

**CHENG MEI MATERIALS TECHNOLOGY
CORPORATION**
**PARENT COMPANY ONLY 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 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To Cheng Mei Materials Technology Corporation

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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 financial statements* section of our report. We are independent of the Company 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 matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company's 2021 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2021 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(15) 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.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the 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 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 parent company only 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 parent company only 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
PARENT COMPANY ONLY 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)	\$ 8,043	-	\$ 6,193	-
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	1,062	-
1136	Current financial assets at amortised cost	6(4) and 8	630,157	4	214,630	2
1170	Accounts receivable, net	6(5)	1,343,478	9	1,636,087	12
1180	Accounts receivable - related parties	6(5) and 7	787,627	5	459,744	3
1200	Other receivables		52,278	-	54,567	-
1210	Other receivables - related parties	7	3,282	-	54,041	-
1220	Current tax assets		162	-	198	-
130X	Inventories	5 and 6(6)	1,899,108	13	2,022,796	15
1410	Prepayments	6(7)	274,396	2	220,070	2
1460	Non-current assets classified as held for sale, net	6(8)	4,477,452	30	-	-
1470	Other current assets		1,511	-	2,735	-
11XX	Total current assets		9,477,494	63	4,672,123	34
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	5 and 6(3)	114,199	1	127,111	1
1550	Investments accounted for under equity method	6(9)	1,419,291	10	5,038,768	37
1600	Property, plant and equipment	5, 6(10) and 8	3,638,963	24	3,628,623	26
1755	Right-of-use assets		2,901	-	143	-
1780	Intangible assets	6(11)	11,777	-	7,153	-
1840	Deferred income tax assets	6(27)	206,840	1	89,720	1
1900	Other non-current assets		70,241	1	90,593	1
15XX	Total non-current assets		5,464,212	37	8,982,111	66
1XXX	Total assets		\$ 14,941,706	100	\$ 13,654,234	100

(Continued)

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY 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(12) and 8	\$ 2,211,435	15	\$ 1,742,783	13
2120	Current financial liabilities at fair value through profit or loss	6(2)	2,382	-	-	-
2130	Contract liabilities	6(20) and 7	15,535	-	20,237	-
2170	Accounts payable		554,062	4	1,304,273	10
2180	Accounts payable - related parties	7	65,571	-	27,252	-
2200	Other payables	6(13)	433,091	3	321,477	2
2220	Other payables - related parties	7	26,420	-	27,056	-
2280	Current lease liabilities		1,124	-	55	-
2320	Current portion of long-term liabilities	6(14) and 8	448,456	3	228,912	2
2399	Other current liabilities		10,176	-	6,402	-
21XX	Total current Liabilities		3,768,252	25	3,678,447	27
Non-current liabilities						
2540	Long-term borrowings	6(14) and 8	477,411	3	318,028	3
2570	Deferred income tax liabilities	6(27)	221,009	2	36,013	-
2580	Non-current lease liabilities		1,795	-	90	-
2645	Guarantee deposits		40	-	40	-
25XX	Total non-current liabilities		700,255	5	354,171	3
2XXX	Total Liabilities		4,468,507	30	4,032,618	30
Equity						
Share capital						
3110	Share capital - common stock	6(16)(17)	6,755,335	45	6,657,285	49
Capital surplus						
3200	Capital surplus	6(18)	1,099,205	7	938,942	7
Retained earnings						
3310	Legal reserve	6(19)	1,085,124	7	1,085,124	8
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		(793,290)	(4)	(623,368)	(5)
3XXX	Total equity		10,473,199	70	9,621,616	70
Significant contingent liabilities and unrecognized contract commitments						
3X2X	Total liabilities and equity		\$ 14,941,706	100	\$ 13,654,234	100

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY 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			
	Items	Notes	2021		2020	
			AMOUNT	%	AMOUNT	%
4000	Net sales	6(20) and 7	\$ 10,226,758	100	\$ 8,757,795	100
5000	Costs of sales	6(6)(11)(25)(26) and 7	(9,727,066)	(95)	(8,746,536)	(100)
5900	Gross profit		499,692	5	11,259	-
5910	Unrealized profit from sales		(19,346)	-	-	-
5950	Net operating margin		480,346	5	11,259	-
	Operating expenses	6(11)(25)(26) and 7				
6100	Selling and marketing expenses		(152,606)	(2)	(96,705)	(1)
6200	General and administrative expenses		(236,859)	(2)	(176,984)	(2)
6300	Research and development expenses		(211,213)	(2)	(168,830)	(2)
6000	Total operating expenses		(600,678)	(6)	(442,519)	(5)
6900	Loss from operations		(120,332)	(1)	(431,260)	(5)
	Non-operating income and expenses					
7100	Interest income	6(21)	145	-	1,608	-
7010	Other income	6(22) and 7	75,320	1	87,068	1
7020	Other gains and losses	6(2)(9)(23)	129,877	1	(46,014)	(1)
7050	Finance costs	6(24) and 7	(64,954)	(1)	(45,212)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(9)				
			811,005	8	348,255	4
7000	Total non-operating income and expenses		951,393	9	345,705	4
7900	Profit (loss) before income tax		831,061	8	(85,555)	(1)
7950	Income tax expense	6(27)	(67,869)	-	-	-
8200	Profit (loss) for the year		<u>\$ 763,192</u>	<u>8</u>	<u>(\$ 85,555)</u>	<u>(1)</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	6(3) and 12(3)	(\$ 12,912)	-	(\$ 20,532)	-
8330	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		684	-	(8,359)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation of foreign financial statements		(78,813)	(1)	82,384	1
8300	Total other comprehensive (loss) income		(\$ 91,041)	(1)	\$ 53,493	1
8500	Total comprehensive income (loss) for the year		<u>\$ 672,151</u>	<u>7</u>	<u>(\$ 32,062)</u>	<u>-</u>
	Earnings (loss) per share	6(28)				
9750	Basic earnings (loss) per share		\$ 1.15		(\$ 0.13)	
9850	Diluted earnings (loss) per share		\$ 1.14		(\$ 0.13)	

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Retained earnings			Other equity interest				
	Notes	Share capital - common stock	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 equity
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
Net loss for the year		-	-	-	-	(85,555)	-	-	-	-	(85,555)
Other comprehensive income (loss) for the year	6(3)	-	-	-	-	-	82,384	(28,891)	-	-	53,493
Total comprehensive income (loss)		-	-	-	-	(85,555)	82,384	(28,891)	-	-	(32,062)
Appropriations and distribution of 2019 earnings:											
Special reserve	6(19)	-	-	-	229,331	(229,331)	-	-	-	-	-
Changes in ownership interests in subsidiaries	6(18)	-	(5,084)	-	-	-	-	-	-	-	(5,084)
Balance at December 31, 2020		\$ 6,657,285	\$ 938,942	\$ 1,085,124	\$ 676,861	\$ 886,772	(\$ 411,239)	(\$ 212,129)	\$ -	\$ -	\$ 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
Net profit for the year		-	-	-	-	763,192	-	-	-	-	763,192
Other comprehensive loss for the year	6(3)	-	-	-	-	-	(78,813)	(12,228)	-	-	(91,041)
Total comprehensive income (loss)		-	-	-	-	763,192	(78,813)	(12,228)	-	-	672,151
Appropriations and distribution of 2020 earnings:											
Special reserve	6(19)	-	-	-	(53,493)	53,493	-	-	-	-	-
Share-based payments	6(16)(17)(18))	98,050	3,466	-	-	-	-	-	-	(78,881)	22,635
Changes in equity of associated and joint ventures accounted for using equity method	6(18)	-	156,797	-	-	-	-	-	-	-	156,797
Transferred to non-current assets classified as 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

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY 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
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		\$ 831,061	(\$ 85,555)
Adjustments			
Adjustments to reconcile profit (loss)			
Share-based compensation cost	6(16)	22,635	-
Net loss on financial assets or liabilities at fair value through profit or loss	6(2)(23)	28,459	16,481
Gain on disposal of investments	6(9)(23)	-	(10,916)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(9)	(811,005)	(348,255)
Depreciation expense	6(10)(25)	307,886	323,605
Loss on disposal of property, plant and equipment	6(23)	106	-
Amortization expense	6(11)(25)	10,151	6,872
Interest income	6(21)	(145)	(1,608)
Interest expense	6(24)	64,954	45,212
Impairment loss on non-financial assets	6(9)(23)	12,352	-
Unrealized profit from sales		19,346	-
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		292,609	(1,300,163)
Accounts receivable - related parties	(	327,883)	1,152,523
Other receivables		2,289	(3,145)
Other receivables—related parties		50,759	1,839
Inventories		123,688	(262,814)
Prepayments	(	53,642)	(162,198)
Other current assets		1,224	6,554
Changes in operating liabilities			
Current financial liabilities at fair value through profit or loss	(	57,622)	(46,785)
Current contract liabilities	(	4,702)	1,988
Accounts payable	(	750,211)	234,575
Accounts payable - related parties		38,319	(18,849)
Other payables		59,979	948
Other payables - related parties		-	(3,578)
Other current liabilities		3,774	(1,066)
Cash outflow generated from operations	(	103,012)	(424,522)
Interest received		145	1,608
Interest paid	(	62,662)	(45,004)
Income tax paid	(	9)	(153)
Income tax refund		52	613
Net cash flows used in operating activities	(	165,486)	(467,458)

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CHENG MEI MATERIALS TECHNOLOGY CORPORATION
PARENT COMPANY ONLY 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>			
Increase in current financial assets at amortised cost		(\$ 415,527)	(\$ 147,569)
Decrease in other receivables - related parties		-	614,119
Acquisition of investments accounted for using equity method		-	(84,000)
Acquisition of property, plant and equipment	6(29)	(188,688)	(60,862)
Proceeds from disposal of property, plant and equipment		20	-
Acquisition of intangible assets	6(11)	(14,775)	(5,752)
Increase in equipment prepayments		(60,158)	(70,729)
Net cash flows (used in) from investing activities		(679,128)	245,207
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(30)	3,224,822	2,699,273
Repayment of short-term borrowings	6(30)	(2,756,170)	(2,851,137)
(Decrease) increase in accounts payable financing - related parties	6(30)	(636)	27,056
Payments of lease liabilities	6(30)	(479)	(55)
Proceeds from long-term borrowings	6(30)	433,060	346,940
Decrease in guarantee deposits received	6(30)	(54,133)	-
Net cash flows from financing activities		846,464	222,077
Net increase (decrease) in cash and cash equivalents		1,850	(174)
Cash and cash equivalents at beginning of year	6(1)	6,193	6,367
Cash and cash equivalents at end of year	6(1)	<u>\$ 8,043</u>	<u>\$ 6,193</u>

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

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE 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 is 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 FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements was authorised for issuance by to 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 30 June 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

A. Except for the following items, the 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, and SIC Interpretation as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to 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.

(5) 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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

(6) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(7) 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 Company'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 Company 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 Company'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.

(8) Accounts receivable

- A. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) 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.

(12) 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.

(13) 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.

(14) Investments accounted for using equity method / associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Unrealised profit (loss) arising from the transactions between the Company and subsidiaries have been offset. The accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in shareholdings in subsidiaries do not result to a loss on control (transaction with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognized in equity.
- E. When the Company loses its control in a subsidiary, the Company revalues the remaining investment in the prior subsidiary at 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, and recognises the difference between fair value and book value in the profit or loss for the period. The accounting treatment on the previously recognized amount related to the subsidiary in other comprehensive income is the same as the basis if the Company directly disposes related assets or liabilities, which means if the Company has recognized gain or loss in other comprehensive income, the Company should reclassify the gain or loss on disposal of related assets or liabilities to profit or loss; and when the Company loses control in the subsidiary, the gain or loss should be reclassified from equity to profit or loss.
- F. Associates are all entities over which the Company 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.

- G. The Company'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 Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. 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 Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company 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 Company 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.
- K. When the Company 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.
- L. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	25 years
Machinery and equipment	4 ~ 8 years
Office equipment	5 years
Factory equipment	8 years
Other equipment	3 ~ 5 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(18) Impairment of non-financial assets

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

(19) 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.

(20) 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.

(21) 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 Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(22) Derecognition of financial liabilities

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

(23) 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.

(24) 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.

(25) 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 Company 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.

(26) 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. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of 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 Company 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.

(27) 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.

(28) Revenue recognition

- A. The Company 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 Company 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.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

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

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

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

As of December 31, 2021, the carrying amount of inventories was \$1,899,108.

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

The fair value of unlisted stocks held by the Company 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 \$114,199.

C. Impairment of property, plant and equipment

The Company 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 Company strategy might cause material impairment on assets in the future.

As of December 31, 2021, the Company recognised property, plant and equipment, net of impairment loss amounting to \$3,638,963.

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	\$ 308	\$ 332
Checking accounts and demand deposits	<u>7,735</u>	<u>5,861</u>
	<u>\$ 8,043</u>	<u>\$ 6,193</u>

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

B. Information about cash and cash equivalents that were pledged to others as collaterals is provided in Note 8.

(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	<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>

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	(60,004)	(46,785)
	<u>(\$ 28,459)</u>	<u>(\$ 16,481)</u>

B. The Company 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 206,720 thousand	2020.12~2021.1
Forward foreign exchange contracts	-	-	JPY 103,520 thousand	2020.12~2021.1
Forward foreign exchange contracts	-	-	JPY 207,040 thousand	2020.12~2021.1
Forward foreign exchange contracts	-	-	JPY 206,940 thousand	2020.12~2021.1
Forward foreign exchange contracts	-	-	JPY 186,696 thousand	2020.12~2021.1

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	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 229,650 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 228,160 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 228,160 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 228,800 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 228,900 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 229,600 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 229,600 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 229,820 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 229,920 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 230,020 thousand	2021.12~2022.1	-	-
Forward foreign exchange contracts	JPY 230,060 thousand	2021.12~2022.1	-	-

The Company 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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non current items:		
Equity instruments		
Unlisted stocks	\$ 250,000	\$ 250,000
Valuation adjustment	(135,801)	(122,889)
	<u>\$ 114,199</u>	<u>\$ 127,111</u>

A. The Company has elected to classify unlisted stocks 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 \$114,199 and \$127,111 as at December 31, 2021 and 2020, respectively.

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

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 12,912)	(\$ 20,532)

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

(4) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Escrow demand deposits	\$ 615,853	\$ 208,630
Pledged deposit	<u>14,304</u>	<u>6,000</u>
	<u>\$ 630,157</u>	<u>\$ 214,630</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 Company was \$630,157 and \$214,630, respectively.

B. Details of the Company'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	\$ 1,343,478	\$ 1,636,087
Accounts receivable - related parties	<u>787,627</u>	<u>459,744</u>
	<u>\$ 2,131,105</u>	<u>\$ 2,095,831</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Not past due	\$ 2,131,105	\$ 1,981,829
Up to 30 days	-	25,888
31 to 60 days	-	57,940
61 to 90 days	-	29,177
Over 91 days	-	997
	<u>\$ 2,131,105</u>	<u>\$ 2,095,831</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021 and 2020, and January 1, 2020, the balances of accounts receivable from contracts with customers amounted to \$2,131,105, \$2,095,831, and \$1,949,778, respectively.

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

D. 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 Company's accounts receivable were \$2,131,105 and \$2,095,831, respectively.

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

(6) Inventories

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Raw materials	\$ 1,015,502	(\$ 63,991)	\$ 951,511
Work in progress	472,688	(23,772)	448,916
Finished goods	<u>563,244</u>	<u>(64,563)</u>	<u>498,681</u>
	<u>\$ 2,051,434</u>	<u>(\$ 152,326)</u>	<u>\$ 1,899,108</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,162,067	(\$ 58,300)	\$ 1,103,767
Work in progress	519,708	(30,706)	489,002
Finished goods	478,125	(48,098)	430,027
	<u>\$ 2,159,900</u>	<u>(\$ 137,104)</u>	<u>\$ 2,022,796</u>

The cost of inventories recognized as expense for the years ended December 31, 2021 and 2020, was \$9,727,066 and \$8,746,536, respectively, including the amount of \$15,222 for the year ended December 31, 2021, that the Company wrote down from cost to net realizable value accounted for as increase of cost of good sold, as well as the amount of \$279,949 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
Others	107,523	104,674
	<u>\$ 274,396</u>	<u>\$ 220,070</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 Chi Mei Materials Technology Investments Co., Ltd. (referred to herein as the “CMMTI”), and the investments accounted for using equity method was reclassified to the 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 Company has entered into a share transfer agreement with a consideration of USD \$ 175,000 thousand.

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

	December 31, 2021
Investments accounted for using equity method	<u>\$ 4,477,452</u>

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

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

(9) Investments accounted for using equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiaries:		
Cheng Mei Materials Technology (SAMOA) Corp.	\$ 1,324,866	\$ 1,023,722
Chi Mei Materials Technology Investment Co., Ltd.	4,477,452	3,881,286
Cheng Hui Trading Co., Ltd.	48,017	48,798
Cheng Hui Investment Co., Ltd.	18,350	18,847
Associates:		
CM Visual Technology Corporation	<u>40,410</u>	<u>66,115</u>
	\$ 5,909,095	\$ 5,038,768
Less : Accumulated impairment	(12,352)	-
Transfer to non-current assets classified as held for sale	(4,477,452)	-
	<u>\$ 1,419,291</u>	<u>\$ 5,038,768</u>

1. Refer to Note 4(3) in the consolidated financial statements for the details of the subsidiaries.
2. The share of profit of subsidiaries, associates and joint ventures accounted for using equity method for the years ended December 31, 2021 and 2020 were \$811,005 and \$348,255, respectively.
3. In July 2020, CM Visual Technology Corporation (referred to herein as the “CMVT”) increased its capital in cash, the Company subscribed to all the shares, therefore, the shareholding ratio of the Company was increased from 68.33% to 96.04%. In October 2020, CMVT increased its capital in cash, the Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased to 22.96%. Then, CMVT reelected its directors and the Company lost its control over CMVT, generated gains from disposal of investment amounting to \$10,916(shown as “other gains and losses”). However, the Company still has significant influence over CMVT.
4. The Company 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 Company adjusted the carrying amount based on its recoverable amount and provided impairment loss amounting to \$12,352 (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.
5. On September 25, 2021, the Board of Directors at their meeting promised 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	\$ 3,294,627	\$ 4,655,026	\$ 48,979	\$ 3,597,731	\$ 133,336	\$ 25,105	\$ 13,183,347
Accumulated depreciation and impairment	-	(1,535,714)	(4,458,596)	(39,899)	(3,399,277)	(121,238)	-	(9,554,724)
	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,758,913	\$ 196,430	\$ 9,080	\$ 198,454	\$ 12,098	\$ 25,105	\$ 3,628,623
Additions	-	-	53,008	-	76,229	17,173	91,621	238,031
Disposals	-	-	(126)	-	-	-	-	(126)
Reclassifications	-	-	91,507	-	4,400	(2,850)	(13,231)	79,826
Depreciation charge	-	(129,838)	(104,378)	(3,515)	(65,830)	(3,830)	-	(307,391)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,629,075</u>	<u>\$ 236,441</u>	<u>\$ 5,565</u>	<u>\$ 213,253</u>	<u>\$ 22,591</u>	<u>\$ 103,495</u>	<u>\$ 3,638,963</u>
<u>At December 31,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,699,203	\$ 47,111	\$ 3,647,405	\$ 147,509	\$ 103,495	\$ 13,367,893
Accumulated depreciation and impairment	-	(1,665,552)	(4,462,762)	(41,546)	(3,434,152)	(124,918)	-	(9,728,930)
	<u>\$ 1,428,543</u>	<u>\$ 1,629,075</u>	<u>\$ 236,441</u>	<u>\$ 5,565</u>	<u>\$ 213,253</u>	<u>\$ 22,591</u>	<u>\$ 103,495</u>	<u>\$ 3,638,963</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	\$ 3,294,627	\$ 4,622,719	\$ 46,376	\$ 3,579,306	\$ 126,102	\$ -	\$ 13,097,673
Accumulated depreciation and impairment	-	(1,405,876)	(4,334,638)	(35,805)	(3,350,801)	(116,023)	-	(9,243,143)
	<u>\$ 1,428,543</u>	<u>\$ 1,888,751</u>	<u>\$ 288,081</u>	<u>\$ 10,571</u>	<u>\$ 228,505</u>	<u>\$ 10,079</u>	<u>\$ -</u>	<u>\$ 3,854,530</u>
Opening net book amount as at January 1	\$ 1,428,543	\$ 1,888,751	\$ 288,081	\$ 10,571	\$ 228,505	\$ 10,079	\$ -	\$ 3,854,530
Additions	-	-	29,526	2,616	28,442	6,527	-	67,111
Reclassifications	-	-	2,880	-	1,827	720	25,105	30,532
Depreciation charge	-	(129,838)	(124,057)	(4,107)	(60,320)	(5,228)	-	(323,550)
Closing net book amount as at December 31	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>
<u>At December 31,</u>								
Cost	\$ 1,428,543	\$ 3,294,627	\$ 4,655,026	\$ 48,979	\$ 3,597,731	\$ 133,336	\$ 25,105	\$ 13,183,347
Accumulated depreciation and impairment	-	(1,535,714)	(4,458,596)	(39,899)	(3,399,277)	(121,238)	-	(9,554,724)
	<u>\$ 1,428,543</u>	<u>\$ 1,758,913</u>	<u>\$ 196,430</u>	<u>\$ 9,080</u>	<u>\$ 198,454</u>	<u>\$ 12,098</u>	<u>\$ 25,105</u>	<u>\$ 3,628,623</u>

A. For the years ended December 31, 2021 and 2020, there was no borrowing costs capitalised as part of property, plant and equipment.

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

(11) Intangible assets

	2021	2020
	<u>Computer Software</u>	<u>Computer Software</u>
<u>At January 1,</u>		
Cost	\$ 85,753	\$ 80,001
Accumulated amortisation and impairment	(78,600)	(71,728)
	<u>\$ 7,153</u>	<u>\$ 8,273</u>
At January 1	\$ 7,153	\$ 8,273
Additions-acquired separately	14,775	5,752
Amortisation charge	(10,151)	(6,872)
At December 31	<u>\$ 11,777</u>	<u>\$ 7,153</u>
<u>At December 31,</u>		
Cost	\$ 100,528	\$ 85,753
Accumulated amortisation and impairment	(88,751)	(78,600)
	<u>\$ 11,777</u>	<u>\$ 7,153</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	<u>9,197</u>	<u>6,325</u>
	<u>\$ 10,151</u>	<u>\$ 6,872</u>

(12) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 2,211,435</u>	0.54%~3.70%	Land, buildings and structures
Bank borrowings			
Secured borrowings	\$ 1,637,931	0.60%~3.68%	Land, buildings and structures
Other short-term borrowings	104,852	3.85%~4.75%	Machinery equipment, office equipment, factory equipment, miscellaneous equipment
	<u>\$ 1,742,783</u>		

- A. Information about interest expense recognised in profit or loss is provided in Note 6(24).
- 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 sets 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 Company 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 Company 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.

(13) Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables for salaries or bonuses	\$ 159,104	\$ 128,644
Payables for annual leave	36,789	36,191
Payables for insurance premiums	12,086	16,523
Payables for purchase of equipment	64,585	15,242
Payables for interest	4,076	1,784
Others	156,451	123,093
	<u>\$ 433,091</u>	<u>\$ 321,477</u>

(14) Long-term borrowings

Type of borrowings	December 31, 2021	December 31, 2020
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	-
	925,867	546,940
Less: Current portion	(448,456)	(228,912)
	<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(24).
- 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(12) for details.
- C. In 2021, the Company 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 Company 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.

(15) Pensions

- A. The Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2021 and 2020 were \$36,387 and \$35,951, respectively.

(16) Share-based payment

- A. For the year ended December 31, 2021, the Company’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)

	<u>2021</u>
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 Company 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.

(17) 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 "Depositary") 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 Depositary, 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 Depositary 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 date 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.

(18) 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.

(19) 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.

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2021	Year ended December 31, 2020
Taiwan	\$ 2,328,220	\$ 3,222,479
Mainland China	6,160,808	4,181,925
Other Asian area	1,737,730	1,353,391
	<u>\$ 10,226,758</u>	<u>\$ 8,757,795</u>

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities			
– sale of goods	<u>\$ 15,535</u>	<u>\$ 20,237</u>	<u>\$ 18,249</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	\$ 20,337	\$ 18,194

(21) Interest income

	Year ended December 31, 2021	Year ended December 31, 2020
Interest income from bank deposits	\$ 145	\$ 1,608

(22) Other income

	Year ended December 31, 2021	Year ended December 31, 2020
Rental income	\$ 4,154	\$ 4,175
Royalty income	51,727	54,579
Patent income	-	19,800
Others	19,439	8,514
	\$ 75,320	\$ 87,068

(23) Other gains and losses

	Year ended December 31, 2021	Year ended December 31, 2020
Losses on disposals of property, plant and equipment (\$	106)	\$ -
Foreign exchange gains (loss)	171,407	(39,973)
Net losses on financial assets or liabilities at fair value through profit or loss	(28,459)	(16,481)
Gains on disposals of investments	-	10,916
Impairment loss (Note)	(12,352)	-
Others	(613)	(476)
	\$ 129,877	(\$ 46,014)

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

(24) Finance costs

	Year ended December 31, 2021	Year ended December 31, 2020
Interest expense - bank borrowings	\$ 64,921	\$ 45,209
Interest expense - lease liabilities	33	3
	<u>\$ 64,954</u>	<u>\$ 45,212</u>

(25) Expenses by nature

	Year ended December 31, 2021	Year ended December 31, 2020
Employee benefit expense	\$ 1,066,633	\$ 924,058
Depreciation charges on property, plant and equipment	307,391	323,550
Depreciation charges on right-of-use assets	495	55
Amortisation charges on intangible assets	10,151	6,872

(26) Employee benefit expense

	Year ended December 31, 2021	Year ended December 31, 2020
Wage and salaries	\$ 854,705	\$ 749,768
Labour and health insurance fees	77,211	70,213
Pension costs	36,387	35,951
Employee restricted shares	22,635	-
Other personnel expenses	75,695	68,126
	<u>\$ 1,066,633</u>	<u>\$ 924,058</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.

(27) 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 overestimation	(7)	-
Total current tax	(7)	-
Deferred tax:		
Origination and reversal of temporary differences	67,876	-
Income tax expense	<u>\$ 67,869</u>	<u>\$ -</u>

B. Reconciliation between income tax expense and accounting loss:

	Year ended December 31, 2021	Year ended December 31, 2020
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 166,212	(\$ 17,111)
Expenses disallowed by tax regulation	17,882	9,682
Taxable loss not recognised as deferred tax assets	-	103,186
Change in assessment of realisation of deferred tax assets	(116,218)	(95,757)
Prior year income tax overestimation	(7)	-
Income tax expense	<u>\$ 67,869</u>	<u>\$ -</u>

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

	2021		
	<u>January 1</u>	<u>Recognised in profit or loss</u>	<u>December 31</u>
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	<u>55,247</u>	<u>106,819</u>	<u>162,066</u>
	<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	<u>(8,958)</u>	<u>1,686</u>	<u>(7,272)</u>
	<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:

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	572,292	572,292	572,292	2027	
2018	Amount assessed	147,871	147,871	147,871	2028	
2019	Amount filed	837,226	837,226	837,226	2029	
2020	Expected amount filed	1,012,915	1,012,915	202,583	2030	

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	572,292	572,292	572,292	2027	
2018	Amount assessed	147,871	147,871	147,871	2028	
2019	Amount filed	837,226	837,226	837,226	2029	
2020	Expected amount filed	792,168	792,168	515,931	2030	

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

(28) 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 Company	\$ 763,192	665,741	\$ 1.15
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 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 Company 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 Company	(\$ 85,555)	665,729	(\$ 0.13)

(29) 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	\$ 238,031	\$ 67,111
Add: Opening balance of payable on equipment	15,242	8,993
Less: Ending balance of payable on equipment	(64,585)	(15,242)
Cash paid during year ended December 31	<u>\$ 188,688</u>	<u>\$ 60,862</u>

B. Investing activities with no cash flow effects

	Year ended December 31, 2021	Year ended December 31, 2020
(1) Amount written off due to uncollectible accounts	<u>\$ -</u>	<u>\$ 1,587</u>
(2) Prepayments for equipment transferred to property, plant and equipment	<u>\$ 80,510</u>	<u>\$ 30,532</u>
(3) Property, plant and equipment transferred to prepayments	<u>\$ 684</u>	<u>\$ -</u>
(4) Investments accounted for using equity method transferred to non-current assets classified as held for sale, net	<u>\$ 4,477,452</u>	<u>\$ -</u>
(5) Other receivables - related parties transferred to investments accounted for using equity method (addition of investment accounted for using equity method by debt for equity swap)	<u>\$ -</u>	<u>\$ 352,870</u>

(30) Changes in liabilities from financing activities

	At January 1, 2021	Changes in cash flow from financing activities	Changes in other non- cash items	At December 31, 2021
Short-term borrowings	\$ 1,742,783	\$ 468,652	\$ -	\$ 2,211,435
Other payables-related parties	27,056	(636)	-	26,420
Lease liabilities	145	(479)	3,253	2,919
Long-term borrowings	546,940	378,927	-	925,867
Guarantee deposits received	<u>40</u>	<u>-</u>	<u>-</u>	<u>40</u>
Liabilities from financing activities-gross	<u>\$ 2,316,964</u>	<u>\$ 846,464</u>	<u>\$ 3,253</u>	<u>\$ 3,166,681</u>

		Changes in cash flow	
	At January 1, 2020	from financing activities	At December 31, 2020
Short-term borrowings	\$ 1,894,647	(\$ 151,864)	\$ 1,742,783
Other payables-related parties	-	27,056	27,056
Lease liabilities	200	(55)	145
Long-term borrowings	200,000	346,940	546,940
Guarantee deposits received	40	-	40
Liabilities from financing activities-gross	<u>\$ 2,094,887</u>	<u>\$ 222,077</u>	<u>\$ 2,316,964</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Cheng Mei Materials Technology (SAMOA) Corp. ("CMMTS")	Subsidiaries
Chi Mei Materials Technology Investment Co., Ltd. ("CMMTI")	Subsidiaries
Cheng Hui Investment Co., Ltd. ("CHI")	Subsidiaries
Cheng Hui Trading Co., Ltd. ("CHT")	Subsidiaries
Ningbo Cheng Mei Materials Technology Co., Ltd. ("NBCMMT")	Subsidiaries
Mao Fong Group Co., Ltd.	Subsidiaries
Innolux Corporation ("Innolux")	Persons as director of the Company (Note 1)
Foshan Innolux Optoelectronics Ltd. ("Foshan Innolux")	Affiliates (Note 2)
Shanghai Innolux Optoelectronics Ltd. ("Shanghai Innolux")	Affiliates (Note 2)
Nanjing Innolux Optoelectronics Ltd. ("Nanjing Innolux")	Affiliates (Note 2)
Ningbo Innolux Optoelectronics Ltd. ("Ningbo Innolux")	Affiliates (Note 2)
CM Visual Technology Corporation ("CMVT")	Associate (Note 3)
Hengmei Optoelectronics Co., Ltd. ("HMO")	Associate

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 in cash. The Company waived its right to participate in the capital increase, therefore, the shareholding ratio of the Company was decreased from 96.04% to 22.96%. Additionally, because CMVT reelected its directors, the Company lost its control over CMVT but still has significant influence, thus CMVT is considered an associate of the Company.

(2) Significant related party transactions

A. Operating revenue

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Sales of goods:		
NBCMMT	\$ 4,641,431	\$ 2,885,511
Innolux	-	904,143
Affiliates	-	327,541
Subsidiaries	-	60,110
Associates	<u>99,882</u>	<u>23,645</u>
	<u>\$ 4,741,313</u>	<u>\$ 4,200,950</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, NBCMMT, were written off when preparing the parent company only financial statements. For the years ended December 31, 2021 and 2020, the write-offs amounted to \$156,296 and \$92,439, respectively.

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

B. Purchases

	Year ended <u>December 31, 2021</u>	Year ended <u>December 31, 2020</u>
Purchases of goods:		
NBCMMT	\$ 73,040	\$ 40,472
Subsidiaries	-	5,228
Associates	<u>2,649</u>	<u>940</u>
	<u>\$ 75,689</u>	<u>\$ 46,640</u>

(a) Sales revenue (from sales of materials and supplies) and operating costs (from purchases of goods) arising from processing services for the subsidiary, NBCMMT, through an offshore entity were written off when preparing the parent company only financial statements. Please refer to Note 7(2) A. for details.

(b) The purchases price and payment terms are conducted by mutual agreement, and there is no significant difference between related parties and non-related parties.

C. Receivables from related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
NBCMMT	\$ 777,813	\$ 415,399
Associates	<u>9,814</u>	<u>44,345</u>
	<u>\$ 787,627</u>	<u>\$ 459,744</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. Current 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:		
NBCMMT	\$ 64,278	\$ 25,682
Associates	<u>1,293</u>	<u>1,570</u>
	<u>\$ 65,571</u>	<u>\$ 27,252</u>

F. Other revenue

	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
HMO (Note 1)	\$ 51,727	\$ 54,579
CMVT (Note 2)	<u>20,799</u>	<u>30,494</u>
	<u>\$ 72,526</u>	<u>\$ 85,073</u>

Note 1: Mainly for royalty income.

Note 2: Mainly for rental income, patent income and others.

G. Operating expenses

	Year ended December 31, 2021	Year ended December 31, 2020
Subsidiaries	\$ 9,396	\$ 7,493
Associates	-	4,595
	<u>\$ 9,396</u>	<u>\$ 12,088</u>

H. Loans to / from related parties

Loans from related parties (categorized as “other payables - related parties”)

	December 31, 2021	December 31, 2020
A. Ending balance		
Mao Fong Group Co., Ltd.	<u>\$ 26,420</u>	<u>\$ 27,056</u>
B. Finance costs		
Mao Fong Group Co., Ltd.	<u>\$ 891</u>	<u>\$ -</u>

The terms of borrowing from subsidiaries are repaying the principal and interest at once after 1 year, and the interest rate for the years ended December 31, 2021 and 2020 were 2.20% and 2.97%, respectively.

I. Endorsements and guarantees provided by the Company to the related parties:

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

(3) Key management compensation

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

8. PLEDGED ASSETS

The Company'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 - Factory equipment	135,619	80,808	Long-term and short-term loan
Property, plant and equipment - Office equipment	2,965	4,619	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 categorized as "financial assets at amortized 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 Company 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 thousands)	
	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 were \$14,304 and \$6,000, respectively.
- (3) As of December 31, 2021 and 2020, the unpaid amounts of the construction contracts that the Company entered into for the expansion of factories and machinery equipment were \$97,736 and \$61,636, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

The key management personnel of the Company 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 Company may adjust the amount of dividends paid to shareholders and/or the number of new shares issued.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total liabilities	<u>\$ 4,468,507</u>	<u>\$ 4,032,618</u>
Total assets	<u>\$ 14,941,706</u>	<u>\$ 13,654,234</u>
Gearing ratio	<u>30%</u>	<u>30%</u>

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ 1,062</u>
Financial assets at fair value through other comprehensive		
Designation of equity instruments	<u>\$ 114,199</u>	<u>\$ 127,111</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 8,043	\$ 6,193
Financial assets at amortised cost	630,157	214,630
Accounts receivable	2,131,105	2,095,831
Other receivables	55,560	108,608
Refundable deposits	50	50
	<u>\$ 2,824,915</u>	<u>\$ 2,425,312</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<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	\$ 2,211,435	\$ 1,742,783
Accounts payable	619,633	1,331,525
Other payables	459,511	348,533
Long-term borrowings (including current portion)	925,867	546,940
Guarantee deposits received	40	40
	<u>\$ 4,216,486</u>	<u>\$ 3,969,821</u>
Lease liabilities	<u>\$ 2,919</u>	<u>\$ 145</u>

B. Financial risk management policies

- (a) The Company's Corporate Treasury function monitors and manages the financial risks relating to the operations of the Company 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 minimize any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts is used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) The Company 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 Company'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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.
- (c) The Company 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 Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company 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 Company manages its foreign currency risk and interest rate risk 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 Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 82,566	27.68	\$ 2,285,427
JPY:NTD	1,555,177	0.241	374,798
<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	4.34	1,738
EUR:NTD	171	31.32	5,356

	December 31, 2020		
	Foreign currency		Book value (NTD)
	amount	Exchange rate	
	(In thousands)		
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 79,549	28.48	\$ 2,265,556
JPY:NTD	12,186	0.276	3,363
RMB:NTD	10,273	4.377	44,965
<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

- v. Total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to \$171,407 and (\$39,973), 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%	\$ 11,427	-
JPY:NTD	0.5%	1,874	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	1,118	-
JPY:NTD	0.5%	8,842	-
RMB:NTD	0.0%	9	-
EUR:NTD	0.0%	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%	\$ 11,328	-
JPY:NTD	0.5%	17	-
RMB:NTD	0.5%	225	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	0.5%	731	-
JPY:NTD	0.5%	8,610	-

Price risk

- A. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- B. The Company 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 \$1,142 and \$1,271, respectively.

Interest rate risk

The Company'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 \$28,681 and \$21,849, respectively.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties 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 Company's concentration of credit risk, was related to the Company's five largest customers. The average credit period of sales of goods was 30 to 120 days. No interest was charged on trade receivables. The Company 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 Company's major customers is obtained from other publicly available financial information or the Company's own trading records. The Company'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 Company 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 Company'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 Company's customer base. The Company'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 Company 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 <u>past due</u>	Up to <u>30 days</u>	31 to <u>90 days</u>	91 to <u>180 days</u>	181 to <u>270 days</u>	271 to <u>360 days</u>	Over <u>360 days</u>
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 Company's accounts receivable which past due over 31 days were 0.00% and 4.20%, respectively.

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

	2021	2020
January 1	\$ -	\$ 1,587
Amount written off due to uncollectible accounts	-	(1,587)
December 31	\$ -	\$ -

(c) Liquidity risk

- i. The Company Treasury function manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company.
- ii. Company treasury invests surplus cash in interest bearing current accounts, check deposit, 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 Company held money market position of \$7,735 and \$5,861, respectively, that are expected to readily generate cash inflows for managing liquidity risk.

iii. The Company relies on bank loans as a significant source of liquidity, the Company 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	\$ -	\$ 7,386
Secured bank overdraft facility		
Amount unused	<u>1,733,554</u>	<u>237,930</u>
	<u>\$ 1,733,554</u>	<u>\$ 245,316</u>

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

The following table details the Company'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 Company 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 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	\$ 2,218,802	\$ -	\$ -
Accounts payable	619,633	-	-
Other payables	459,511	-	-
Long-term borrowings	463,619	500,980	-
(including current portion)			
Lease liabilities	1,185	1,832	-

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	\$ 1,779,984	\$ -	\$ -
Accounts payable	1,331,525	-	-
Other payables	348,533	-	-
Long-term borrowings	234,561	333,353	-
(including current portion)			
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.

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 Company'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 Company'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>
Financial assets at FVOCI				
Equity securities	\$ -	\$ -	\$ 114,199	\$ 114,199
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>
Financial assets at FVTPL				
Derivative instruments	\$ -	\$ 1,062	\$ -	\$ 1,062
Financial assets at FVOCI				
Equity securities	-	-	127,111	127,111
	\$ -	\$ 1,062	\$ 127,111	\$ 128,173

(b) The methods and assumptions the Company 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 forward 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 balance sheet date.

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

Financial Instruments	Listed shares
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 in the years ended December 31, 2021 and 2020:

	Year ended December 31, 2021 Equity instrument	Year ended December 31, 2020 Equity instrument
At January 1	\$ 127,111	\$ 147,643
Losses recognised in other comprehensive income	(12,912)	(20,532)
At December 31	<u>\$ 114,199</u>	<u>\$ 127,111</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:

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
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
	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
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

I. The Company 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:

			<u>December 31, 2021 Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instruments	Multiple price - book ratio	±1%	<u>\$ 1,142</u>	<u>(\$ 1,142)</u>
			<u>December 31, 2020 Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets				
Equity instruments	Multiple price - book ratio	±1%	<u>\$ 1,078</u>	<u>(\$ 1,078)</u>

(4) Other

The major product of the Company 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 Company 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 Company's operating condition and financial performance based on the Company'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

Not applicable.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand and revolving funds		\$ 308
Cash in banks	Checking Account	2,628
	NTD demand deposit	971
	Foreign currency demand deposits	4,136
	(USD 65 thousand, exchange rate 27.68;	
	RMB 5 thousand, exchange rate 4.344;	
	JPY 9,621 thousand, exchange rate 0.241)	
		<u>\$ 8,043</u>

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF CURRENT FINANCIAL ASSETS AT AMORTIZED COST
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(4).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Non-related parties			
Innolux Corporation	Sales revenue	\$ 634,428	
Sakai Display Products Corporation	Sales revenue	433,908	
Foshan Innolux Optoelectronics Ltd.	Sales revenue	119,657	
Others (The amount of individual client does not exceed 5% of the account balance)	Sales revenue	155,485	
		<u>\$ 1,343,478</u>	
Related parties			
NBCMMT	Sales revenue	\$ 777,813	
CMVT	Sales revenue	9,814	
		<u>\$ 787,627</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$ 1,015,502	\$ 947,708	Measured by lower of cost and net realizable value
Work in process	472,688	494,189	
Finished goods	563,244	502,052	
	2,051,434	\$ 1,943,949	
Less: Allowance of valuation loss	(152,326)		
	\$ 1,899,108		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF NON-CURRENT ASSETS HELD FOR SALE
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(8).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of Ownership	Amount	Unit Price	Total Amount		
CMMTS	13,300	\$1,023,722	-	\$301,144	-	\$ -	13,300	100%	\$1,324,866	101.07	\$1,344,212	No	Note 1
CMMTI	146,500	3,881,286	-	596,166	-	-	146,500	100%	4,477,452	30.56	4,477,452	No	Note 1
CHT	21,100	48,798	-	-	-	(781)	21,100	100%	48,017	2.28	48,017	No	Note 1
CHI	15,187	18,847	-	-	-	(497)	15,187	100%	18,350	1.21	18,350	No	Note 1
CMVT	6,638	66,115	-	-	-	(25,705)	6,638	23%	40,410	6.09	40,410	No	Note 1
		<u>\$5,038,768</u>		<u>\$897,310</u>		<u>(\$26,983)</u>			<u>\$5,909,095</u>		<u>\$5,928,441</u>		
Less: Accumulated impairment		-							(12,352)				
Transfer to non-current assets classified as held for sale		-							(4,477,452)				
		<u>\$5,038,768</u>							<u>\$1,419,291</u>				

Note 1: This is calculated by the invested company's financial statements audited by independent auditors in the same period.

Note 2: Additions (decreases) are recognizing investment gains (losses), unrealized profit from sales, changes in equity of affiliates recognized using the equity method, and exchange differences on translation of foreign financial statements.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Beginning Balance	Addition	Decrease	Transfer	Ending Balance	Collateral	Note
Land	\$ 1,428,543	\$ -	\$ -	\$ -	\$ 1,428,543	Yes	
Building and structures	3,294,627	-	-	-	3,294,627	Yes	
Machinery and equipment	4,655,026	53,008	(100,488)	91,657	4,699,203	Yes	
Office equipment	48,979	-	(1,868)	-	47,111	Yes	
Factory equipment	3,597,731	76,229	(30,955)	4,400	3,647,405	Yes	
Miscellaneous	133,336	17,173	-	(3,000)	147,509	Yes	
Construction in progress and equipment under acceptance	25,105	91,621	-	(13,231)	103,495	No	
	<u>\$ 13,183,347</u>	<u>\$ 238,031</u>	<u>(\$ 133,311)</u>	<u>\$ 79,826</u>	<u>\$ 13,367,893</u>		

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Beginning Balance	Addition	Decrease	Transfer	Ending Balance	Note
Building and structures	\$ 1,535,714	\$ 129,838	\$ -	\$ -	\$ 1,665,552	Note
Machinery and equipment	4,458,596	104,378	(100,362)	150	4,462,762	Note
Office equipment	39,899	3,515	(1,868)	-	41,546	Note
Factory equipment	3,399,277	65,830	(30,955)	-	3,434,152	Note
Miscellaneous	121,238	3,830	-	(150)	124,918	Note
	<u>\$ 9,554,724</u>	<u>\$ 307,391</u>	<u>(\$ 133,185)</u>	<u>\$ -</u>	<u>\$ 9,728,930</u>	

Note: Information about depreciation method and useful life is provided in Note 4(15).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Nature	Description	Ending Balance	Contract Period	Credit Line	Collateral	Note
Secured loan	Taiwan Cooperative Bank	\$ 500,000	2018.05.22~2022.03.31	\$3,281,250	Land, buildings and structures	Note 3
Secured loan	Chang Hwa Commercial Bank	300,000	2019.04.01~2022.03.31	1,075,368	Land, buildings and structures	Note 3
Standby L/C loan	Taiwan Cooperative Bank	441,966	2021.09.13~2022.04.27	3,281,250	Land, buildings and structures	
Standby L/C loan	Chang Hwa Commercial Bank	105,312	2021.09.13~2022.05.20	1,075,368	Land, buildings and structures	
Standby L/C loan	Mega international Commercial Bank	280,286	2021.09.06~2022.04.23	424,627	Land, buildings and structures	
Standby L/C loan	Mega international Commercial Bank	20,454	2019.02.27~2022.03.31	424,627	Land, buildings and structures	Note 3
Standby L/C loan	Bank of Taiwan	317,731	2018.12.04~2022.03.31	317,731	Land, buildings and structures	Note 3
Standby L/C loan	Taiwan Business Bank	125,765	2018.12.06~2022.03.31	125,765	Land, buildings and structures	Note 3
Standby L/C loan	Hua Nan Commercial Bank	51,098	2019.01.11~2022.03.31	51,098	Land, buildings and structures	Note 3
Standby L/C loan	Land Bank of Taiwan	35,943	2018.12.14~2022.03.31	35,943	Land, buildings and structures	Note 3
Standby L/C loan	The Shanghai Commercial and Savings Bank	26,451	2019.01.15~2022.03.31	32,880	Land, buildings and structures	Note 3
OA foreign currency loan	The Shanghai Commercial and Savings Bank	6,429	2019.01.10~2022.03.31	32,880	Land, buildings and structures	Note 3
		<u>\$ 2,211,435</u>				

Note 1: The interest rate is 0.54%~3.70%.

Note 2: The loan commitments of the same bank is a common quota.

Note 3: The Company started a debt negotiation meeting with Taiwan Cooperative Bank and other financial institutions. The resolutions of the meeting are that the principal repayment is extended for one year (until the end of March 2022).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2021

(Expressed in thousands of New Taiwan dollars)

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
FUJIFILM CORPORATION	Purchase	\$113,489	
MARUBENI PLAX CORPORATION	Purchase	86,307	
DAI NIPPON PRINTING CO., LTD.	Purchase	65,330	
KURARAY TRADING CO.,LTD.	Purchase	58,778	
LG Chem, Ltd.	Purchase	44,750	
Soken Chemical & Engineering Co., Ltd.	Purchase	35,529	
TOPPAN TOMOEGAWA OPTICAL FILMS CO., LTD.	Purchase	31,885	
Mitsubishi Chemical Corporation	Purchase	28,049	
Others (The amount of individual vendor does not exceed 5% of the account balance)	Purchase	89,945	
		<u>\$554,062</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(13).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Creditor	Description	Amount	Contract Period	Rate	Collateral	Note
Chang Hwa Commercial Bank	Secured loan	\$200,000	2018.12.17~2022.03.31	2.57%	Land, buildings and structures	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.
Taiwan Cooperative Bank	Secured loan	281,250	2020.09.08~2025.09.08	2.57%	Land, buildings and structures	Repayable monthly on interest from September 8, 2020, repayable from September 8 ,2021 to September 8, 2025.
Chang Hwa Commercial Bank	Secured loan	175,368	2020.09.30~2025.09.30	2.57%	Land, buildings and structures	Repayable monthly on interest from September 30, 2020, repayable from September 30 ,2021 to February 4, 2026.
FCB Leasing Co., LTD.	Financing from sales with buyback agreements	36,667	2021.04.27~2023.04.27	3.02%	Machinery	Repayable from April 27, 2021 to April 27, 2023.
IBT Leasing Co., LTD.	Financing from sales with buyback agreements	64,167	2021.09.28~2024.09.28	2.91%	Machinery, factory and miscellaneous equipment	Repayable from September 28, 2021 to September 28, 2024.
ROBINA FINANCE & LEASING CORP.	Financing from sales with buyback agreements	60,000	2021.12.10~2023.06.10	2.71%	Machinery, factory and office equipment	Repayable from December 10, 2021 to June 10, 2023.
Hotai Finance Co., LTD.	Financing from sales with buyback agreements	61,278	2021.10.28~2024.09.28	2.76%	Machinery, factory, office and miscellaneous equipment	Repayable from October 28, 2021 to September 28, 2024.
Taichung Bank Leasing Co., LTD.	Financing from sales with buyback agreements	47,137	2021.10.28~2024.09.28	2.76%	Machinery, factory, office and miscellaneous equipment	Repayable from October 28, 2021 to September 28, 2024.
		925,867				
Less: Current portion		(448,456)				
		<u>\$477,411</u>				

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(20).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF COST OF SALES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Raw materials, beginning of year	\$ 1,162,067
Add: Purchase in the period	7,780,904
Transferred from work in process	76,623
Less: Transferred to expenses	(374,134)
Sales of raw materials	(24,094)
Scrapping of raw materials	(12,596)
Raw materials, end of year	(1,015,502)
Consumption of raw materials	7,593,268
Direct Labor	465,936
Manufacturing expenses	1,777,942
Manufacturing cost	9,837,146
Work in process, beginning of year	519,708
Add: Transferred from finished goods	151,903
Less: Transferred to raw materials	(76,623)
Transferred to expenses	(18,334)
Scrapping of work in process	(1,944)
Sales of work in process	(251)
Work in process, end of year	(472,688)
Cost of finished goods	9,938,917
Finished goods, beginning of year	478,125
Add: Purchase in the period	32,800
Less: Transferred to work in process	(151,903)
Scrapping of finished goods	(628)
Transferred to expenses	(3,506)
Finished goods, end of year	(563,244)
Cost of goods manufactured and sold	9,730,561
Other operating cost - sale of raw materials	24,094
Other operating cost - sale of work in process	251
Revenue from sale of scraps	(58,230)
Loss on inventory write-down	15,222
Loss on disposal of inventories	15,168
Cost of sales	\$ 9,727,066

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Indirect material		\$ 344,594	
Depreciation expense		288,021	
Wages and salaries		223,636	
Utilities expense		187,016	
Amortizations		131,695	
Others (minor amount less than 5%)		602,980	
		<u>\$ 1,777,942</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Export expenses		\$ 68,765	
Wages and salaries		39,021	
Insurance expenses		12,672	
Freight expenses		11,472	
Others (minor amount less than 5%)		20,676	
		<u>\$ 152,606</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Wages and salaries		\$ 115,398	
Service fee		46,617	
Others (minor amount less than 5%)		74,844	
		<u>\$ 236,859</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount	Note
Test and research expense		\$ 81,291	
Wages and salaries		69,736	
Depreciation expense		14,207	
Utilities expense		13,248	
Others (minor amount less than 5%)		32,731	
		<u>\$ 211,213</u>	

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
STATEMENT OF FINANCE COOST
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(24).

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Function Nature	Year ended December 31, 2021			Year ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense	\$ 813,573	\$ 253,060	\$ 1,066,633	\$ 742,897	\$ 181,161	\$ 924,058
Wages and salaries	651,852	196,055	847,907	595,912	147,846	743,758
Labour and health insurance fees	62,930	14,281	77,211	59,221	10,992	70,213
Pension costs	27,802	8,585	36,387	28,568	7,383	35,951
Restricted stocks to employees	9,918	12,717	22,635			
Directors' remuneration	-	6,798	6,798	-	6,010	6,010
Other personnel expenses	61,071	14,624	75,695	59,196	8,930	68,126
Depreciation Expense	288,021	19,865	307,886	311,535	12,070	323,605
Amortisation Expense	954	9,197	10,151	547	6,325	6,872

Note 1: As at December 31, 2021 and 2020, the Company had 1,099 and 1,102 employees, including 8 and 4 non-employee directors, respectively.

Note 2: (1) The average employee benefit expense in the current year and prior year were \$971 and \$836, respectively.

(2) The average employee wages and salaries in the current year and prior year were \$777 and \$677, respectively.

(3) Changes in adjustments on average wages and salaries was 14.77%.

Note 3: The Company has set up audit committee to replace the supervisor in accordance with the regulations, therefore the supervisor's remuneration has not been recognised.

CHENG MEI MATERIALS TECHNOLOGY CORPORATION
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
(Cont.)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Note 4: The Company's remuneration policies:

Directors' remuneration is comprised of reward and remuneration. Reward of directors is determined based on the Company's assumption of risk, market standard and operating requirement. Remuneration of directors shall be distributed no higher than 1% based on Article 25 of the Company's Articles of Incorporation. Managers' remuneration is paid based on the internal salary policy which referred to external reports of salary adjustment, the Company's operating performance, internal hierarchy and market pay level. The determination of individual remuneration was taken into consideration job responsibility, operating contribution and comprehensive resources. The Company also made remuneration and performance assessment policies.

Cheng Mei Materials Technology Corporation

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
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

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

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

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
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

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

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

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

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.