabilities	6(5)	1,423	-	378	-	1,137	-
2300	Other current liabilities		5,332	-	5,447	-	5,556	-
21XX	**Current Liabilities**		1,515,696	29	1,372,347	28	1,180,021	25
	Non-current liabilities							
2540	Long-term borrowings	6(8) and 8	200,000	4	200,000	4	400,000	9
2570	Deferred income tax liabilities	6(18)	166	-	164	-	153	-
2580	Non-current lease liabilities	6(5)	687	-	160	-	-	-
25XX	**Non-current liabilities**		200,853	4	200,324	4	400,153	9
2XXX	**Total Liabilities**		1,716,549	33	1,572,671	32	1,580,174	34
	Equity attributable to owners of parent							
	Share capital	6(10)						
3110	Oridinary shares		1,849,059	35	1,849,059	38	1,849,059	39
	Capital surplus	6(11)						
3200	Capital surplus		16,736	-	16,736	-	16,736	-
	Retained earnings	6(12)						
3310	Legal reserve		555,416	11	555,416	12	502,110	11
3350	Unappropriated retained earnings		1,074,184	21	856,703	18	758,555	16
3XXX	**Total equity**		3,495,395	67	3,277,914	68	3,126,460	66
	Significant commitments and contingent liabilities	9						
3X2X	**Total liabilities and equity**		$ 5,211,944	100	$ 4,850,585	100	$ 4,706,634	100

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

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Items	Notes	Three months ended March 31 2022 AMOUNT	2022 %	2021 AMOUNT	2021 %
4000	Sales revenue	6(13)	$ 839,197	100	$ 889,217	100
5000	Operating costs	6(3)(16)(17)	(476,059)	(57)	(509,967)	(57)
5900	Net operating margin		363,138	43	379,250	43
	Operating expenses	6(16)(17)				
6100	Selling expenses		(6,132)	(1)	(4,513)	-
6200	General and administrative expenses		(41,542)	(5)	(33,507)	(4)
6300	Research and development expenses		(70,880)	(8)	(59,410)	(7)
6000	Total operating expenses		(118,554)	(14)	(97,430)	(11)
6900	Operating profit		244,584	29	281,820	32
	Non-operating income and expenses					
7100	Interest income		200	-	533	-
7010	Other income		48	-	1,111	-
7020	Other gains and losses	6(14)	28,958	4	994	-
7050	Finance costs	6(15)	(1,363)	-	(1,721)	-
7000	Total non-operating income and expenses		27,843	4	917	-
7900	**Profit (loss) before income tax**		272,427	33	282,737	32
7950	Income tax expense	6(18)	(54,946)	(7)	(57,996)	(7)
8200	**Profit (loss) for the period**		$ 217,481	26	$ 224,741	25
8500	**Total comprehensive income for the period**		$ 217,481	26	$ 224,741	25
9750	Total basic earnings per share	6(19)	$ 1.18		$ 1.22	
9850	Total diluted earnings per share	6(19)	$ 1.17		$ 1.21	

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

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

			Capital Surplus		Retained Earnings		
	Notes	Share capital - common stock	Aadditional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings	Total equity
2021							
Balance at January 1, 2021		$ 1,849,059	$ 10,229	$ 6,507	$ 502,110	$ 533,814	$ 2,901,719
Profit for the period		-	-	-	-	224,741	224,741
Total comprehensive income		-	-	-	-	224,741	224,741
Balance at March 31, 2021		$ 1,849,059	$ 10,229	$ 6,507	$ 502,110	$ 758,555	$ 3,126,460
2022							
Balance at January 1, 2022		$ 1,849,059	$ 10,229	$ 6,507	$ 555,416	$ 856,703	$ 3,277,914
Profit for the period		-	-	-	-	217,481	217,481
Total comprehensive income		-	-	-	-	217,481	217,481
Balance at March 31, 2022		$ 1,849,059	$ 10,229	$ 6,507	$ 555,416	$ 1,074,184	$ 3,495,395

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

VISUAL PHOTONICS EPITAXY CO., LTD.
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

	Notes	Three months ended March 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 272,427	$ 282,737
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense (including right-of-use assets)	6(4)(5)(16)	56,078	69,456
Amortization expense	6(16)	359	295
Interest expense	6(15)	1,363	1,721
Interest income		(200)	(533)
Unrealized foreign exchange (profit) loss		(13,043)	8,285
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		416	(141)
Accounts receivable		115,818	(152,320)
Other receivables		(14,758)	1,021
Inventories		(94,354)	(21,995)
Prepayments		11,385	491
Net defined benefit assets		(11)	(10)
Changes in operating liabilities			
Current contract liabilities		11,255	4,534
Accounts payable		65,456	70,727
Other payables		14,097	8,177
Other current liabilities		(115)	131
Cash inflow generated from operations		426,173	272,576
Interest received		200	533
Interest paid		(1,363)	(1,721)
Income taxes paid		(4)	(1,563)
Net cash flows from operating activities		425,006	269,825
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(20)	(201,565)	(11,014)
Acquisition of intangible assets		(243)	(455)
Decrease (Increase) in prepayments for business facilities		21,465	(1,555)
Net cash flows used in investing activities		(180,343)	(13,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(21)	-	20,000
Proceeds from long-term debt	6(21)	200,000	400,000
Repayments of long-term debt	6(21)	(200,000)	(400,000)
Payments of lease liabilities	6(21)	(388)	(411)
Net cash flows (used in) from financing activities		(388)	19,589
Effect of exchange rate changes on cash and cash equivalents		13,043	(8,285)
Net increase in cash and cash equivalents		257,318	268,105
Cash and cash equivalents at beginning of period	6(1)	1,210,205	1,066,356
Cash and cash equivalents at end of period	6(1)	$ 1,467,523	$ 1,334,461

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

VISUAL PHOTONICS EPITAXY CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(UNAUDITED)

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 April 28, 2022.

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 FSC effective from 2022 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 IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	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.

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

None.

(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 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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	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 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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 Accounting Standard 34, ‘Interim financial reporting’ as endorsed by the FSC.

(2) Basis of preparation

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “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) Foreign currency translation

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) Classification of current and non-current items

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) <u>Cash equivalents</u>

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) <u>Accounts and notes receivable</u>

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) <u>Impairment of financial assets</u>

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) <u>Derecognition of financial assets</u>

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

(9) <u>Inventories</u>

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	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:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(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 recognised at cost and amortised on a straight-line basis over their estimated useful lives of 1 ~ 7 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.

iv. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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) <u>Income tax</u>

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 operates and generates 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.

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.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(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 March 31, 2022, the carrying amount of inventories was $509,823.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and revolving funds	$ 289	$ 335	$ 335
Checking accounts and demand deposits	1,204,109	1,034,510	1,083,986
Time deposits	263,125	175,360	250,140
	$ 1,467,523	$ 1,210,205	$ 1,334,461

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	March 31, 2022	December 31, 2021	March 31, 2021
Notes receivable	$ -	$ 416	$ 573
Accounts receivable	$ 469,213	$ 585,031	$ 616,382
Less: Allowance for uncollectible accounts	(580)	(580)	(580)
	$ 468,633	$ 584,451	$ 615,802

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

Accounts receivable	March 31, 2022	December 31, 2021	March 31, 2021
Not past due	$ 405,056	$ 461,999	$ 543,565
Up to 60 days	64,117	115,508	72,676
61 to 90 days	40	4,134	141
91 to 180 days	-	3,390	-
	$ 469,213	$ 585,031	$ 616,382

Notes receivable	March 31, 2022	December 31, 2021	March 31, 2021
Not past due	$ -	$ 416	$ 573

The above ageing analysis was based on past due date.

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

C. As of March 31, 2022, December 31, 2021 and March 31, 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to $463,914.

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

(3) Inventories

	March 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 258,120	($ 4,728)	$ 253,392
Work in progress	65,582	(430)	65,152
Finished goods	242,057	(50,778)	191,279
Total	$ 565,759	($ 55,936)	$ 509,823

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 235,344	($ 4,728)	$ 230,616
Work in progress	43,267	(430)	42,837
Finished goods	192,794	(50,778)	142,016
Total	$ 471,405	($ 55,936)	$ 415,469

	March 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 186,177	($ 4,728)	$ 181,449
Work in progress	58,895	(430)	58,465
Finished goods	199,399	(45,022)	154,377
Total	$ 444,471	($ 50,180)	$ 394,291

The cost of inventories recognised as expense for the period:

	Three-month periods ended March 31,	
	2022	2021
Cost of goods sold	$ 476,129	$ 509,967
Revenue from scraps	(70)	-
	$ 476,059	$ 509,967

(4) Property, plant and equipment

	2022						
	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	$ 1,284,624	$ 3,800,484	$ 23,725	$ 248,073	$ 289,945	$ 5,787,855
Accumulated depreciation	-	(751,118)	(2,433,131)	(20,742)	(177,693)	-	(3,382,684)
	$ 141,004	$ 533,506	$ 1,367,353	$ 2,983	$ 70,380	$ 289,945	$ 2,405,171
Opening net book amount	$ 141,004	$ 533,506	$ 1,367,353	$ 2,983	$ 70,380	$ 289,945	$ 2,405,171
Additions	-	4,855	13,596	-	162	179,637	198,250
Reclassifications	-	-	4,426	-	-	(4,426)	-
Depreciation charge	-	(14,838)	(37,298)	(164)	(3,390)	-	(55,690)
Closing net book amount	$ 141,004	$ 523,523	$ 1,348,077	$ 2,819	$ 67,152	$ 465,156	$ 2,547,731
At March 31							
Cost	$ 141,004	$ 1,289,479	$ 3,818,506	$ 23,725	$ 248,236	$ 465,156	$ 5,986,106
Accumulated depreciation	-	(765,956)	(2,470,429)	(20,906)	(181,084)	-	(3,438,375)
	$ 141,004	$ 523,523	$ 1,348,077	$ 2,819	$ 67,152	$ 465,156	$ 2,547,731

	2021						
	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	$ 1,240,634	$ 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
Opening net book amount	$ 141,004	$ 553,072	$ 1,514,112	$ 468	$ 69,652	$ 40,454	$ 2,318,762
Additions	-	13,999	-	-	1,912	-	15,911
Reclassifications	-	23,219	-	-	4,124	(20,759)	6,584
Depreciation charge	-	(15,635)	(50,014)	(60)	(3,338)	-	(69,047)
Closing net book amount	$ 141,004	$ 574,655	$ 1,464,098	$ 408	$ 72,350	$ 19,695	$ 2,272,210
At March 31							
Cost	$ 141,004	$ 1,277,852	$ 3,755,471	$ 21,564	$ 239,738	$ 19,695	$ 5,455,324
Accumulated depreciation	-	(703,197)	(2,291,373)	(21,156)	(167,388)	-	(3,183,114)
	$ 141,004	$ 574,655	$ 1,464,098	$ 408	$ 72,350	$ 19,695	$ 2,272,210

A. The significant components of buildings include main plants, which are depreciated over 50 and 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. As of March 31, 2022, December 31, 2021 and March 31, 2021, the amounts of partial payment for undelivered equipment were $106,477, $127,942 and $2,703 (shown as ‘prepayments for business facilities’), respectively.

(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 March 31, 2022, December 31, 2021 and March 31, 2021, payments of lease commitments for short-term leases amounted to $145, $646 and $198, respectively.

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

	March 31, 2022	December 31, 2021	March 31, 2021
	Carrying amount	Carrying amount	Carrying amount
Transportation equipment (Business vehicles)	$ 2,107	$ 535	$ 1,129

	Three-month periods ended March 31,	
	2022	2021
	Depreciation charge	Depreciation charge
Transportation equipment (Business vehicles)	$ 388	$ 409

D. For the three-month periods ended March 31, 2022 and 2021, the additions to right-of-use assets were $1,960 and $601, respectively.

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

	Three-month periods ended March 31,	
	2022	2021
Items affecting profit or loss		
Interest expense on lease liabilities	$ 5	$ 4
Expense on short-term lease contracts	145	198

F. For the three-month periods ended March 31, 2022 and 2021, the Company's total cash outflow for leases were $538 and $613, respectively.

(6) Short-term borrowings

Type of borrowings	March 31, 2022	December 31, 2021	March 31, 2021
Bank unsecured borrowings	$ 480,000	$ 480,000	$ 400,000
Interest rate range	0.7%~0.72%	0.7%~0.725%	0.73%~0.75%

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

(7) Other payables

	March 31, 2022	December 31, 2021	March 31, 2021
Wages, salaries and bonus payable	$ 336,798	$ 326,257	$ 208,414
Payable on equipment	10,279	13,594	8,601
Others	19,788	16,232	17,531
	$ 366,865	$ 356,083	$ 234,546

(8) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2022
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 21, 2018 to June 21, 2023 ; interest is repayable monthly.	0.9680%	Property, plant and equipment	$ 200,000
Less: Current portion				-
				$ 200,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 21, 2018 to June 21, 2023 ; interest is repayable monthly.	0.9680%	Property, plant and equipment	$ 200,000
Less: Current portion				-
				$ 200,000

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2021
Long-term bank borrowings				
Secured borrowings	Borrowing period is from June 21, 2018 to June 21, 2023 ; interest is repayable monthly.	0.9680%	Property, plant and equipment	$ 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) For the aforementioned pension plan, the Company recognised pension costs both of \$0 for the three-month periods ended March 31, 2022 and 2021.

(c) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2022 amount to \$42.

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 three-month periods ended March 31, 2022 and 2021, were \$2,540 and \$2,259, respectively.

(10) Share capital

As of March 31, 2022, 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. The number of the company's outstanding ordinary shares was both 184,905,918 as of March31, 2022 and January 1, 2022.

(11) Capital surplus

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.

(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 equl 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 of year 2021 had been proposed by the Board of Directors (has not been approved by the shareholders yet) on March 10, 2022, and the appropriation of earnings of year 2020 had been approved by the stockholders on July 29, 2021. Details are summarised below:

	2021		2020	
	Amount	Dividends per share (in dollar)	Amount	Dividends per share (in dollar)
Legal reserve	$ 85,510		$ 53,306	
Cash dividends	739,624	$ 4.00	478,906	$ 2.59

As of April 28, 2022, the abovementioned appropriation of earnings of year 2021 has not been approved by the shareholders, therefore, there was no dividends payable was recognised in the financial statements.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.

(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 geographical regions:

Three-month periods ended March 31, 2022	Taiwan	US	All other segments	Total
Revenue from external customer contracts	$ 235,370	$424,818	$ 179,009	$ 839,197

Three-month periods ended March 31, 2021	Taiwan	US	All other segments	Total
Revenue from external customer contracts	$ 448,333	$333,686	$ 107,198	$ 889,217

B. Contract assets and liabilities

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

	March 31, 2022	December 31, 2021	March 31, 2021	January 1, 2021
Advance sales receipts	$ 29,671	$ 18,416	$ 21,893	$ 17,359

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

	Three-month periods ended March 31, 2022	Three-month periods ended March 31, 2021
Advance sales receipts	$ 7,528	$ 6,302

(14) Other gains and losses

	Three-month periods ended March 31, 2022	Three-month periods ended March 31, 2021
Net foreign exchange gains	$ 29,007	$ 1,033
Other losses	(49)	(39)
	$ 28,958	$ 994

(15) Finance costs

	Three-month periods ended March 31, 2022	Three-month periods ended March 31, 2021
Interest expense		
- Bank laon	$ 1,358	$ 1,717
- Lease contract	5	4
	$ 1,363	$ 1,721

(16) Expenses by nature

	Three-month periods ended March 31,			
	2022		2021	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Change in inventory of finished goods and work in progress	($ 71,578)	$ -	$ 2,970	$ -
Raw materials and supplies used	388,385	-	358,325	-
Employee benefit expense	68,815	54,104	64,678	37,848
Depreciation charges on property, plant and equipment	33,013	22,677	43,439	25,608
Depreciation charges on right-of-use assets	-	388	-	409
Amortisation charges on intangible	35	324	-	295
Other expenses	57,389	41,061	40,555	33,270
Operating costs and expenses	$ 476,059	$ 118,554	$ 509,967	$ 97,430

(17) Employee benefit expense

	Three-month periods ended March 31,			
	2022		2021	
	Operating costs	Operating expenses	Operating costs	Operating expenses
Wages and salaries	$ 59,458	$ 50,516	$ 55,846	$ 34,690
Labour and health insurance fees	4,107	1,765	3,722	1,529
Pension costs	1,822	718	1,637	622
Other personnel expenses	3,428	1,105	3,473	1,007
	$ 68,815	$ 54,104	$ 64,678	$ 37,848

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 three-month periods ended March 31, 2022 and 2021, employees' compensation was accrued at $38,390 and $25,296, respectively; directors' remuneration was accrued at $9,103 and $9,486, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation were estimated and accrued based on 12% and 8%;the directors' remuneration were estimated and accrued based on 3%, respectively of distributable profit of current year for the three-month periods ended March 31, 2022 and 2021.

Employees' compensation and directors' remuneration of 2021 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

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

(18) Income tax

A. Income tax expense

Components of income tax expense:

	Three-month periods ended March 31,	
	2022	2021
Current tax:		
Current tax on profits for the period	$ 54,930	$ 54,666
Prior year income tax overestimation	-	1,533
Total current tax	54,930	56,199
Deferred tax:		
Origination and reversal of temporary differences	16	1,797
Income tax expense	$ 54,946	$ 57,996

B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(19) Earnings per share

	Three-month periods ended March 31,2022		
	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	$ 217,481	184,906	$ 1.18
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 217,481	184,906	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,368	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 217,481	186,274	$ 1.17

	Three-month periods ended March 31,2021		
	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	$ 224,741	184,906	$ 1.22
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 224,741	184,906	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	660	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 224,741	185,566	$ 1.21

(20) Supplemental cash flow information

A. Investing activities with partial cash payments

	Three-month periods ended March 31, 2022	2021
Purchase of property, plant and equipment	$ 198,250	$ 15,911
Add: Opening balance of payable on equipment	13,594	3,704
Less: Ending balance of payable on equipment	(10,279)	(8,601)
Cash paid during the period	$ 201,565	$ 11,014

B. Investing activities with no cash flow effects

	Three-month periods ended March 31, 2022	2021
Prepayments for business facilities transferred to property, plant and equipment	$ -	$ 6,584

(21) Changes in liabilities from financing activities

	2022			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 480,000	$ 200,000	$ 538	$ 680,538
Changes in cash flow from financing activities	-	-	(388)	(388)
Changes in other non-cash items	-	-	1,960	1,960
At March 31	$ 480,000	$ 200,000	$ 2,110	$ 682,110

	2021			
	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1	$ 380,000	$ 400,000	$ 947	$ 780,947
Changes in cash flow from financing activities	20,000	-	(411)	19,589
Changes in other non-cash items	-	-	601	601
At March 31	$ 400,000	$ 400,000	$ 1,137	$ 801,137

7. Related Party Transactions

(1) Parent and ultimate controlling party

None.

(2) Names of related parties and relationship

None.

(3) Key management compensation

	Three-month periods ended March 31,	
	2022	2021
Salaries and other short-term employee benefits	$ 28,821	$ 24,076
Post-employment benefits	16	158
Total	$ 28,837	$ 24,234

8. Pledged Assets

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

	Book value			
Pledged asset	March 31, 2022	December 31, 2021	March 31, 2021	Purpose
Property, plant and equipment	$ 1,035,752	$ 1,051,314	$ 1,097,997	For guarantee of borrowings facilities

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:

	March 31, 2022	December 31, 2021	March 31, 2021
Property, plant and equipment	$ 207,765	$ 406,731	$ 478,532

B. Guarantee for customs duties

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

March 31, 2022	December 31, 2021	March 31, 2021
$ 10,000	$ 10,000	$ 10,000

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

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 March 31, 2022, December 31, 2021 and March 31, 2021 were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Total borrowings	$ 680,000	$ 680,000	$ 800,000
Total equity	$ 3,495,395	$ 3,277,914	$ 3,126,460
Gearing ratio	19%	21%	26%

(2) Financial instruments

A. Financial instruments by category

		March 31, 2022		December 31, 2021		March 31, 2021
Financial assets						
Financial assets at amortised cost						
Cash and cash equivalents	$	1,467,523	$	1,210,205	$	1,334,461
Notes receivable		-		416		573
Accounts receivable		468,633		584,451		615,802
Other receivables		15,395		637		1,674
Guarantee deposits paid		67		67		67
	$	1,951,618	$	1,795,776	$	1,952,577

		March 31, 2022		December 31, 2021		March 31, 2021
Financial liabilities						
Financial liabilities at amortised cost						
Short-term borrowings	$	480,000	$	480,000	$	400,000
Accounts payable		437,949		372,493		388,159
Other accounts payable		366,865		356,083		234,546
Long-term borrowings (including current portion)		200,000		200,000		400,000
	$	1,484,814	$	1,408,576	$	1,422,705
Lease liability	$	2,110	$	538	$	1,137

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:

	March 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 32,300	28.63	$ 924,749
EUR:NTD	2,929	31.92	93,494
Financial liabilities			
Monetary items			
USD:NTD	$ 11,909	28.63	$ 340,955

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 37,388	27.68	$ 1,034,900
EUR:NTD	6,237	31.32	195,343
Financial liabilities			
Monetary items			
USD:NTD	$ 10,401	27.68	$ 287,900

	March 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 47,270	28.54	$ 1,348,849
Financial liabilities			
Monetary items			
USD:NTD	$ 10,770	28.54	$ 307,322

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

	March 31, 2022		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 9,247	$ -
EUR:NTD	1%	935	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 3,410	$ -

	December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,349	$ -
EUR:NTD	1%	1,953	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 2,879	$ -

	March 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 13,488	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 3,073	$ -

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 three-month periods ended March 31, 2022 and 2021, amounted to $29,007 and $1,033, respectively.

<u>Price risk</u>

Not applicable.

<u>Cash flow and fair value Interest rate risk</u>

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 three-month periods ended March 31, 2022 and 2021, 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 three-month periods ended March 31, 2022 and 2021 would have increased/decreased by $400 and $800. 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. According to the historical transaction experience of the Company, the default occurs when the contract payments are past due over 180 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 March 31, 2022, December 31, 2021 and March 31, 2021, 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 March 31, 2022						
Expected loss rate	0.03%	0.07%	0.20%	15%	100%	
Total book value	$ 405,056	$ 64,117	$ 40	$ -	$ -	$ 469,213
Loss allowance	$ 122	$ 418	$ 40	$ -	$ -	$ 580

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
At December 31, 2021						
Expected loss rate	0.03%	0.07%	0.20%	15%	100%	
Total book value	$ 461,999	$ 115,508	$ 4,134	$ 3,390	$ -	$ 585,031
Loss allowance	$ 139	$ 81	$ 8	$ 352	$ -	$ 580

	Without past due	Up to 60 days	Up to 90 days	Up to 180 days	Over 181 days	Total
At March 31, 2021						
Expected loss rate	0.03%	0.07%	0.20%	15%	100%	
Total book value	$ 543,565	$ 72,676	$ 141	$ -	$ -	$ 616,382
Loss allowance	$ 163	$ 276	$ 141	$ -	$ -	$ 580

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

	2022	2021
At January 1 (At March 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	Less than 1 year	Over 1 years
March 31, 2022		
Short-term borrowings	$ 480,130	$ -
Accounts payable	437,949	-
Other payables	366,865	-
Other current liability	5,332	-
Lease liability	1,437	689
Long-term borrowings (including current portion)	1,936	200,435

Non-derivative financial liabilities	Less than 1 year	Over 1 years
December 31, 2021		
Short-term borrowings	$ 480,134	$ -
Accounts payable	372,493	-
Other payables	356,083	-
Other current liability	5,447	-
Lease liability	381	160
Long-term borrowings (including current portion)	1,936	202,848

Non-derivative financial liabilities	Less than 1 year	Over 1 years
March 31, 2021		
Short-term borrowings	$ 400,193	$ -
Accounts payable	388,159	-
Other payables	234,546	-
Other current liability	5,556	-
Lease liability	1,142	-
Long-term borrowings (including current portion)	3,872	404,848

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 financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, accounts payable, other payables, current lease liabilities, long-term borrowings and non-current lease liabilities) are approximate to their fair values.

C. The balance of financial instruments measured at fair value on March 31, 2022, December 31, 2021 and March 31, 2021 is $0, so there is no disclosure of relevant fair value information.

D. For the three-month periods ended March 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

E. For the three-month periods ended March 31, 2022 and 2021, there was no transfer in and out from level 3.

(4) Other matter

Due to the Covid-19 pandemic and the government's epidemic prevention measures, the market demand for the Company's product has increased. So far, the production of the Company operates normally, and the employees work off-site by groups. In terms of the supply chain, the Company maintains partnerships with suppliers to ensure that the supply proceeds as usual. In the post-epidemic era, with the growth of 5G communication equipment and new projects in relation to mobile phones, the Company assists customers to conduct the product development. Overall, the Covid-19 pandemic did not have a significant negative impact on the Company's operations.

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

There was no shareholder holding more than 5% of the Company's shares.

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.