

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020**

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.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
DECEMBER 31, 2021 AND 2020 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of CHENG MEI MATERIALS TECHNOLOGY CORPORATION (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2021 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of CHENG MEI MATERIALS TECHNOLOGY CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. In addition, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, CHENG MEI MATERIALS TECHNOLOGY CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

CHENG MEI MATERIALS TECHNOLOGY CORPORATION

By

Jau-Yang Ho, Chairman

March 16, 2022

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Cheng Mei Materials Technology Corporation and subsidiaries (collectively referred herein as the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated 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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of 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 matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated 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 the Group's 2021 consolidated financial statements are stated as follows:

Impairment assessment of property, plant and equipment

Description

In terms of property, plant and equipment, refer to Note 4(17) for the relevant accounting policies, Note 5(2) for uncertainty of accounting estimates and assumptions and Note 6(10) for account details.

Due to the recurring losses in recent years, the management assesses that there is an indication that the above assets are impaired and measures the recoverable amounts based on estimated future cash flows discounted at an appropriate discount rate. Given that the estimation of future cash flows rely on multiple assumptions that may affect the recoverable amounts, we consider impairment assessment as the key audit matter.

How our audit addressed the matter

Our audit procedures in respect of the above key audit matter included:

1. Obtained an understanding and assessed the estimation of future cash flows and checked whether the forecasting revenue in the following year used in the valuation model is consistent with the budget approved by the Board of Directors.
2. Obtained the source information referenced to determine the recoverable amounts, examined the management's intention and capability to perform the business plans and compared business performance during certain period after the balance sheet date based on the management's projection on expected income and expenses.
3. Verified that the discount rate uses reasonable parameters such as risk-free rate for cost of equity capital, industry risk coefficient, returns of similar assets and equity-to-capital ratio.
4. Checked the formula in the valuation model.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion on the parent company only financial statements of Cheng Mei Materials Technology Corporation as at and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

Wu, Chien-Chih

Liu, Zi-Meng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2022

The accompanying consolidated 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 consolidated 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.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 610,282	4	\$ 412,618	3
1110	Financial assets at fair value through other comprehensive income	6(2)	-	-	1,062	-
1136	Current financial assets at amortised cost	6(4) and 8	630,157	4	304,592	2
1170	Accounts receivable, net	6(5)	2,753,241	18	2,611,983	18
1180	Accounts receivable, net - related parties	6(5) and 7	10,719	-	44,720	-
1200	Other receivables		57,631	-	65,233	1
1210	Other receivables - related parties	7	3,282	-	54,041	-
1220	Current tax assets		519	-	732	-
130X	Inventories	5 and 6(6)	2,431,130	16	2,505,093	17
1410	Prepayments	6(7)	289,008	2	239,697	2
1460	Non-current assets classified as held for sale, net	6(8)	4,477,716	28	-	-
1479	Other current assets		2,843	-	9,596	-
11XX	Total current assets		11,266,528	72	6,249,367	43
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)	128,621	1	140,849	1
1550	Investments accounted for using equity method	6(9)	28,461	-	3,948,618	27
1600	Property, plant and equipment	5, 6(10) and 8	3,981,346	25	4,000,705	27
1755	Right-of-use assets	6(11)	32,270	-	30,782	-
1780	Intangible assets	6(12)	12,637	-	8,508	-
1840	Deferred tax assets	6(28)	206,840	1	89,720	1
1915	Prepayments for equipment		75,664	1	94,335	1
1990	Other non-current assets		11,231	-	8,791	-
15XX	Total non-current assets		4,477,070	28	8,322,308	57
1XXX	Total assets		\$ 15,743,598	100	\$ 14,571,675	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2021		December 31, 2020	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(13) and 8	\$ 2,908,066	18	\$ 2,548,884	18
2120	Current financial liabilities at fair value through profit or loss	6(2)	2,382	-	-	-
2130	Contract liabilities	6(21) and 7	23,915	-	51,627	-
2170	Accounts payable		573,800	4	1,344,723	9
2180	Accounts payable - related parties	7	1,976	-	2,430	-
2200	Other payables	6(14)	555,879	4	411,849	3
2260	Liabilities related to non-current assets classified as held for sale	6(8)	264	-	-	-
2280	Current lease liabilities		1,124	-	55	-
2320	Current portion of long-term liabilities	6(15) and 8	448,456	3	228,912	2
2399	Other current liabilities		54,282	-	7,408	-
21XX	Total current liabilities		4,570,144	29	4,595,888	32
Non-current liabilities						
2540	Loan-term borrowings	6(15) and 8	477,411	3	318,028	2
2570	Deferred tax liabilities	6(28)	221,009	1	36,013	-
2580	Non-current lease liabilities		1,795	-	90	-
2645	Guarantee deposits		40	-	40	-
25XX	Total non-current liabilities		700,255	4	354,171	2
2XXX	Total liabilities		5,270,399	33	4,950,059	34
Equity attributable to the owners of the company						
Share capital						
3110	Common shares	6(17)(18)	6,755,335	43	6,657,285	46
Capital surplus						
3200	Capital surplus	6(19)	1,099,205	7	938,942	6
Retained earnings						
3310	Legal reserve	6(20)	1,085,124	7	1,085,124	7
3320	Special reserve		623,368	4	676,861	5
3350	Unappropriated retained earnings		1,703,457	11	886,772	6
Other equity interest						
3400	Other equity interest	6(8)	(793,290)	(5)	(623,368)	(4)
3XXX	Total equity		10,473,199	67	9,621,616	66
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity	7 and 9	\$ 15,743,598	100	\$ 14,571,675	100

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except for earnings (loss) per share amount)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Net sales	6(21) and 7		\$ 11,134,393	100	\$ 9,456,875	100
5000 Cost of sales	6(6)(12)(26)(27) and 7		(10,225,627)	(92)	(9,149,122)	(97)
5900 Gross profit			<u>908,766</u>	<u>8</u>	<u>307,753</u>	<u>3</u>
Operating expenses	6(12)(26)(27) and 12(2)					
6100 Selling and marketing expenses		(	213,912)	(2)	(165,187)	(2)
6200 General and administrative expenses		(	281,425)	(2)	(220,607)	(2)
6300 Research and development expenses		(	221,779)	(2)	(191,607)	(2)
6450 Impairment gain and reversal of impairment loss determined in accordance with IFRS 9			<u>6,133</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses		(	<u>710,983</u>	<u>(6)</u>	<u>577,401</u>	<u>(6)</u>
6900 Profit (loss) from operations			<u>197,783</u>	<u>2</u>	<u>269,648</u>	<u>(3)</u>
Non-operating income and expenses						
7100 Interest income	6(22)		6,848	-	5,012	-
7010 Other income	6(3)(23) and 7		77,745	1	104,831	1
7020 Other gains and losses	6(2)(9)(24)		139,032	1	(34,243)	-
7050 Finance costs	6(25)	(	74,146)	(1)	(67,621)	(1)
7060 Share of profit of associates and joint ventures accounted for using equity method	6(9)		<u>483,829</u>	<u>5</u>	<u>171,092</u>	<u>2</u>
7000 Total non-operating income and expenses			<u>633,308</u>	<u>6</u>	<u>179,071</u>	<u>2</u>
7900 Profit (loss) before income tax			<u>831,091</u>	<u>8</u>	<u>90,577</u>	<u>(1)</u>
7950 Income tax expense	6(28)	(	<u>67,899</u>	<u>(1)</u>	<u>894</u>	<u>-</u>
8200 Profit (loss) for the year			<u>\$ 763,192</u>	<u>7</u>	<u>\$ 91,471</u>	<u>(1)</u>
Other comprehensive income (loss)						
Components of other comprehensive income that will not be reclassified to profit or loss						
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	(\$	12,228)	-	(\$ 28,891)	-
Components of other comprehensive income that will be reclassified to profit or loss						
8361 Exchange differences on translation of foreign financial statements		(	<u>78,813</u>	<u>(1)</u>	<u>82,384</u>	<u>1</u>
8300 Total other comprehensive (loss) income, net		(\$	<u>91,041</u>	<u>(1)</u>	<u>\$ 53,493</u>	<u>1</u>
8500 Total comprehensive income (loss) for the year			<u>\$ 672,151</u>	<u>6</u>	<u>\$ 37,978</u>	<u>-</u>
Net profit (loss) attributable to:						
8610 Owners of the Company		\$	763,192	7	(\$ 85,555)	(1)
8620 Non-controlling interests			-	-	(5,916)	-
Net profit (loss)		\$	<u>763,192</u>	<u>7</u>	<u>(\$ 91,471)</u>	<u>(1)</u>
Total comprehensive income (loss) attributable to:						
8710 Owners of the Company		\$	672,151	6	(\$ 32,062)	-
8720 Non-controlling interests			-	-	(5,916)	-
Net profit (loss)		\$	<u>672,151</u>	<u>6</u>	<u>(\$ 37,978)</u>	<u>-</u>
Earnings (loss) per share	6(29)					
9750 Basic earnings (loss) per share		\$	<u>1.15</u>		<u>(\$ 0.13)</u>	
9850 Diluted earnings (loss) per share		\$	<u>1.14</u>		<u>(\$ 0.13)</u>	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
	Retained earnings					Other equity interest						
	Share capital - common shares	Capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised losses from financial assets measured at fair value through other comprehensive income	Equity related to non-current assets classified as held for sale	Unearned compensation	Total	Non-controlling interest	Total equity
Notes												
Year ended December 31, 2020												
Balance at January 1, 2020	\$ 6,657,285	\$ 944,026	\$ 1,085,124	\$ 447,530	\$ 1,201,658	(\$ 493,623)	(\$ 183,238)	\$ -	\$ -	\$ 9,658,762	\$ 16,001	\$ 9,674,763
Net loss for the year	-	-	-	-	(85,555)	-	-	-	-	(85,555)	(5,916)	(91,471)
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	82,384	(28,891)	-	-	53,493	-	53,493
Total comprehensive income (loss) for the year	-	-	-	-	(85,555)	82,384	(28,891)	-	-	(32,062)	(5,916)	(37,978)
Appropriations and distribution of 2019 earnings:												
Special reserve	6(20)	-	-	229,331	(229,331)	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries	6(19)(30)	-	(5,084)	-	-	-	-	-	-	(5,084)	5,084	-
Decrease in non-controlling interests	6(30)	-	-	-	-	-	-	-	-	-	(15,169)	(15,169)
Balance at December 31, 2020	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 9,621,616	\$ -	\$ 9,621,616
Year ended December 31, 2021												
Balance at January 1, 2021	\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 9,621,616	\$ -	\$ 9,621,616
Net profit for the year	-	-	-	-	763,192	-	-	-	-	763,192	-	763,192
Other comprehensive loss for the year	6(3)	-	-	-	-	(78,813)	(12,228)	-	-	(91,041)	-	(91,041)
Total comprehensive income (loss) for the year	-	-	-	-	763,192	(78,813)	(12,228)	-	-	672,151	-	672,151
Appropriations and distribution of 2020 earnings:												
Special reserve	6(20)	-	-	(53,493)	53,493	-	-	-	-	-	-	-
Share-based payments	6(17)(18)(19)	98,050	3,466	-	-	-	-	-	(78,881)	22,635	-	22,635
Changes in equity of associates and joint ventures accounted for using equity method	6(9)(19)	-	156,797	-	-	-	-	-	-	156,797	-	156,797
Transferred to non-current assets classified held for sale	6(8)	-	-	-	-	370,884	-	(370,884)	-	-	-	-
Balance at December 31, 2021	\$ 6,755,335	\$ 1,099,205	\$ 1,085,124	\$ 623,368	\$ 1,703,457	(\$ 119,168)	(\$ 224,357)	(\$ 370,884)	(\$ 78,881)	\$ 10,473,199	\$ -	\$ 10,473,199

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit (loss) before tax		\$ 831,091	(\$ 90,577)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(17)	22,635	-
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(24)	28,459	16,481
Expected credit gain	12(2)	(6,133)	-
Gain on disposal of investments	6(24)(30)	-	(10,745)
Share of profit of associates and joint ventures accounted for using equity method	6(9)	(483,829)	(171,092)
Depreciation expense	6(10)(11)(26)	380,183	428,426
Loss on disposal of property, plant and equipment	6(24)	106	(2,624)
Amortization expense	6(12)(26)	10,646	12,738
Interest income	6(22)	(6,848)	(5,012)
Dividend income	6(3)(23)	-	(712)
Interest expense	6(25)	74,146	67,621
Impairment loss on non-financial assets	6(9)(24)	12,534	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		32,607	29,813
Accounts receivable	(	(135,074)	(2,205,138)
Accounts receivable - related parties		34,001	1,888,890
Other receivables		8,801	(14,201)
Other receivables - related parties		50,759	513
Inventories		73,963	(405,279)
Prepayments	(	(48,627)	(176,495)
Other current assets		6,753	8,627
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	(57,622)	(46,785)
Current contract liabilities	(	(27,712)	32,365
Accounts payable	(	(770,923)	324,666
Accounts payable - related parties	(	(454)	1,190
Other payables		95,199	23,543
Other current liabilities		46,874	(1,149)
Cash inflow (outflow) generated from operations		171,535	(294,936)
Interest received		5,250	5,431
Dividend received		-	712
Interest paid	(	(72,352)	(72,834)
Income tax paid	(	(9)	(1,176)
Income tax refund		199	722
Net cash flows from (used in) operating activities		104,623	(362,081)

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in current financial assets at amortised cost		(\$ 325,565)	(\$ 102,085)
Decrease in other receivables - related parties		-	750,837
Acquisition of property, plant and equipment	6(31)	(239,565)	(71,354)
Proceeds from disposal of property, plant and equipment		478	9,884
Acquisition of intangible assets	6(12)	(14,775)	(6,062)
Increase in equipment prepayments		(57,843)	(82,386)
Increase in other non-current assets		(2,440)	(1,625)
Proceeds from disposals of subsidiaries	6(30)	-	(10,468)
Net cash flows (used in) from investing activities		(639,710)	486,741
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(32)	4,923,822	4,366,149
Repayments of short-term borrowings	6(32)	(4,486,908)	(4,582,851)
Payments of lease liabilities	6(32)	(479)	(418)
Proceeds from long-term borrowings	6(32)	433,060	346,940
Repayments of long-term borrowings	6(32)	(54,133)	-
Net cash flows from financing activities		815,362	129,820
Effect of exchange rate changes on cash and cash equivalents		(82,606)	(34,804)
Net increase in cash and cash equivalents		197,669	219,676
Cash and cash equivalents at beginning of year	6(1)	412,618	192,942
Cash and cash equivalents at end of year	6(1)	\$ 610,287	\$ 412,618
The components of cash and cash equivalents			
Cash and cash equivalents reported in the balance sheet		\$ 610,282	\$ 412,618
Cash and cash equivalents classified as (non-current) assets (or disposal group) held for sale	6(8)	5	-
Cash and cash equivalents at end of year		\$ 610,287	\$ 412,618

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) Cheng Mei Materials Technology Corporation (the “Company”) was incorporated under the provisions of the Company Act of the Republic of China (R.O.C.) on May 17, 2005. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).
- (2) On October 24, 2011, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE). Since September 2017, the Company’s common shares have been traded on the Singapore Exchange Limited (SGX) under the symbol “US16412W1071” in the form of global depositary shares.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 16, 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 the FSC effective from 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond June 30, 2021’	April 1, 2021(Note)

Note : Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the 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 Group's financial condition and financial performance based on the Group'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 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 Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets and liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
- 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership(%)		Description
			December 31, 2021	December 31, 2020	
Cheng Mei Materials Technology Corporation ("CMMT")	Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Investment Company	100%	100%	-
	CM Visual Technology Corporation ("CMVT")	Electronic component manufacturing and selling	22.96%	22.96%	Note 1
	Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Investment Company	100%	100%	Note 2
	Cheng Hui Investment Co., Ltd. ("CHI")	Investment Company	100%	100%	-
	Cheng Hui Trading Co., Ltd. ("CHT")	Trading business	100%	100%	-
CMMTS	Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Electronic component manufacturing and selling	100%	100%	-
CHI	CMVT	Electronic component manufacturing and selling	0.33%	0.33%	Note 1
CHT	Mao Fong Group Co., Ltd. (Mao Fong Group)	Investment Company	100%	100%	-

Note 1: In July 2020, CMVT increased its capital through cash infusion. The Company subscribed all the shares, therefore, the shareholding ratio of the Company and CHI was increased from 68.33% to 96.04% and decreased from 11% to 1.38%, respectively. In October 2020, CMVT increased its capital through cash infusion, however the Company waived its right to participate in the capital increase. As a result, the shareholding ratio of the Company and CHI was decreased to 22.96% and 0.33%, respectively. CMVT reelected its directors and the Group lost its control over CMVT. Therefore, CMVT is no longer included in the Group's consolidated financial statements. Please refer to Note 6(30) for details.

Note 2: On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

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

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

(4) Foreign currency translation

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

A. 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 other foreign exchange gain and losses based on the nature of those transactions are presented in the statement of comprehensive income within other gains and losses.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) 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 settle 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.

(6) 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(9) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Accounts receivable

- A. Accounts receivable entitle the Group 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.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group 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 Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

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

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(14) 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 labor, 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.

(15) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(16) Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(17) 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 Group 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	14 ~ 25 years
Machinery and equipment	4 ~ 10 years
Office equipment	3 ~ 5 years
Factory equipment	5 ~ 10 years
Other equipment	3 ~ 10 years

(18) 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 Group. 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 fixed payments, less any lease incentives receivable. The Group 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 amount of the initial measurement of lease liability. 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.

(19) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method.
- C. Core technology is amortised on a straight-line basis over their estimated useful lives of 3 to 10 years.

(20) Impairment of non-financial assets

- A. The Group 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. Except for goodwill, 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.

- B. The recoverable amounts of goodwill that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(21) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings and other long-term and short-term loans. 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.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(22) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(23) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(24) Derecognition of financial liabilities

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

(25) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(26) 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

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.

C. 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.

(27) Employee share-based payment

Restricted stocks:

- A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

- C. For restricted stocks where employees do not need to pay to acquire those stocks, if employees resign during the vesting periods, the Company will redeem without consideration and retire those stocks.

(28) 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 consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. 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.

(29) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(30) Revenue recognition

- A. The Group manufactures and sells optoelectronic material and components (polarizing film). Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler'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 wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, sales discounts and allowances and price break.
- C. A receivable is recognised when the goods are delivered 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.

(31) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group'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 consolidated financial statements requires management to make critical judgements in applying the Group'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 Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group 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, 2021, the carrying amount of inventories was \$2,431,130.

B. Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering those companies' recent funding raising activities and technical development status, fair value assessment of other companies of the same type, market conditions and other economic indicators existing on balance sheet date. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks. Please refer to Note 12(3) for the financial instruments fair value information.

As of December 31, 2021, the carrying amount of unlisted stocks without active market was \$128,621.

C. Impairment of property, plant and equipment

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

As of December 31, 2021, the Group recognised property, plant and equipment, net of impairment loss amounting to \$3,981,346.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 451	\$ 503
Checking accounts and demand deposits	444,759	180,134
Time deposits	<u>165,072</u>	<u>231,981</u>
	<u>\$ 610,282</u>	<u>\$ 412,618</u>

- A. The Group 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. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.
- C. Time deposits were classified as cash and cash equivalents with original maturities of less than three months. The Group has no time deposits pledged to others.

(2) Financial instruments at fair value through profit or loss

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ -	\$ 1,062
Debt instruments	<u>3,500</u>	<u>3,500</u>
	3,500	4,562
Valuation adjustment	(<u>3,500</u>)	(<u>3,500</u>)
	<u>\$ -</u>	<u>\$ 1,062</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>

Current items:

Financial liabilities held for trading

Derivatives	<u>\$ 2,382</u>	<u>\$ -</u>
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- A. Amounts recognised in profit or loss in relation to financial assets and liabilities at fair value through profit or loss are listed below:

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivatives	\$ 31,545	\$ 30,304
Financial liabilities held for trading		
Derivatives	(<u>60,004</u>)	(<u>46,785</u>)
	<u>(\$ 28,459)</u>	<u>(\$ 16,481)</u>

B. The Group entered into contracts relating to derivative financial assets and liabilities which were not accounted for under hedge accounting. The information is listed below:

Derivative Financial Assets	December 31, 2021		December 31, 2020	
	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	-	-	JPY 206,702 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 103,520 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 207,040 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 206,940 thousand	2020.12~2021.01
Forward foreign exchange contracts	-	-	JPY 186,696 thousand	2020.12~2021.01
Derivative Financial Liabilities	December 31, 2021		December 31, 2020	
	Contract Amount (notional principal)	Contract Period	Contract Amount (notional principal)	Contract Period
Current items:				
Forward foreign exchange contracts	JPY 229,650 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 229,650 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 228,160 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 228,160 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 228,800 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 228,900 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 229,600 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 229,600 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 229,820 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 229,920 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 230,020 thousand	2021.12~2022.01	-	-
Forward foreign exchange contracts	JPY 230,060 thousand	2021.12~2022.01	-	-

The Group entered into forward foreign exchange contracts to hedge exchange rate risk of assets and liabilities denominated in foreign currencies whose values would be affected by the exchange rate fluctuations. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. Information relating to credit risk of financial assets at fair value through profit or loss are provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	December 31, 2021	December 31, 2020
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 352,978	\$ 352,978
Valuation adjustment	(224,357)	(212,129)
	<u>\$ 128,621</u>	<u>\$ 140,849</u>

A. The Group has elected to classify equity instruments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$128,621 and \$140,849 as at December 31, 2021 and 2020, respectively.

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31, 2021	Year ended December 31, 2020
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 12,228)	(\$ 28,891)
Dividend income recognised in profit or loss		
Held at and of period	<u>\$ -</u>	<u>\$ 712</u>

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	December 31, 2021	December 31, 2020
Current items:		
Escrow demand deposits	\$ 615,853	\$ 208,630
Pledged deposit	14,304	6,000
Investment in debt instrument without active market	49,000	49,000
Time deposits with original maturities of more than three months	<u>-</u>	<u>89,962</u>
	679,157	353,592
Less : Accumulated impairment	(49,000)	(49,000)
	<u>\$ 630,157</u>	<u>\$ 304,592</u>

A. As at December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$630,157 and \$304,592, respectively.

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable	\$ 2,753,241	\$ 2,618,167
Accounts receivable - related parties	10,719	44,720
Less : Allowance for uncollectible accounts	-	(6,184)
	<u>\$ 2,763,960</u>	<u>\$ 2,656,703</u>

A. The ageing analysis of accounts receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 2,763,960	\$ 2,433,459
Up to 30 days	-	105,029
31 to 60 days	-	69,406
61 to 90 days	-	46,415
Over 91 days	-	8,578
	<u>\$ 2,763,960</u>	<u>\$ 2,662,887</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020, and January 1, 2020, the balances of receivables from contracts with customers amounted to \$2,763,960, \$2,662,887, and \$2,359,233, respectively.

C. The Group does not hold any collateral as guarantee for accounts receivable.

D. As of December 31, 2021 and 2020, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$2,763,960 and \$2,656,703, respectively.

E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2021		
	Allowance for		Book value
	Cost	valuation loss	
Raw materials	\$ 1,336,225	(\$ 91,446)	\$ 1,244,779
Work in progress	477,093	(25,254)	451,839
Finished goods	948,178	(213,666)	734,512
	<u>\$ 2,761,496</u>	<u>(\$ 330,366)</u>	<u>\$ 2,431,130</u>
	December 31, 2020		
	Allowance for		Book value
	Cost	valuation loss	
Raw materials	\$ 1,507,159	(\$ 68,632)	\$ 1,438,527
Work in progress	526,745	(35,327)	491,418
Finished goods	763,430	(188,282)	575,148
	<u>\$ 2,797,334</u>	<u>(\$ 292,241)</u>	<u>\$ 2,505,093</u>

The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020, were \$10,225,627 and \$9,149,122, respectively, including the amounts of \$38,125 for the year ended December 31, 2021, that the Group wrote down from cost to net realizable value accounted for as increase of cost of good sold, as well as the amount of \$426,709 for the year ended December 31, 2020, that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of the clearance of inventories that was already provisioned loss in market value decline.

(7) Prepayments

	December 31, 2021	December 31, 2020
Prepayments to suppliers	\$ 166,873	\$ 115,396
Net input VAT	1,797	1,797
Others	120,338	122,504
	<u>\$ 289,008</u>	<u>\$ 239,697</u>

(8) Non-current assets held for sale

On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest in CMMTI, and the related assets and liabilities were reclassified to disposal group held for sale. The transaction shall be completed within one year after the reclassification date. On December 29, 2021, the shareholders at their special meeting resolved to sell the equity interest in CMMTI. The Group has entered into a share transfer agreement with a consideration of USD \$ 175,000 thousand. As of December 31, 2021, the assets and the liabilities of the disposal group held for sale amounted to \$4,477,716 and \$264, respectively.

A. Assets related to non-current assets classified as held for sale:

	<u>December 31, 2021</u>
Cash and cash equivalents	\$ 5
Investments accounted for using equity method	<u>4,477,711</u>
	<u>\$ 4,477,716</u>

B. Liabilities directly relating to non-current assets or disposal groups classified as held for sale:

	<u>December 31, 2021</u>
Other payables	\$ <u>264</u>

C. Equity directly relating to non-current assets classified as held for sale:

	<u>December 31, 2021</u>
Exchange differences on translation of foreign financial statements	(\$ <u>370,884</u>)

(9) Investments accounted for using the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Associates:		
Hengmei Optoelectronic Co., Ltd. ("HMO")	\$ 4,477,711	\$ 3,881,549
CMVT	<u>40,995</u>	<u>67,069</u>
	4,518,706	3,948,618
Less : Accumulated impairment	(12,534)	-
Transferred to non-current assets classified as held for sale	(<u>4,477,711</u>)	<u>-</u>
	<u>\$ 28,461</u>	<u>\$ 3,948,618</u>

A. In October 2020, CMVT increased its capital through cash infusion, however the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 97.42% to 23.29% and CMVT reelected its directors. Consequently, the Group lost its control over CMVT, but still has significant influence, refer to Note 6(30).

B. Associates

(a) The basic information of the associates that are material to the Group is as follows:

Company name	Principal place of business	<u>Shareholding ratio</u>		Nature of relationship	Methods of measurement
		<u>December 31, 2021</u>	<u>December 31, 2020</u>		
HMO	China	28.10%	38.40%	Strategic investment	Equity method
CMVT	Taiwan	23.29%	23.29%	Strategic investment	Equity method

(b) The summarised financial information of the associates that are material to the Group is as follows:

i. HMO

Balance sheet

	HMO	
	December 31, 2021	December 31, 2020
Current assets	\$ 11,678,797	\$ 8,174,014
Non-current assets	22,294,070	13,604,351
Current liabilities	(11,194,963)	(8,934,299)
Non-current liabilities	(5,791,567)	(2,735,866)
Total net assets	<u>\$ 16,986,337</u>	<u>\$ 10,108,200</u>
Share in associate's net assets	<u>\$ 4,477,711</u>	<u>\$ 3,881,549</u>

Statement of comprehensive income

	HMO	
	Year ended December 31, 2021	Year ended December 31, 2020
Revenue	<u>\$ 15,503,294</u>	<u>\$ 9,813,410</u>
Income for the year from discontinued operations	<u>\$ 2,166,099</u>	<u>\$ 465,256</u>

ii. CMVT

Balance sheet

	CMVT	
	December 31, 2021	December 31, 2020
Current assets	\$ 181,531	\$ 282,787
Non-current assets	52,522	64,308
Current liabilities	(66,838)	(75,705)
Non-current liabilities	(7,778)	-
Total net assets	<u>\$ 159,437</u>	<u>\$ 271,390</u>
Share in associate's net assets	\$ 37,133	\$ 63,207
Goodwill	3,862	3,862
Less: Accumulated impairment	(12,534)	-
Carrying amount of the joint venture	<u>\$ 28,461</u>	<u>\$ 67,069</u>

Statement of comprehensive income

	CMVT	
	Year ended December 31, 2021	Year ended December 31, 2021
Revenue	\$ 176,152	\$ 147,323
Loss for the year from discontinued operations	(\$ 107,574)	(\$ 43,717)

- (c) In February 2021, HMO increased its capital through cash infusion, however, the Group waived its right to participate in the capital increase. As a result, the shareholding ratio was decreased from 38.40% to 28.10%. Consequently, the transaction increased the equity of the Group by \$156,334.
- (d) The share of gain of associates and joint ventures accounted for using the equity method for the years ended December 31, 2021 and 2020 were \$483,829 and \$171,092, respectively.
- (e) The Group assessed that there is an impairment loss for the year ended December 31, 2021 since the net value of CMVT was continually and significantly lower than its carrying amount. The Group adjusted the carrying amount based on its recoverable amount and provided impairment loss amounting to \$12,534 (shown as other gains and losses). Recoverable amount refers to the fair value of investments accounted for using equity method less its cost to sell, using a market approach valuation technique and taking into consideration price book ratio of comparable companies, which is included in Level 3.
- (f) The Group is the single largest shareholder of HMO with a 28.10% equity interest. Given that two other large shareholders (non-related parties) hold more shares than the Group, which indicate the Group has no current ability to direct the relevant activities of HMO, the Group has no control, but only has significant influence, over the investee.
- (g) On September 25, 2021, the Board of Directors at their meeting committed to sell the equity interest of CMMTI. Please refer to Note 6(8) for details of the transferred non-current assets held for sale.

(10) Property, plant and equipment

2021

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	-	(2,001,769)	(4,901,556)	(58,519)	(3,482,329)	(161,738)	-	(10,605,911)
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,914,776	\$ 397,734	\$ 9,449	\$ 199,289	\$ 18,015	\$ 32,899	\$ 4,000,705
Additions	-	-	74,764	265	76,329	18,495	117,013	286,866
Disposals	-	-	(584)	-	-	-	-	(584)
Reclassifications	-	-	96,306	-	4,400	(3,915)	(20,961)	75,830
Depreciation charge	-	(148,492)	(155,039)	(3,748)	(66,124)	(5,246)	-	(378,649)
Net exchange differences	-	(1,186)	(1,535)	(2)	(6)	(45)	(48)	(2,822)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,765,098</u>	<u>\$ 411,646</u>	<u>\$ 5,964</u>	<u>\$ 213,888</u>	<u>\$ 27,304</u>	<u>\$ 128,903</u>	<u>\$ 3,981,346</u>
<u>At December 31</u>								
Cost	\$ 1,428,543	\$ 3,911,856	\$ 5,365,100	\$ 66,038	\$ 3,726,875	\$ 193,272	\$ 128,903	\$ 14,820,587
Accumulated depreciation and impairment	-	(2,146,758)	(4,953,454)	(60,074)	(3,512,987)	(165,968)	-	(10,839,241)
	<u>\$ 1,428,543</u>	<u>\$ 1,765,098</u>	<u>\$ 411,646</u>	<u>\$ 5,964</u>	<u>\$ 213,888</u>	<u>\$ 27,304</u>	<u>\$ 128,903</u>	<u>\$ 3,981,346</u>

2020

	Land	Buildings and structures	Machinery and equipment	Office equipment	Factory equipment	Miscellaneous equipment	Construction in progress and equipment under acceptance	Total
<u>At January 1</u>								
Cost	\$ 1,428,543	\$ 3,906,315	\$ 5,501,783	\$ 66,460	\$ 3,663,079	\$ 251,853	\$ -	\$ 14,818,033
Accumulated depreciation and impairment	-	(1,845,766)	(4,898,400)	(53,670)	(3,430,520)	(231,566)	-	(10,459,922)
	<u>\$ 1,428,543</u>	<u>\$ 2,060,549</u>	<u>\$ 603,383</u>	<u>\$ 12,790</u>	<u>\$ 232,559</u>	<u>\$ 20,287</u>	<u>\$ -</u>	<u>\$ 4,358,111</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 2,060,549	\$ 603,383	\$ 12,790	\$ 232,559	\$ 20,287	\$ -	\$ 4,358,111
Additions	-	-	39,943	2,723	28,442	11,457	-	82,565
Disposals	-	-	(7,213)	-	-	(47)	-	(7,260)
Reclassifications	-	-	2,880	-	1,827	720	32,899	38,326
Depreciation charge	-	(148,236)	(201,678)	(5,536)	(63,145)	(8,753)	-	(427,348)
Decrease in consolidated entities	-	-	(42,602)	(528)	(394)	(5,766)	-	(49,290)
Net exchange differences	-	2,463	3,021	-	-	117	-	5,601
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>
<u>At December 31</u>								
Cost	\$ 1,428,543	\$ 3,916,545	\$ 5,299,290	\$ 67,968	\$ 3,681,618	\$ 179,753	\$ 32,899	\$ 14,606,616
Accumulated depreciation and impairment	-	(2,001,769)	(4,901,556)	(58,519)	(3,482,329)	(161,738)	-	(10,605,911)
	<u>\$ 1,428,543</u>	<u>\$ 1,914,776</u>	<u>\$ 397,734</u>	<u>\$ 9,449</u>	<u>\$ 199,289</u>	<u>\$ 18,015</u>	<u>\$ 32,899</u>	<u>\$ 4,000,705</u>

- A. For the years ended December 31, 2021 and 2020, there were no borrowing costs capitalized as part of property, plant and equipment.
- B. As of December 31, 2021 and 2020, the accumulated impairment of property, plant and equipment was \$260,775 and \$262,756, respectively, and the reportable segment was in Mainland China.
- C. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(11) Leasing arrangements — lessee

- A. The Group leases various assets including land, buildings, transportation equipment and other equipment. Rental contracts are typically made for periods of 1 to 50 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 and parts of lease are not allowed to be sublet, leased, sold or any ways for others to use.
- B. Short-term leases with a lease term of 12 months or less comprise of buildings and multifunction printers.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 29,276	\$ 30,360
Buildings	93	279
Transportation equipment	2,814	-
Other equipment	87	143
	<u>\$ 32,270</u>	<u>\$ 30,782</u>
	<u>Year ended</u>	<u>Year ended</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 855	\$ 844
Buildings	184	179
Transportation equipment	440	-
Other equipment	55	55
	<u>\$ 1,534</u>	<u>\$ 1,078</u>

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$3,253 and \$363, respectively.

E. The information on income and expense accounts relating to lease contracts is as follows:

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 33	\$ 13
Expense on short-term lease contracts	591	36

F. For the years ended December 31 2021 and 2020, the Group's total cash outflow for leases were \$1,103 and \$467, respectively.

(12) Intangible assets

	<u>2021</u> <u>Computer Software</u>
<u>At January 1</u>	
Cost	\$ 89,132
Accumulated amortisation and impairment	(80,624)
	<u>\$ 8,508</u>
<u>At January 1</u>	\$ 8,508
Additions-acquired separately	14,775
Amortisation charge	(10,646)
<u>At December 31</u>	<u>\$ 12,637</u>
<u>At December 31</u>	
Cost	\$ 103,900
Accumulated amortisation and impairment	(91,263)
	<u>\$ 12,637</u>

	2020			
	Computer Software	Core Technology	Goodwill	Total
<u>At January 1</u>				
Cost	\$ 88,057	\$ 47,000	\$ 8,056	\$ 143,113
Accumulated amortisation and impairment	(75,384)	(35,642)	-	(111,026)
	<u>\$ 12,673</u>	<u>\$ 11,358</u>	<u>\$ 8,056</u>	<u>\$ 32,087</u>
At January 1	\$ 12,673	\$ 11,358	\$ 8,056	\$ 32,087
Additions-acquired separately	6,062	-	-	6,062
Prepayment for equipment transferred in	500	-	-	500
Amortisation charge	(8,822)	(3,916)	-	(12,738)
Decrease in consolidated entities	(1,907)	(7,442)	(8,056)	(17,405)
Net exchange differences	2	-	-	2
At December 31	<u>\$ 8,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,508</u>
<u>At December 31</u>				
Cost	\$ 89,132	\$ -	\$ -	\$ 89,132
Accumulated amortisation and impairment	(80,624)	-	-	(80,624)
	<u>\$ 8,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,508</u>

Details of amortisation on intangible assets are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Cost of sales	\$ 954	\$ 547
General and administrative expenses	9,692	8,274
Research and development expenses	-	3,917
	<u>\$ 10,646</u>	<u>\$ 12,738</u>

(13) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 696,631	1.10%~1.20%	-
Secured borrowings	2,211,435	0.54%~3.70%	Land, buildings and structures
	<u>\$ 2,908,066</u>		

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 806,101	1.21%~1.73%	-
Secured borrowings	1,637,931	0.60%~3.68%	Land, buildings and structures
Other short-term borrowings	104,852	3.85%~4.75%	Machinery, office, factory and miscellaneous
	<u>\$ 2,548,884</u>		

A. Information about interest expense recognised in profit or loss is provided in Note 6(25).

B. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on April 11, 2019. The resolutions of the meeting are as follows:

- (a) During the debt negotiation, the bank loans are secured by the Company's Chairman, Ho, Jau-Yang, as a joint guarantor.
- (b) The principal is extended for one year (until the end of March 2020) and the interest is repayable monthly.
- (c) The Company is willing to pledge additional land and plants as collateral to creditor banks for providing greater protection of creditor's rights.
- (d) The Company set up an escrow account and funds are remitted into the account for a centralised management and supervision. The escrow account is set up in the largest creditor bank.

On July 26, 2019, the resolutions made during the debt negotiation meeting were approved in writing by all the creditor institutions.

C. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on February 21, 2020. The resolutions of the meeting are as follows:

- (a) The principal is extended for two years (until March 31, 2022) and the interest is paid normally.
- (b) Taiwan Cooperative Bank and Changhua Bank will negotiate with the headquarters for increasing facilities (issuing letters of credit and hedge amount) to support the operation cashflow of the Company. Remaining banks will extend the maturity to March 31, 2022 or extend the drawing period of drawn facilities to March 31, 2022.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from two-thirds of total claims of all creditor banks. On April 14, 2020, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that two-thirds of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2021).

D. The Company proposed a debt repayment plan to Taiwan Cooperative Bank and other financial institutions during the debt negotiation meeting held on December 30, 2020. The resolutions of the meeting are as follows:

- (a) The principal repayment is extended for one year (until March 31, 2022) or the loan commitments is extended for one year (until March 31, 2022), and the interest rate is subject to the approval conditions of the creditor banks.
- (b) The Company applies to creditor banks for credit line of derivative instruments (including foreign currency to foreign currency and NTD to NTD) for operating exchange rate hedging.
- (c) The Company applies to creditor banks for additional credit line (including L/C and accounts receivable financing) for purchasing materials.

The resolutions made during the debt negotiation meeting will become effective after obtaining the written approval from half of total claims of all creditor banks. On March 31, 2021, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that half of total claims of all creditor banks has agreed to the application for extending debt payment terms for one year (until the end of March 31, 2022).

E. On December 28, 2021, the Company entered into a syndicated loan contract with Taiwan Cooperative Bank, Chang Hwa Bank, Mega Bank and Land Bank of Taiwan with a credit line of \$4,600,000. The loan terms start from three years after the date of first drawdown, and the Company agreed to pledge land and buildings as mortgage before the first drawdown day. The Company requested for the drawdown to be on February 21, 2022.

F. On February 25, 2022, the Company received the notice from the primary creditor bank, Taiwan Cooperative Bank, that the Company's debt negotiation was officially terminated since the Company completed the syndicated loan, equivalent to \$4,600,000, and completed the first drawdown to settle all liabilities on February 21, 2022. Accordingly, the lien of collateral has been cancelled on February 25, 2022.

G. In 2020, the Group was financed by IBT Leasing Co., Ltd. and Robina Finance & Leasing Corp. through sales with buyback agreements. As of December 31, 2021 and 2020, the Group issued unexpired notes in the amounts of \$0 and \$109,497 for the aforementioned transaction, respectively.

H. Information about the collateral for short-term borrowings is provided in Note 8.

(14) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables for salaries or bonuses	\$ 185,077	\$ 164,415
Payables for annual leave	38,645	37,675
Accrued taxes payable	30,227	21,236
Payables for insurance premiums	13,854	17,192
Payables for purchase of equipment	68,437	21,136
Payables for interest	5,814	4,020
Others	213,825	146,175
	<u>\$ 555,879</u>	<u>\$ 411,849</u>

(15) Long-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured borrowings - Repayable monthly on interest from December 17, 2018. The principal was repaid in full on the maturity date which was formerly December 17, 2020 was extended to March 31, 2022 because of debt negotiation.	\$ 200,000	\$ 200,000
Secured borrowings - Repayable monthly on interest from September 8, 2020; repayable from September 8, 2021 to September 8, 2025.	281,250	212,260
Secured borrowings - Repayable monthly on interest from September 30, 2020; repayable from September 30, 2021 to February 4, 2026.	175,368	134,680
Secured borrowings - sale with buy back agreements - Repayable from April 27, 2021 to April 27, 2023.	36,667	-
Secured borrowings - sale with buy back agreements - Repayable from September 28, 2021 to September 28, 2024.	64,167	-
Secured borrowings - sale with buy back agreements - Repayable from December 31, 2021 to June 10, 2023.	60,000	-
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	61,278	-
Secured borrowings - sale with buy back agreements - Repayable from October 28, 2021 to September 28, 2024.	47,137	-
	<u>925,867</u>	<u>546,940</u>
Less: Current portion	(<u>448,456</u>)	(<u>228,912</u>)
	<u>\$ 477,411</u>	<u>\$ 318,028</u>
Interest rate range	<u>2.57%~3.62%</u>	<u>2.57%</u>

- A. Information on interest expense recognised in profit or loss is provided in Note 6(25).
- B. Due to the difficulty of repayment, the Group started a debt negotiation meeting with creditor banks to negotiate the debt repayment, please refer to Note 6(13) for details.
- C. In 2021, the Group was financed by FCB Leasing Co., Ltd., IBT Leasing Co. Ltd., Robina Finance & Leasing Corp., Hotai Finance Co., Ltd., and Taichung Bank Leasing Co., Ltd through sale with buy back agreements. As of December 31, 2021, the Group issued unexpired notes in the amount of \$289,281 for the aforementioned transaction.
- D. Information about the collateral for long-term borrowings is provided in Note 8.

(16) Pensions

- A. The Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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. NBCMMT makes monthly contributions based on certain percentages of the basic salaries of their employees.
- C. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020, were \$55,761 and \$47,150, respectively.

(17) Share-based payment

- A. For the year ended December 31, 2021, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Number of share		
		granted (in thousands)	Contract period	Vesting conditions
Restricted stocks to employees	2021.6.10	5,000	3 years	Note
Restricted stocks to employees	2021.11.1	5,000	3 years	Note

Note: The selected employees who have been granted Restricted Stock Awards in compliance with the Measurement, continued to work on the following vested terms from the record date of grant (the record date of cash capital increase), and had met the performance criteria will receive new shares respectively on the basis of the following schedule and the proportion of shares subscribed.

Seniority	Performance Criteria			
	A+	A	B+	B and below
6 months after granting	10%	80% of 10%	50% of 10%	0
1 year after granting	20%	80% of 20%	50% of 20%	0
2 years after granting	30%	80% of 30%	50% of 30%	0
3 years after granting	40%	80% of 40%	50% of 40%	0

Restricted rights before employees meet the vesting conditions:

- (a) Before the vesting conditions are fulfilled, the employee shall not sell, pledge, transfer, donate, set, or otherwise dispose of RSA that they subscribe to in accordance with the Measurement.
- (b) During the vesting period, the RSA can participate in a distribution of share or cash dividends.
- (c) During the vesting period, if the Company carries out a capital reduction, RSA will be cancelled proportionally. If the capital reduction is done by cash return, the returned cash should be kept under Company's custody, and be paid to the employees when vesting condition is fulfilled; if the employee does not meet the vesting condition, all shares the employees subscribed in accordance with the Measurement shall be bought back by the Company based on the original subscription price and cancelled accordingly.
- (d) The RSA shall be delivered to the trust immediately after issuance. Employees may not ask the trustee to return the RSA for any reasons or by any method prior to the fulfillment of vesting conditions.
- (e) Employees who subscribe to RSA pursuant to the present measures during the period of the trust issuance, the discretionary staff of the Company and the stock trust institution shall discuss, sign, amend, extend, terminate, terminate, and transfer the trust custody contract (shares and cash), and other behaviors pursuant to this measurement.

B. Details of the share-based payment arrangements are as follows: (Shares in thousands)

	2021
Employee restricted shares as at January 1	-
Issued for the year	10,000
Cancelled for the year	(195)
Unrestricted for the year	(213)
Withdrawn but not be cancelled for the year	(287)
Employee restricted shares as at December 31	<u>9,305</u>

C. The Group issued restricted shares for employees on June 10, 2021 and November 1, 2021. The share price at grant date was NT\$11.8 (in dollars) and 12.15 (in dollars) per share, respectively, which were equal to the stock prices at the grant date.

D. Expenses incurred on share-based payment transactions amounted to \$22,635 for the year ended December 31, 2021.

(18) Share capital

A. As of December 31, 2021, the Company's authorised capital was \$12,000,000, consisting of 1,200,000 thousand shares including 360,000 thousand shares reserved for employee stock options and convertible bonds issued by the Company. The paid-in capital was \$6,755,335, 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:

	(Units: in thousand shares)	
	2021	2020
At January 1	665,729	665,729
Employee restricted shares	9,805	-
At December 31	675,534	665,729

B. GDRS

On December 20, 2016, the Company's Board of Directors approved to increase its capital by the issuance of 150,000 thousand shares of common shares by sponsoring the issuance of global depositary receipts (GDRs), which was approved by the FSC. Each GDR represents 40 common shares, which have been listed on the SGX since September 12, 2017, with a per-unit issue price of USD17.31 and a total amount of USD 64,913 thousand. As of December 31, 2021, the outstanding 3 thousand units of GDRs represented 116 thousand common shares. The agreement clause of a GDR purchase stipulates the following:

(a) Voting rights

Unless stipulated otherwise by applicable laws and regulations, the Bank of New York Mellon (the "Depository") may exercise the voting rights associated with the underlying common shares represented by the GDRs on behalf of the holders of the GDRs in accordance with the Deposit Agreement (the "Deposit Agreement") entered into by the Company, the Depository, and the individual holders of the GDRs as well as in accordance with the laws and regulations of the ROC.

(b) Sale and withdrawal of the underlying common shares

The holders of the GDRs may request to withdraw and hold the common shares represented by the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement; or the holders of the GDRs may request to withdraw and ask the Depository to sell such withdrawn common shares on behalf of the holders of the GDRs and pay the sales proceeds after deducting tax and other relevant fees to the holders of the GDRs pursuant to the relevant laws and regulation of the ROC and the Deposit Agreement.

(c) Distribution of dividends, pre-emptive rights, and other interests

Unless otherwise provided in the Deposit Agreement, the holders of the GDRs shall be entitled to the same rights on dividends distribution or on their distributions as the holders of common shares of the Company. If the Company distributes share dividends or makes other share distributions in the future, the Depositary will, in accordance with the Deposit Agreement and the relevant laws and regulations, issue additional GDRs to the holders of the GDR unit, or sell such distributed shares on behalf of the holder of the GDRs and then pay the sales proceeds after deducting tax and other relevant fees to the holder of the GDRs on a pro rata basis.

C. On April 30, 2021, the Company's shareholders resolved to issue 20,000 thousand shares of Restricted Stock Awards for employees. The shares are issued to employees free of charge when they meet the vesting conditions. Depending on the actual needs, the issuance should be processed in one time or several times within a year starting from the date of receipt of the notice of effective registration. The Chairman of the Board is authorised to set the actual issuance date by the Board of Directors.

On May 10, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on June 3, 2021.

The Board of Directors during its meeting on June 10, 2021 and November 1, 2021 adopted a resolution to issue 5,000 thousand shares of employee restricted ordinary shares in tranches (see Note 6(17)) with the effective dates set on June 28, 2021 and November 29, 2021, respectively. The subscription price is \$0 (in dollars) per share. The employee restricted ordinary shares issued are subject to certain transfer restrictions before their vesting conditions are met. Other than these restrictions, the rights and obligations of these shares issued are the same as others issued. The registration has been completed on July 13, 2021 and December 14, 2021, respectively.

On September 25, 2021, the Company reported the issuance of employee restricted ordinary shares amounting to 10 million shares to the regulatory authority as resolved by the Board of Directors. This issuance was approved by the Financial Supervisory Commission on November 3, 2021.

(19) 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.

	2021					
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries	Changes in equity of associates and joint ventures accounted for using equity method	Employee restricted shares	Total
At January 1	\$ 803,494	\$ 6,776	\$ 128,672	\$ -	\$ -	\$ 938,942
Capital surplus, changes in equity of associates and joint ventures accounted for using equity method	-	-	-	156,797	-	156,797
Employee restricted shares	384	-	-	-	3,082	3,466
At December 31	<u>\$ 803,878</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$ 156,797</u>	<u>\$ 3,082</u>	<u>\$ 1,099,205</u>

	2020				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Changes in ownership interests in subsidiaries		Total
At January 1	\$ 803,494	\$ 6,776	\$ 133,756	\$	944,026
Changes in ownership interests in subsidiaries	-	-	(5,084)	(	5,084)
At December 31	<u>\$ 803,494</u>	<u>\$ 6,776</u>	<u>\$ 128,672</u>	<u>\$</u>	<u>938,942</u>

B. The Board of Directors, during its meeting on March 16, 2022, adopted a resolution to distribute cash dividends amounting to \$337,767 (NT 0.5 per share) by capital surplus.

(20) Retained earnings

- A. Under the Company's Articles of Incorporation, the Company may elect to allocate surplus or compensate loss after half of every fiscal year. Surplus shall be used to pay taxes, compensate accrued loss, and allocate 10% for surplus reserve in each half-fiscal year. The Company may choose not to provide a reserve when the surplus reserve reaches the amount of the contributed capital, and setting aside or reversal for special reserve in accordance with related laws or Competent Authority's rule. The Board of Directors may resolve to allocate accumulated surplus. The shareholders' meeting shall make a resolution when a dividend is proposed to be allocated through issuance of new shares. The Board of Directors shall resolve if dividends is to be allocated through cash, and then reported at the shareholders' meeting. Dividend that the Company allocates to shareholders must not be less than 20% of surplus that is allowed to be allocated. In addition, the cash dividend must not be lower than 10% of assignable dividend. Nevertheless, the Company may not choose to allocate dividend when the assignable dividends are less than 50% of contributed capital.
- B. 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.

- C. 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.
- D. On April 30, 2020, the shareholders resolved not to appropriate dividends and provisioned special reserves amounting to \$229,331.
- E. On April 30, 2021, the shareholders resolved not to appropriate dividends and reversed provisioned special reserves amounting to \$53,493.
- F. On March 16, 2022, the Board of Directors of the Company proposed not to appropriate dividends and provisioned legal reserve and special reserves amounting to \$76,319 and \$91,041, respectively.

(21) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from contracts with customers, divided into the following major geographical regions:

<u>Year ended December 31, 2021</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 5,585,327	\$ 5,549,066	\$ 11,134,393
Inter-segment revenue	4,641,431	229,336	4,870,767
Elimination of internal transaction	(4,641,431)	(229,336)	(4,870,767)
Revenue from external customer	<u>\$ 5,585,327</u>	<u>\$ 5,549,066</u>	<u>\$ 11,134,393</u>
<u>Year ended December 31, 2020</u>	<u>Taiwan</u>	<u>China</u>	<u>Total</u>
Total segment revenue	\$ 5,923,589	\$ 3,533,286	\$ 9,456,875
Inter-segment revenue	2,952,322	142,502	3,094,824
Elimination of internal transaction	(2,952,322)	(142,502)	(3,094,824)
Revenue from external customer	<u>\$ 5,923,589</u>	<u>\$ 3,533,286</u>	<u>\$ 9,456,875</u>

B. Contract liabilities

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Contract liabilities –			
sale of goods	<u>\$ 23,915</u>	<u>\$ 51,627</u>	<u>\$ 22,169</u>

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

	Year ended December 31, 2021	Year ended December 31, 2020
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Sale of goods	\$ 51,627	\$ 22,118

(22) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	\$ 6,848	\$ 5,012

(23) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Rental income	\$ 4,154	\$ 1,754
Royalty income	51,727	54,579
Dividend income	-	712
Patent income	-	19,800
Others	21,864	27,986
	<u>\$ 77,745</u>	<u>\$ 104,831</u>

(24) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
(Loss) gains on disposals of property, plant and equipment	(\$ 106)	\$ 2,624
Foreign exchange gains (losses)	181,451 (	28,179)
Net losses on financial assets or liabilities at fair value through profit or loss	(28,459) (	16,481)
Gains on disposals of investments	-	10,745
Impairment loss (Note)	(12,354)	-
Others	(1,320) (	2,952)
	<u>\$ 139,212</u>	<u>(\$ 34,243)</u>

Note: Please refer to Note 6(9) for details.

(25) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense - bank borrowings	\$ 74,113	\$ 67,608
Interest expense - lease liabilities	33	13
	<u>\$ 74,146</u>	<u>\$ 67,621</u>

(26) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expense	\$ 1,390,133	\$ 1,206,497
Depreciation charges on property, plant and equipment	378,649	427,348
Depreciation charges on right-of-use assets	1,534	1,078
Amortisation charges on intangible assets	10,646	12,738

(27) Employee benefit expense

	Year ended December 31, 2021	Year ended December 31, 2020
Wage and salaries	\$ 1,121,254	\$ 1,001,218
Labour and health insurance fees	88,182	79,729
Pension costs	55,761	47,150
Employee restricted shares	22,635	-
Other personnel expenses	102,301	78,400
	<u>\$ 1,390,133</u>	<u>\$ 1,206,497</u>

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' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 1% for directors' remuneration.

B. For the year ended December 31, 2021, employees' compensation was accrued at \$16,500 and directors' remuneration was accrued at \$0. The Company incurred losses for the year ended December 31, 2020; thus, neither employees' compensation nor directors' remuneration were estimated.

The employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year for the year ended December 31, 2021 and the percentage as prescribed in the Company's Articles of Incorporation. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$16,951 and \$8,476, respectively,

and the employees' compensation will be distributed in the form of cash. The difference of \$451 and \$8,476 between the amounts resolved by the Board of Directors and the amounts recognised in the 2021 financial statements, mainly resulting from change in estimates, had been adjusted in the profit or loss of 2022.

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

(28) Income tax

A. Income tax expense

	Year ended December 31, 2021	Year ended December 31, 2020
Current tax:		
Current tax on profit in current period	\$ -	\$ -
Prior year income tax underestimation	23	894
Total current tax	23	894
Deferred tax:		
Origination and reversal of temporary differences	67,876	-
Income tax expense	\$ 67,899	\$ 894

B. Reconciliation between income tax expense and accounting loss:

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 247,980	\$ 34,600
Expenses disallowed by tax regulation	18,170	9,812
Tax exempt income by tax regulation	- (	142)
Temporary differences not recognised as deferred tax assets	5,984	336
Taxable loss not recognised as deferred tax assets	263	103,567
Change in assessment of realisation of deferred tax assets	(204,521) (	148,173)
Prior year income tax underestimation	23	894
Income tax expense	\$ 67,899	\$ 894

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

2021			
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline in market value of inventories	\$ 22,945	\$ 7,520	\$ 30,465
Unrealised gain on financial assets	-	476	476
Deferred revenue	-	3,869	3,869
Unrealized exchange gain	4,131	(4,131)	-
Impairment loss	-	2,471	2,471
Others	7,397	96	7,493
-Tax losses	55,247	106,819	162,066
	<u>89,720</u>	<u>117,120</u>	<u>206,840</u>
Deferred tax liabilities:			
-Temporary differences:			
Unrealised exchange gain	-	(19,517)	(19,517)
Gain on foreign investment accounted for under equity method	(26,843)	(167,377)	(194,220)
Unrealised gain on financial assets	(212)	212	-
Others	(8,958)	1,686	(7,272)
	<u>(36,013)</u>	<u>(184,996)</u>	<u>(221,009)</u>
	<u>\$ 53,707</u>	<u>\$ 67,876</u>	<u>(\$ 14,169)</u>
2020			
	January 1	Recognised in profit or loss	December 31
Deferred tax assets:			
-Temporary differences:			
Allowance for obsolescence and decline in market value of inventories	\$ 68,731	(\$ 45,786)	\$ 22,945
Unrealised gain on financial assets	59	(59)	-
Deferred revenue	4,160	(4,160)	-
Unrealized exchange gain	108	4,023	4,131
Provision	2,074	(2,074)	-
Others	1,249	6,148	7,397
-Tax losses	-	55,247	55,247
	<u>76,381</u>	<u>13,339</u>	<u>89,720</u>
Deferred tax liabilities:			
-Temporary differences:			
Gain on foreign investment accounted for under equity method	(6,768)	(20,075)	(26,843)
Unrealised gain on financial assets	-	(212)	(212)
Others	(15,906)	6,948	(8,958)
	<u>(22,674)</u>	<u>(13,339)</u>	<u>(36,013)</u>
	<u>\$ 53,707</u>	<u>\$ -</u>	<u>\$ 53,707</u>

D. Expiration dates of unused tax losses and amounts of unrecognized deferred tax assets are as follows:

The Company and its domestic subsidiaries:

December 31, 2021					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount assessed	\$ 1,130,326	\$ 1,083,329	\$ 1,083,329	2026
2017	Amount assessed	527,317	572,317	572,317	2027
2018	Amount assessed	160,591	160,591	160,591	2028
2019	Amount assessed	859,941	859,941	859,941	2029
2020	Amount filed	1,091,028	1,091,028	280,696	2030
2021	Expected filed amount	1,317	1,317	1,317	2031

Foreign subsidiaries:

December 31, 2021					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount filed	\$ 204,336	\$ 79,236	\$ 79,236	2021
2017	Amount filed	303,456	303,456	303,456	2022
2018	Amount filed	89,298	89,298	89,298	2023
2019	Amount filed	190,096	190,096	190,096	2024

The Company and its domestic subsidiaries:

December 31, 2020					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount assessed	\$ 1,130,326	\$ 1,130,326	\$ 1,130,326	2026
2017	Amount assessed	527,317	572,317	572,317	2027
2018	Amount assessed	160,591	160,591	160,591	2028
2019	Amount filed	859,941	859,941	859,941	2029
2020	Expected filed amount	794,074	794,074	517,838	2030

Foreign subsidiaries:

December 31, 2020					
Year incurred	Amount filed/ assessed	Imputation credit amount	Unused amount	Unrecognised deferred tax assets	Expiry year
2016	Amount filed	\$ 204,336	\$ 204,336	\$ 204,336	2021
2017	Amount filed	303,456	303,456	303,456	2022
2018	Amount filed	89,298	89,298	89,298	2023
2019	Amount filed	196,096	196,096	196,096	2024

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

	December 31, 2021	December 31, 2020
Deductible temporary differences	\$ 260,407	\$ 236,501

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

(29) Earnings (loss) per share

Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 763,192	665,741	\$ 1.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 763,192	665,741	
Assumed conversion of all dilutive potential ordinary shares			
Employee restricted stock	-	1,117	
Employees' compensation	-	1,183	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 763,192	668,041	\$ 1.14
Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Loss per share (in dollars)
<u>Basic and diluted loss per share</u>			
Loss attributable to ordinary shareholders of the parent	(\$ 85,555)	665,729	(\$ 0.13)

(30) Transactions with non-controlling interest

A. The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary.

In July 2020, CMVT increased its capital by \$84,000 through issuing new shares. The Group subscribed to all the shares, therefore, the shareholding ratio was increased by 18.09%. The transaction increased non-controlling interest by \$5,084 and decreased equity attributable to owners of parent by \$5,084.

The effect of changes in interest in CMVT on the equity attributable to owners of the parent for the year ended December 31, 2020 is shown below:

	Year ended December 31, 2020
Cash	\$ -
Increase in the carrying amount of non-controlling interest	(5,084)
Capital surplus - recognition of changes in ownership interest in subsidiaries	(\$ 5,084)

B. Disposal of subsidiaries

- (a) In October 2020, CMVT increased its capital through cash infusion. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT.
- (b) Details of the carrying amount of those assets and liabilities that CMVT lost its control are as follows:

	October 31, 2020
Cash and cash equivalents	\$ 10,468
Accounts receivable	11,007
Other receivables	6,613
Inventories	46,255
Prepayments	8,666
Other current assets	59
Property, plant and equipment	49,290
Right-of-use assets	6,393
Intangible assets	20,334
Other non-current assets	1,958
Contract liabilities-current	(2,907)
Accounts payable	(51,951)
Other payables	(40,790)
Current lease liabilities	(2,839)
Other current liabilities	(333)
Non-current lease liabilities	(2,881)
The carrying amount of net assets of subsidiaries at the date when control is lost	\$ 59,342

(c) Gains on disposal of subsidiaries

	Year ended December 31, 2020
Fair value of the remaining investments	\$ 68,884
Less: Carrying amount of the investment at the date when control is lost	(57,808)
Gains on disposal of investments	<u>\$ 11,076</u>

(31) Supplemental cash flow information

A. Investing activities with partial cash payments

	Year ended December 31, 2021	Year ended December 31, 2020
Purchase of property, plant and equipment	\$ 286,866	\$ 82,565
Add: Opening balance of payable on equipment	21,136	9,925
Less: Ending balance of payable on equipment	(68,437)	(21,136)
Cash paid	<u>\$ 239,565</u>	<u>\$ 71,354</u>

B. Operating and investing activities with no cash flow effects

	Year ended December 31, 2021	Year ended December 31, 2020
(a) Amount written off due to uncollectible account	<u>\$ -</u>	<u>\$ 1,587</u>
(b) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 76,514</u>	<u>\$ 38,326</u>
(c) Prepayments for equipment transferred to intangible assets	<u>\$ -</u>	<u>\$ 500</u>
(d) Property, plant and equipment transferred to prepayments	<u>\$ 684</u>	<u>\$ -</u>
(e) Investments accounted for using equity method transferred to non-current assets classified as held for sale, net	<u>\$ 4,477,711</u>	<u>\$ -</u>
(f) Other payables transferred to liabilities related to non-current assets classified as held for sale	<u>\$ 264</u>	<u>\$ -</u>

(32) Changes in liabilities from financing activities

	At January 1, 2021	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At December 31, 2021
Short-term borrowings	\$ 2,548,884	\$ 436,914	\$ -	(\$ 77,732)	\$ 2,908,066
Lease liabilities	145	(479)	3,253	-	2,919
Long-term borrowings	546,940	378,927	-	-	925,867
Guarantee deposits received	40	-	-	-	40
Liabilities from financing activities-gross	<u>\$ 3,096,009</u>	<u>\$ 815,362</u>	<u>\$ 3,253</u>	<u>(\$ 77,732)</u>	<u>\$ 3,836,892</u>

	At January 1, 2020	Changes in cash flow from financing activities	Changes in other non-cash items	Effect of foreign exchange	At December 31, 2020
Short-term borrowings	\$ 2,788,425	(\$ 216,702)	\$ -	(\$ 22,839)	\$ 2,548,884
Lease liabilities	200	(418)	363	-	145
Long-term borrowings	200,000	346,940	-	-	546,940
Guarantee deposits received	40	-	-	-	40
Liabilities from financing activities-gross	<u>\$ 2,988,665</u>	<u>\$ 129,820</u>	<u>\$ 363</u>	<u>(\$ 22,839)</u>	<u>\$ 3,096,009</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
Innolux Corporation ("Innolux")	Legal person director of the Company (Note 1)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliate (Note 2)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliate (Note 2)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliate (Note 2)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliate (Note 2)
Ningbo Innolux Display Ltd. ("Ningbo Innolux Display")	Affiliate (Note 2)
HMO	Associate
CMVT	Associate (Note 3)

Note 1: It had served as director of the Company from April 26, 2019 until May 6, 2020.

Note 2: It is the subsidiary owned by Innolux.

Note 3: In October 2020, CMVT increased its capital through cash infusion. The Group waived its right to participate in the capital increase, therefore, the shareholding ratio was decreased from 97.42% to 23.29%. Additionally, because CMVT reelected its directors, the Group lost its control over CMVT, but still has significant influence, thus CMVT is considered an associate of the Group.

(2) Significant related party transactions

A. Operating revenue

	Year ended December 31, 2021	Year ended December 31, 2020
Sales of goods:		
Associates	\$ 101,780	\$ 24,347
Innolux	-	907,436
Ningbo Innolux	-	482,633
Foshan Innolux	-	449,232
Affiliates	-	118,812
	<u>\$ 101,780</u>	<u>\$ 1,982,460</u>

The selling price and collection term are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

B. Purchases

	Year ended December 31, 2021	Year ended December 31, 2020
Purchases of goods:		
Associates	<u>\$ 3,735</u>	<u>\$ 977</u>

Because there is no similar counterparty or transaction, the purchase prices and payment terms with related parties are conducted by mutual agreement.

C. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
Associates	<u>\$ 10,719</u>	<u>\$ 44,720</u>
Other receivables (excluding loans):		
HMO	\$ -	\$ 51,820
Associates	<u>3,282</u>	<u>2,221</u>
	<u>\$ 3,282</u>	<u>\$ 54,041</u>

D. Contract liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
HMO	<u>\$ 12,726</u>	<u>\$ 13,774</u>

E. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Associates	<u>\$ 1,976</u>	<u>\$ 2,430</u>

F. Other revenue

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
HMO	<u>\$ 51,727</u>	<u>\$ 54,579</u>
Associates	<u>20,799</u>	<u>1,314</u>
	<u>\$ 72,526</u>	<u>\$ 55,893</u>

G. Endorsements and guarantees provided by the Group to the related parties:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Outstanding endorsements / guarantee amount</u>	<u>Actual amount drawn down</u>	<u>Outstanding endorsements / guarantee amount</u>	<u>Actual amount drawn down</u>
HMO	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,502,344</u>	<u>\$ 2,364,136</u>

(3) Key management compensation

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Salaries and other short-term employee benefits	<u>\$ 44,031</u>	<u>\$ 29,706</u>
Post-employment benefits	<u>551</u>	<u>384</u>
Share-based payments	<u>6,239</u>	<u>-</u>
	<u>\$ 50,821</u>	<u>\$ 30,090</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Demand deposit (Note)	\$ 615,853	\$ 208,630	An escrow account for debt negotiation procedures
Pledged deposits (Note)	14,304	6,000	Provided as collateral for the post release duty payment and derivatives quota
Property, plant and equipment - land	1,428,543	1,428,543	Long-term and short-term loan
Property, plant and equipment - buildings and structures	1,629,075	1,758,913	Long-term and short-term loan
Property, plant and equipment - machinery and equipment	179,512	116,616	Long-term and short-term loan
Property, plant and equipment - office equipment	2,965	4,619	Short-term loan
Property, plant and equipment - factory equipment	135,619	80,808	Long-term and short-term loan
Property, plant and equipment - miscellaneous equipment	5,025	1,790	Long-term and short-term loan
	<u>\$ 4,010,896</u>	<u>\$ 3,605,919</u>	

Note: It is shown as "current financial assets at amortised cost".

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In addition to those disclosed in other notes to the consolidated financial statements, significant commitments and contingencies of the Group as of December 31, 2021, and 2020, were as follows:

(1) As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and equipment were as follows:

	Units: Foreign currency (in thousand)	
	December 31, 2021	December 31, 2020
JPY	\$ 2,712,682	\$ 2,276,309
USD	1,479	539

(2) As of December 31, 2021 and 2020, the amounts of guarantees provided by financial institutions for the purpose of importing goods and facilities of derivative financial instruments were \$105,528 and \$97,917, respectively.

(3) As of December 31, 2021 and 2020, the unpaid amounts of the construction contracts that the Group entered into for the expansion of factories and machinery equipment were \$134,222 and \$71,464, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The key management personnel of the Group reviews the capital structure on a periodic basis. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

The gearing ratios as at December 31, 2021 and 2020 were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	<u>\$ 5,270,399</u>	<u>\$ 4,950,059</u>
Total assets	<u>\$ 15,743,598</u>	<u>\$ 14,571,675</u>
Gearing ratio	<u>33%</u>	<u>34%</u>

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 1,062
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	\$ 128,621	\$ 140,849
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents (Note)	\$ 610,287	\$ 412,618
Financial assets at amortised cost	630,157	304,592
Accounts receivable	2,763,960	2,656,703
Other receivables	60,913	119,274
Refundable deposits	8,790	8,790
	<u>\$ 4,074,107</u>	<u>\$ 3,501,977</u>
	December 31, 2021	December 31, 2020
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 2,382	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,908,066	\$ 2,548,884
Accounts payable	575,776	1,347,153
Other payables (Note)	556,143	411,849
Long-term borrowings (including current portion)	925,867	546,940
Guarantee deposits received	40	40
	<u>\$ 4,965,892</u>	<u>\$ 4,854,866</u>
Lease liabilities	<u>\$ 2,919</u>	<u>\$ 145</u>

Note : Including non-current assets classified as held for sale, net and liabilities related to non-current assets classified as held for sale.

B. Financial risk management policies

- (a) The Group's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Board of Directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. Compliance with policies and exposure limitations was reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Group Treasury function is an independent body that monitors risks and policies implemented to mitigate risk exposures.
- (d) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, JPY and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group manages its foreign currency risk and interest rate by using derivative financial instrument, including foreign exchange forward contracts to hedge the risk arising from US dollar-denominated assets generated by sales and Japanese yen-denominated liabilities generated by the importation of raw materials from Japan.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets and liabilities at fair value through profit or loss are provided in Note 6(2).

- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currencies: USD and RMB). 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, 2021			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 82,590	27.68	\$ 2,286,091
JPY:NTD	1,555,177	0.241	374,798
USD:RMB	41,918	6.372	1,160,290
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	8,077	27.68	223,571
JPY:NTD	7,337,652	0.241	1,768,374
RMB:NTD	400	4.344	1,738
USD:RMB	53,250	6.372	1,473,960
EUR:NTD	171	31.32	5,356

December 31, 2020			
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,573	28.48	\$ 2,266,239
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
USD:RMB	34,879	6.507	993,354
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	5,130	28.48	146,102
JPY:NTD	6,238,870	0.276	1,721,928
RMB:NTD	394	4.377	1,725
USD:RMB	41,976	6.507	1,195,476

- v. Total exchange gains (losses), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$181,451 and (\$28,179), respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,430	-
JPY:NTD	0.5%	1,874	-
USD:RMB	0.5%	5,801	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	1,118	-
JPY:NTD	0.5%	8,842	-
RMB:NTD	0.5%	9	-
USD:RMB	0.5%	7,370	-
EUR:NTD	0.5%	27	-
Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	\$ 11,331	-
JPY:NTD	0.5%	17	-
RMB:NTD	0.5%	225	-
USD:RMB	0.5%	4,967	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	731	-
JPY:NTD	0.5%	8,580	-
RMB:NTD	0.5%	9	-
USD:RMB	0.5%	5,977	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- ii. The Group invests mainly in equity instruments issued by domestic companies. The equity's price will be affected by the uncertainty of the future value of the investment target. If the equity instrument price had increased/decreased by 1% with all other variables held constant, other comprehensive income classified as equity investment at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, would have increased/decreased by \$1,286 and \$1,408, respectively.

Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant, net profit for the years ended December 31, 2021 and 2020, would have increased/decreased by \$35,647 and \$29,910, respectively.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group 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, and the contract cash flows of debt instruments stated at amortised cost and at fair value through profit or loss.
- ii. The Group's concentration of credit risk, was related to the Group's five largest customers. The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of the investment grade or higher. Credit rating information used to rate the Group's major customers is obtained from other publicly available financial information or the Group's own trading records. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee periodically.
- iii. When the trade parties have major financial difficulties, or overdue amount exists for period of time that will obviously not be recovered, it is deemed that a default has occurred.

- iv. The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected losses provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtor and an analysis of the debtor's current financial position, adjusted for the general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base. The Group's credit risk of other receivables is assessed individually.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments receivable. On December 31, 2021 and 2020, the provision matrix is as follows:

	Not past due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	271 to 360 days	Over 361 days
December 31, 2021	0.08%	0.32%	0.64%~0.96%	1.29%~1.93%	100%	100%	100%
December 31, 2020	0.00%	0.00%	0.00%	0.00%~0.02%	0.14%~1.65%	4.07%~29.71%	100%

As of Decembers 31, 2021 and 2020, the total amount of the Group's accounts receivable which past due over 31 days were 0.00% and 4.67%, respectively.

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

	2021	2020
January 1	\$ 6,184	\$ 7,668
Reversal of impairment	(6,133)	-
Amount written off due to uncollectible accounts	-	(1,587)
Effects on exchange rate	(51)	103
December 31	<u>\$ -</u>	<u>\$ 6,184</u>

viii. For provisioned loss for the years ended December 31, 2021 and 2020, the impairment losses arising from customers' contract amounts to \$6,133 and \$0, respectively.

(c) Liquidity risk

- i. The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank loans and ensures compliance with loan covenants. The forecast considers the debt financing plan, debt clauses, and financial ratio targets which compare to the internal balance sheet of the Group.
- ii. Group treasury invests surplus cash in interest bearing current accounts, check deposit, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. As of December 31, 2021 and 2020, the Group held money market position of \$609,831 and \$502,077, respectively, that are expected to readily generate cash inflows for managing liquidity risk.
- iii. The Group relies on bank loans as a significant source of liquidity, the Group had available unutilized short-term bank loan facilities as below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unsecured bank overdraft facility		
Amount unused	\$ 1,621,973	\$ 1,556,415
Secured bank overdraft facility		
Amount unused	<u>1,733,554</u>	<u>237,930</u>
	<u>\$ 3,355,527</u>	<u>\$ 1,794,345</u>

iv. Liquidity and interest rate risk table for non-derivative and derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative and derivative financial liabilities are based on the agreed repayment dates.

December 31, 2021

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,917,101	\$ -	\$ -
Accounts payable	575,776	-	-
Other payables (Note)	556,143	-	-
Long-term borrowings (including current portion)	463,619	500,980	-
Lease liabilities	1,185	1,832	-

Note: Including liabilities related to non-current assets classified as held for sale.

Derivative financial liabilities

Forward foreign exchange contracts	2,382	-	-
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December 31, 2020

	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>Over 5 years</u>
<u>Non-derivative financial liabilities</u>			
Short-term borrowings	\$ 2,588,967	\$ -	\$ -
Accounts payable	1,347,153	-	-
Other payables	411,849	-	-
Long-term borrowings (including current portion)	234,561	333,353	-
Lease liabilities	57	91	-

(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. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or cannot be reliably measured.

C. Fair value of financial instruments measured at fair value on a recurring basis

(a) Fair value hierarchy

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVOCI				
Equity securities	\$ -	\$ -	\$ 128,621	\$ 128,621
Liabilities				
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 2,382	\$ -	\$ 2,382

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Equity securities	-	-	140,849	140,849
	\$ -	\$ 1,062	\$ 140,849	\$ 141,911

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current spot exchange rate.
- ii. The fair value of financial instruments without active market is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) Valuation techniques and inputs applied for the purpose of Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Listed shares</u>
Derivatives-foreign exchange forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

D. For the years ended December 31, 2021 and 2020, there was no transfer between level 1 and level 2.

E. The following chart is the movement of Level 3:

	Year ended December 31, 2021	Year ended December 31, 2020
At January 1	\$ 140,849	\$ 169,740
Losses recognised in other comprehensive income (	12,228)	28,891)
At December 31	<u>\$ 128,621</u>	<u>\$ 140,849</u>

F. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

G. Either the financial department segment or the external appraiser is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 114,199	Market comparable companies	Multiple price-book ratio	0.71 ~ 3.54	The higher the price-book ratio, the higher the fair value
	14,222	Market comparable companies	Multiple price-book ratio	0.45 ~ 1.12	The higher the price-book ratio, the higher the fair value
	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instruments					
Unlisted shares	\$ 127,111	Market comparable companies	Multiple price-book ratio	0.59 ~ 1.86	The higher the price-book ratio, the higher the fair value
	13,738	Market comparable companies	Multiple price-book ratio	0.55 ~ 1.14	The higher the price-book ratio, the higher the fair value

- I. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, the use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2021 Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 1,286	(\$ 1,286)
			December 31, 2020 Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change
Financial assets				
Equity instruments	Multiple price-book ratio	±1%	\$ 1,215	(\$ 1,215)

(4) Other

The major product of the Group is polarizing film, which is the key raw material of the panel industry. There has been no curtailment in the scale of operations or significant reduction in terminal consumer demand due to the Covid-19 pandemic. The Group has also complied with the pandemic prevention guidelines of the Taiwan Centers for Disease Control, including measures such as personnel access control and rotating work schedules in the office and work from home according to production areas and shifts. The Covid-19 pandemic had no significant impact to the Group's operating condition and financial performance based on the Group's assessment.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- 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 paid-in capital or more: None.

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

G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 12(3).

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 9.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group considers the business and formulates the strategies from a geographic perspective, therefore the management identifies the reportable segments with the same approach.

The Group has two reportable segments and the operation is located in Taiwan and Mainland China. Both are primarily engaged in manufacturing and selling optoelectronic material and components (polarizing film).

(2) Measurement of segment information

The Group evaluates the performance based on operating profit (loss) in each operating segments.

Segment profit represented the profit before tax earned by each segment without the allocation of central administrator costs and directors' salaries, interest income, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the Chief Operating Decision-Maker for the purpose of resource allocation and the assessment of segment performance.

(3) Segment revenue and results

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2021			
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 5,585,327	\$ 5,549,066	\$ -	\$ 11,134,393
Inter-segment revenue	4,641,431	229,336	(4,870,767)	-
Total segment revenue	<u>\$ 10,226,758</u>	<u>\$ 5,778,402</u>	<u>(\$ 4,870,767)</u>	<u>\$ 11,134,393</u>
Segment income (loss)	<u>(\$ 121,732)</u>	<u>\$ 319,515</u>	<u>\$ -</u>	<u>\$ 197,783</u>
Interest income				6,848
Other income				77,745
Other gain and loss				139,032
Financial cost				(74,146)
Share of profit of associates and joint ventures accounted for using equity method				483,829
Income before income tax from continuing operations				<u>\$ 831,091</u>
Segment assets	<u>\$ 3,641,918</u>	<u>\$ 371,698</u>	<u>\$ -</u>	<u>\$ 4,013,616</u>
Other assets				11,729,982
Total assets				<u>\$ 15,743,598</u>
Depreciation and amortisation	<u>\$ 318,540</u>	<u>\$ 72,289</u>	<u>\$ -</u>	<u>\$ 390,829</u>
Capital Expenditure	<u>\$ 238,032</u>	<u>\$ 48,834</u>	<u>\$ -</u>	<u>\$ 286,866</u>
Segment liabilities	<u>\$ 4,468,559</u>	<u>\$ 1,672,170</u>	<u>(\$ 870,330)</u>	<u>\$ 5,270,399</u>

Year ended December 31, 2020				
			Adjustment and write-off	
	Taiwan	Mainland China	(Note)	Total
Revenue from external customers	\$ 5,923,589	\$ 3,533,286	\$ -	\$ 9,456,875
Inter-segment revenue	2,952,322	142,502	(3,094,824)	-
Total segment revenue	<u>\$ 8,875,911</u>	<u>\$ 3,675,788</u>	<u>(\$ 3,094,824)</u>	<u>\$ 9,456,875</u>
Segment income (loss)	<u>(\$ 483,789)</u>	<u>\$ 204,471</u>	<u>\$ 9,670</u>	<u>(\$ 269,648)</u>
Interest income				5,012
Other income				104,831
Other gain and loss				(34,243)
Financial cost				(67,621)
Share of loss of associates and joint ventures accounted for using equity method				171,092
Income before income tax from continuing operations				<u>(\$ 90,577)</u>
Segment assets	<u>\$ 3,628,760</u>	<u>\$ 402,727</u>	<u>\$ -</u>	\$ 4,031,487
Other assets				10,540,188
Total assets				<u>\$ 14,571,675</u>
Depreciation and amortisation	<u>\$ 360,605</u>	<u>\$ 80,559</u>	<u>\$ -</u>	<u>\$ 441,164</u>
Capital Expenditure	<u>\$ 67,914</u>	<u>\$ 14,651</u>	<u>\$ -</u>	<u>\$ 82,565</u>
Segment liabilities	<u>\$ 4,033,710</u>	<u>\$ 1,482,549</u>	<u>(\$ 566,200)</u>	<u>\$ 4,950,059</u>

Note: Refer to the internal revenue write-offs.

(4) Reconciliation for segment income (loss)

The total amounts and other significant disclosures in relation to the reportable segments mentioned in item (2) above are in agreement with those presented as related corresponding items in the Group's financial statements and are measured in a manner consistent with those thereon.

(5) Information on products and services

Revenue from external customers is mainly from the sales of polarizing films and relative raw materials.

Details of revenue is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Polarizing films	\$ 11,092,644	\$ 9,441,783
Others	41,749	15,092
	<u>\$ 11,134,393</u>	<u>\$ 9,456,875</u>

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year ended		Year ended	
	December 31, 2021		December 31, 2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 2,334,426	\$ 3,733,535	\$ 2,462,219	\$ 3,736,668
Mainland China	7,066,702	379,613	5,621,474	406,453
Others	1,733,265	-	1,373,182	-
	<u>\$ 11,134,393</u>	<u>\$ 4,113,148</u>	<u>\$ 9,456,875</u>	<u>\$ 4,143,121</u>

Non-current assets excludes non-current financial assets measured at fair value through other comprehensive income, investments accounted for using the equity method and deferred tax assets.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	Year ended		Year ended	
	December 31, 2021		December 31, 2020	
	Revenue		Revenue	
A	\$	2,196,780	\$	2,356,822
C		1,707,634		1,495,707
E		1,649,773		1,353,390
D		657,032		1,012,447

Cheng Mei Materials Technology Corporation And Subsidiaries

Loans to others

Year ended December 31, 2021

Table 1

Expressed in thousands of NTD

No. (Note 1)	Materials	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the Year ended December 31, 2021	Balance at December 31, 2021	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Footnote
													Item	Value			
1	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$ 27,108	\$ 26,420	\$ 26,420	2.20%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 1,047,320	\$ 2,094,640	Note 2

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: According to the Mao Fong Group Co., Ltd.'s "Procedures for Provision of Loans", the limit on loans to the parent company who holds 100% voting power of Mao Fong Group Co., Ltd. and for short-term financing was 20% of the net assets of Group's parent company.

The limit on loans granted to a single party is 10% of net assets of the Group's parent company.

Cheng Mei Materials Technology Corporation And Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2021

Table 2

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Cheng Mei Materials Technology Corporation	Hengmei Optoelectronic Co., Ltd.		6	\$ 5,236,600	\$ 2,808,175	\$ -	\$ -	\$ -	-	\$ 10,473,199	N	N	Y	Note 3,4

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'

(2) The subsidiaries are numbered in order starting from '1'. The same Company will have the same number.

Note 2: Relationship between the endorser guarantor and the party being endorsed/guaranteed is classified into the following seven categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly or indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: In accordance with the Group's related regulations, the limit on endorsements and guarantees for any single entity is 50% of the Company's net worth based on the latest financial statements.

Note 4: In accordance with the Group's related regulations, the limit on accumulated amount of transactions of endorsements and guarantees is the Company's net worth based on the latest financial statements.

Cheng Mei Materials Technology Corporation And Subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2021

Table 3

Expressed in thousands of NTD

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2021				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Cheng Mei Materials Technology Corporation	SHIHLIEN FINE CHEMICALS CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	16,667	\$ 114,199	6.41%	\$ 114,199	-
Cheng Hui Investment Co., Ltd.	JEOUTAI TECHNOLOGY CO., LTD.(Stock)	None	Non-current financial assets at fair value through other comprehensive income	381	-	Note	-	-
Cheng Hui Investment Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	2,500	6,111	Note	6,111	-
Cheng Hui Trading Co., Ltd.	JUN HONG OPTRONICS CORPORATION(Stock)	None	Non-current financial assets at fair value through other comprehensive income	3,400	8,311	Note	8,311	-

Note:The shareholding ratio is less than 5% and therefore will not be disclosed.

Cheng Mei Materials Technology Corporation And Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

Year ended December 31, 2021

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Sales	(\$ 4,797,727)	(47%)	-	-	-	\$ 777,813	36%	Note
Cheng Mei Materials Technology Co., Ltd.	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Purchases	229,336	3%				64,278	10%	Note

Note : The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.

The eliminated amount from January 1, 2021 to December 31, 2021, was \$156,296.

Cheng Mei Materials Technology Corporation And Subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
December 31, 2021

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	Subsidiary	Accounts receivable \$ 777,813	8.04	\$ -	-	\$ 326,742	\$ -

Cheng Mei Materials Technology Corporation And Subsidiaries
Significant inter-company transactions during the reporting periods
Year ended December 31, 2021

Table 6

Expressed in thousands of NTD

Details of significant inter-company transactions reaching NT\$ 10 million or more are as follows:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount	Transaction terms (Note 3)	Percentage of consolidated total operating revenues or total assets (Note 4)
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Sales	\$ 4,797,727	-	43%
0	Cheng Mei Materials Technology Corporation	Ningbo Cheng Mei Materials Technology Co., Ltd.	1	Accounts receivable	777,813	-	5%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Sales	229,336	-	2%
1	Ningbo Cheng Mei Materials Technology Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Accounts receivable	64,278	-	-
2	Mao Fong Group Co., Ltd.	Cheng Mei Materials Technology Corporation	2	Other receivables	26,420	-	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1)Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3:Prices and terms were determined in accordance with mutual agreements.

Note 4: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investees (not including investees in Mainland China)

Year ended December 31, 2021

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income(loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares (in thousand)	Ownership (%)	Book value			
Cheng Mei Materials Technology Corporation	Cheng Mei Materials Technology (SAMOA) Corporation	Samoa	Investment company	\$ 431,482	\$ 431,482	13,300	100%	\$ 1,324,866	\$ 328,004	\$ 328,004	
Cheng Mei Materials Technology Corporation	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	289,000	289,000	6,638	22.96%	40,410 (	107,574) (	24,699)	
Cheng Mei Materials Technology Corporation	Chi Mei Materials Technology Investment Co., Ltd.	Samoa	Investment company	4,447,763	4,447,763	146,500	100%	4,477,452	508,882	508,882	
Cheng Mei Materials Technology Corporation	Cheng Hui Investment Co., Ltd.	Taiwan	Investment company	151,870	151,870	15,187	100%	18,350 (	773) (	773)	
Cheng Mei Materials Technology Corporation	Cheng Hui Trading Co., Ltd.	Taiwan	Trading company	211,000	211,000	21,100	100%	48,017 (	409) (	409)	
Cheng Hui Investment Co., Ltd.	CM Visual Technology Corporation	Taiwan	Electronic component manufacture and sale	33,000	33,000	95	0.33%	585 (	107,574)	Note	
Cheng Hui Trading Co., Ltd.	Mao Fong Group Co., Ltd.	Samoa	Investment company	30,870	30,870	1,000	100%	26,897	701	Note	

Note : According to the regulations, the amount recognised for investment profit or loss of the Company may be exempt from disclosure.

Cheng Mei Materials Technology Corporation And Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2021

Table 8

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount remitted from		Accumulated	Net income of investee as of December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Book value of investments in Mainland China as of December 31, 2021	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China as of January 1, 2021	Taiwan to Mainland China /Amount remitted back to Taiwan for the year ended December 31,2021	amount of remittance from Taiwan to Mainland China as of December 31, 2021	amount of investment income remitted back to Taiwan as of December 31, 2021						
Ningbo Cheng Mei Materials Technology Co., Ltd.	Electronic component manufacture and sale	\$ 573,172	2	\$ 368,144	\$ -	\$ -	\$ 368,144	\$ 328,004	100.00	\$ 277,079	\$ 1,344,448	\$ -	Note 2
Hengmei Optoelectronic Co., Ltd.	Electronic component manufacture and sale	10,969,278	2	4,055,120	-	-	4,055,120	2,144,391	28.10	508,882	4,477,711	-	Note 3
Kunshan Shin Mao Fong International Trading Co., Ltd.	Trading	27,680	2	27,680	-	-	27,680	-	100.00	-	-	-	Note 2 、 3
Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA(Note 5)										
Cheng Mei Materials Technology Corporation	\$4,450,944	\$4,450,944	\$6,283,919										

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1)Directly invest in a company in Mainland China.

(2) Through investing in Cheng Mei Materials Techonology (Samoa) Corporation, Chi Mei Materials Technology Invesment Co., Ltd and Mao Fong Group Co., LTD. in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: The financial statements that are audited and attested by R.O.C parent company's CPA.

Note 3: The cancellation of registration was completed on October 30, 2020 and the remaining investment funds have been remitted to Mao Fong Group Co., Ltd.

Note 4: The numbers in this table are expressed in New Taiwan dollars. Amount denominated in foreign currencies related to income and expenses in this table are re-translated at average exchange rates of NTD 28.009 to US\$1 from January 1, 2021 to December 31, 2021, otherwise are re-translated at the exchange rates of NTD 27.68 to US\$1 prevailing at the December 31, 2021.

Note 5: The Ceiling is calculated based on 60% of the consolidated net value.

Cheng Mei Materials Technology Corporation And Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2021

Table 9

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at December 31, 2021	%	Balance at December 31, 2021	Purpose	Maximum balance during the year ended December 31, 2021	Balance at December 31, 2021	Interest rate	Interest during the year ended December 31, 2021	Others
Ningbo Cheng Mei Materials Technology Co., Ltd.	\$ 4,797,727	47%	\$ -	-	\$ 777,813	36%	\$ -	-	\$ -	\$ -	-	\$ -	-
Ningbo Cheng Mei Materials Technology Co., Ltd.	(229,336)	3%	-	-	(64,278)	10%	-	-	-	-	-	-	-

Note: The Company has reversed the sales revenue (from sales of materials and supplies) and operating cost (from purchase of goods) arising from raw material processing which are provided by Ningbo Cheng Mei Materials Technology Co., Ltd.
The eliminated amount from January 1, 2021 to December 31, 2021, was \$156,296.

Cheng Mei Materials Technology Corporation And Subsidiaries

Major shareholders information

December 31, 2021

Table 10

Name of major shareholders	Shares		Expressed in shares
	Name of shares held	Ownership (%)	
Innolux Corporation	57,211,305		8.46%
Lin Gao Huang	40,000,000		5.92%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data was disclosed as separate account of client which was set by the trustee. As for the shareholder who reports share equity as a insider whose shareholding ratio greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio including the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.