

Asia Optical Co., Inc.

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**



INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Asia Optical Co., Inc.

Opinion

We have audited the accompanying financial statements of Asia Optical Co., Inc. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and 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 of 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 auditing standards generally accepted 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 Accountant 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 judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the financial statements for the year ended December 31, 2021 is as follows:

Sales Recognition

The Company's sales are primarily generated by the optical component segment. The overall sales revenue of the Company increased due to the slowing down of the pandemic, the proportion of sales generated from the optical component segment accounted for a major share of total sales, and the sales to particular customers have increased substantially. Therefore, we identified the recognition of sales from these particular customers as a key audit matter, refer to Notes 4 and 19.

We obtained an understanding and tested the internal controls of the Company in relation to recognition of sales. We also performed the following audit procedures:

1. We selected sample transactions from sales and tested the operating effectiveness of relevant key controls.
2. We selected the samples of sales from particular customers with significant sales growth and checked them against purchase orders and related documents such as bills of lading and revenue records.

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 auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment 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 and appropriate audit evidence regarding the financial information of 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 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 for the year ended December 31, 2021 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.

The engagement partners on the audits resulting in this independent auditors' report are Lie-Dong Wu and Ting-Chien Su.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

ASIA OPTICAL CO., INC.

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021		2020	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,347,304	8	\$ 920,342	6
Notes receivable from unrelated parties (Notes 4 and 19)	567	-	366	-
Trade receivables from unrelated parties (Notes 4, 8 and 19)	340,905	2	195,610	1
Trade receivables from related parties (Notes 4, 19 and 27)	58,907	1	66,525	1
Inventories (Notes 4, 5 and 9)	185,517	1	99,556	1
Other financial assets - current (Notes 4 and 27)	14,779	-	10,235	-
Other current assets (Note 27)	15,085	-	27,020	-
Total current assets	1,963,064	12	1,319,654	9
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	47,316	-	30,771	-
Investments accounted for using the equity method (Notes 4 and 10)	13,410,900	82	12,334,522	85
Property, plant and equipment (Notes 4 and 11)	663,472	4	491,947	3
Right-of-use assets (Notes 4 and 12)	26,679	-	10,999	-
Investment properties (Notes 4 and 13)	119,499	1	122,977	1
Other intangible assets (Notes 4 and 14)	53,207	1	12,591	-
Deferred tax assets (Notes 4 and 21)	2,563	-	16,105	-
Prepayments for equipment	36,528	-	1,784	-
Refundable deposits	6,009	-	5,524	-
Other financial assets - non-current (Notes 4 and 15)	41,492	-	239,943	2
Total non-current assets	14,407,665	88	13,267,163	91
TOTAL	\$ 16,370,729	100	\$ 14,586,817	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities - current (Notes 4, 19 and 27)	\$ 419,728	3	\$ 175,398	1
Notes payable	298	-	2,696	-
Trade payables to unrelated parties	68,884	-	32,475	-
Trade payables to related parties (Note 27)	2,273,200	14	1,983,745	14
Other payables to unrelated parties (Note 16)	576,661	3	358,750	3
Other payables to related parties (Note 27)	617,151	4	621,561	4
Current tax liabilities (Notes 4 and 21)	11,530	-	10,321	-
Lease liabilities - current (Notes 4 and 12)	10,243	-	4,441	-
Other current liabilities	1,857	-	1,646	-
Total current liabilities	3,979,552	24	3,191,033	22
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	52,129	1	37,059	-
Lease liabilities - non-current (Notes 4 and 12)	15,942	-	3,757	-
Net defined benefit liabilities (Notes 4 and 17)	132,247	1	127,188	1
Investment accounted for using the equity method - credit (Notes 4 and 10)	40,325	-	29,623	-
Total non-current liabilities	240,643	2	197,627	1
Total liabilities	4,220,195	26	3,388,660	23
EQUITY ATTRIBUTABLE TO WONERS OF THE COMPANY				
Ordinary shares	2,810,839	17	2,810,839	19
Capital surplus	5,399,840	33	5,681,023	39
Retained earnings				
Legal reserve	1,891,790	12	1,853,995	13
Special reserve	830,448	5	471,537	3
Unappropriated earnings	2,296,940	14	1,205,414	8
Other equity	(1,079,323)	(7)	(824,651)	(5)
Total equity	12,150,534	74	11,198,157	77
TOTAL	\$ 16,370,729	100	\$ 14,586,817	100

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

ASIA OPTICAL CO., INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
SALES (Notes 4, 19 and 27)	\$ 2,350,293	100	\$ 1,658,100	100
COST OF GOODS SOLD (Notes 9, 17, 20 and 27)	<u>1,839,850</u>	<u>78</u>	<u>1,262,811</u>	<u>76</u>
GROSS PROFIT	<u>510,443</u>	<u>22</u>	<u>395,289</u>	<u>24</u>
OPERATING EXPENSES (Notes 17 and 20)				
Selling and marketing expenses	29,332	2	21,294	1
General and administrative expenses	282,793	12	240,774	15
Research and development expenses	496,742	21	332,149	20
Expected credit loss (gain) (Notes 4 and 8)	<u>1,784</u>	<u>-</u>	<u>(5,862)</u>	<u>-</u>
Total operating expenses	<u>810,651</u>	<u>35</u>	<u>588,355</u>	<u>36</u>
LOSS FROM OPERATIONS	<u>(300,208)</u>	<u>(13)</u>	<u>(193,066)</u>	<u>(12)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs	(269)	-	(185)	-
Share of profit of subsidiaries (Notes 4 and 10)	1,704,741	73	501,279	30
Interest income (Note 4)	2,922	-	3,146	-
Rental income (Note 27)	9,146	-	9,173	1
Other income (Notes 4 and 27)	67,807	3	102,165	6
Foreign exchange gain, net (Note 4)	31,222	1	45,598	3
Net gain (loss) on fair value change of financial assets mandatorily classified at FVTPL (Note 4)	19,062	1	(21,865)	(1)
Other expenses	<u>(2)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>
Total non-operating income	<u>1,834,629</u>	<u>78</u>	<u>639,219</u>	<u>39</u>
PROFIT BEFORE INCOME TAX	1,534,421	65	446,153	27
INCOME TAX EXPENSE (Notes 4 and 21)	<u>33,633</u>	<u>1</u>	<u>49,289</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,500,788</u>	<u>64</u>	<u>396,864</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	(14,774)	(1)	(16,022)	(1)
Share of other comprehensive income of subsidiaries accounted for using the equity method	<u>2,218</u>	<u>-</u>	<u>(2,889)</u>	<u>-</u>
	<u>(12,556)</u>	<u>(1)</u>	<u>(18,911)</u>	<u>(1)</u>

(Continued)

ASIA OPTICAL CO., INC.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (254,672)	(11)	\$ (358,911)	(22)
Other comprehensive loss for the year, net of income tax	(267,228)	(12)	(377,822)	(23)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,233,560	52	\$ 19,042	1
EARNINGS PER SHARE (Note 22)				
Basic	\$ 5.34		\$ 1.41	
Diluted	\$ 5.28		\$ 1.40	

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

(Concluded)

ASIA OPTICAL CO., INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

			Retained Earnings (Notes 4, 17, 18 and 21)			Other Equity (Note 4) Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Ordinary Shares (Note 18)	Capital Surplus (Notes 4 and 18)	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE AT JANUARY 1, 2020	\$ 2,810,839	\$ 5,758,633	\$ 1,758,120	\$ 125,291	\$ 1,761,479	\$ (465,740)	\$ 11,748,622
Appropriation of 2019 earnings							
Legal reserve	-	-	95,875	-	(95,875)	-	-
Special reserve	-	-	-	346,246	(346,246)	-	-
Cash dividends, NT\$1.75 per share	-	-	-	-	(491,897)	-	(491,897)
Issuance of share dividends from capital surplus, NT\$0.25 per share	-	(70,271)	-	-	-	-	(70,271)
Net profit for the year ended December 31, 2020	-	-	-	-	396,864	-	396,864
Other comprehensive loss for the year ended December 31, 2020, net of income tax	-	-	-	-	(18,911)	(358,911)	(377,822)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	377,953	(358,911)	19,042
Change in ownership interests in subsidiaries	-	(7,339)	-	-	-	-	(7,339)
BALANCE AT DECEMBER 31, 2020	2,810,839	5,681,023	1,853,995	471,537	1,205,414	(824,651)	11,198,157
Appropriation of 2020 earnings							
Legal reserve	-	-	37,795	-	(37,795)	-	-
Special reserve	-	-	-	358,911	(358,911)	-	-
Issuance of share dividends from capital surplus, NT\$1 per share	-	(281,084)	-	-	-	-	(281,084)
Net profit for the year ended December 31, 2021	-	-	-	-	1,500,788	-	1,500,788
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(12,556)	(254,672)	(267,228)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,488,232	(254,672)	1,233,560
Change in ownership interests in subsidiaries	-	(99)	-	-	-	-	(99)
BALANCE AT DECEMBER 31, 2021	\$ 2,810,839	\$ 5,399,840	\$ 1,891,790	\$ 830,448	\$ 2,296,940	\$ (1,079,323)	\$ 12,150,534

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

ASIA OPTICAL CO., INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,534,421	\$ 446,153
Adjustments for:		
Depreciation expense	50,799	52,506
Amortization expense	11,524	3,245
Expected credit loss (gain)	1,784	(5,862)
Net loss (gain) on fair value change of financial assets mandatorily classified at fair value through profit or loss	(19,062)	21,865
Finance costs	269	185
Interest income	(2,922)	(3,146)
Share of profit of subsidiaries	(1,704,741)	(501,279)
Impairment loss on non-financial assets (reversed)	778	(1,897)
Net gain on foreign currency exchange	(117,457)	(125,114)
Net changes in operating assets and liabilities:		
Notes receivable	(201)	(366)
Trade receivables	(141,013)	5,404
Inventories	(86,739)	(4,609)
Other current assets	11,935	(2,065)
Other financial assets	(4,365)	4,755
Contract liabilities	244,330	24,542
Notes payable	(2,398)	(6)
Trade payables	439,190	732,023
Other payables	221,449	(3,143)
Other current liabilities	211	134
Net defined benefit liabilities	(9,715)	(8,003)
Cash generated from operations	428,077	635,322
Interest received	2,922	3,146
Interest paid	(269)	(185)
Income tax paid	(3,812)	(33,741)
Net cash generated from operating activities	426,918	604,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(6,959)	-
Proceeds from sale of financial assets at fair value through profit or loss	9,476	-
Acquisitions of equity interest in subsidiary	(133,172)	(155,345)
Proceeds from return of capital investments accounted for using the equity method	-	65,703
Payments for property, plant and equipment	(206,830)	(23,144)
Decrease (increase) in refundable deposits	(485)	31
Payments for intangible assets	(52,140)	(10,980)
Decrease (increase) in other financial assets	198,451	(239,943)
		(Continued)

ASIA OPTICAL CO., INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in prepayments for equipment	\$ (38,026)	\$ (5,147)
Dividends received	<u>519,505</u>	<u>750,909</u>
Net cash generated from investing activities	<u>\$ 289,820</u>	<u>\$ 382,084</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(8,692)	(12,209)
Dividends paid to owners of the Company	<u>(281,084)</u>	<u>(562,168)</u>
Net cash used in financing activities	<u>(289,776)</u>	<u>(574,377)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	426,962	412,249
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>920,342</u>	<u>508,093</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,347,304</u>	<u>\$ 920,342</u>

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

(Concluded)

ASIA OPTICAL CO., INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Asia Optical Co., Inc. (“Asia Optical” or the “Company”) was incorporated in the Republic of China (ROC) in October 1980 according to the Company Law of the ROC. The Company mainly manufactures, processes and sells cameras, riflescopes, photocopier lens, scanner lens and optical components.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since August 2002.

The financial statements of the Company are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 25, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17-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 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and share of other comprehensive income of subsidiaries in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before The financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company (including subsidiaries and associates in other countries that use currency different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to Company similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date. Inventories are recorded at standard cost and adjusted to weighted-average cost on the balance sheet date.

f. Investment in subsidiaries

The Company uses the equity method to account for its investment in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investments accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company discontinues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant, and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset, investment property and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets, investment property and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade and notes receivables at amortized cost, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 365 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods comes from sales of optical components. Sales of such goods are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract liabilities are reclassified to trade receivables when the remaining obligations are performed.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments from operating lease is recognized on a straight-line basis over the term of the lease.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of a contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty - Write-down of Inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value was based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 384	\$ 628
Checking accounts and demand deposits	671,800	390,234
Cash equivalent (investment with original maturities of less than three months)		
Time deposits	<u>675,120</u>	<u>529,480</u>
	<u>\$ 1,347,304</u>	<u>\$ 920,342</u>
Market rate intervals of cash in bank (%)	0.01-0.52	0.01-0.4

7. FINANCIAL ASSETS AT FVTPL - NON-CURRENT

	December 31	
	2021	2020
<u>Financial assets - non-current</u>		
Unlisted shares		
OTO Brite Electronics Inc. ("OTO Brite")	<u>\$ 47,316</u>	<u>\$ 30,771</u>

8. TRADE RECEIVABLES FROM UNRELATED PARTIES

	December 31	
	2021	2020
At amortized cost		
Gross carrying amount	\$ 345,720	\$ 198,641
Less: Allowance for impairment loss	<u>(4,815)</u>	<u>(3,031)</u>
	<u>\$ 340,905</u>	<u>\$ 195,610</u>

The average credit period of sales of goods is 30 to 180 days. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and reviewed by the management annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due days from the invoice date is not further distinguished according to the Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables:

	Less than 90 days	91 to 120 Days	121 to 150 Days	151 to 180 Days	181 to 210 Days	Over 211 Days	Total
<u>December 31, 2021</u>							
Expected credit loss rate (%)	0.33	5.56	23.91	32.63	68.80	76.89-100	
Gross carrying amount	\$ 319,531	\$ 20,519	\$ 3,330	\$ 25	\$ 1,607	\$ 708	\$ 345,720
Loss allowance (Lifetime ECLs)	<u>(1,088)</u>	<u>(1,141)</u>	<u>(796)</u>	<u>(8)</u>	<u>(1,106)</u>	<u>(676)</u>	<u>(4,815)</u>
Amortized cost	<u>\$ 318,443</u>	<u>\$ 19,378</u>	<u>\$ 2,534</u>	<u>\$ 17</u>	<u>\$ 501</u>	<u>\$ 32</u>	<u>\$ 340,905</u>
<u>December 31, 2020</u>							
Expected credit loss rate (%)	1	3	10	30	30	100	
Gross carrying amount	\$ 187,189	\$ 9,904	\$ 186	\$ 451	\$ 316	\$ 595	\$ 198,641
Loss allowance (Lifetime ECLs)	<u>(1,890)</u>	<u>(297)</u>	<u>(19)</u>	<u>(135)</u>	<u>(95)</u>	<u>(595)</u>	<u>(3,031)</u>
Amortized cost	<u>\$ 185,299</u>	<u>\$ 9,607</u>	<u>\$ 167</u>	<u>\$ 316</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 195,610</u>

The movements of the loss allowance of trade receivables were as follows:

	December 31	
	2021	2020
Balance at January 1	\$ 3,031	\$ 8,893
Add (less): Net remeasurement of loss allowance	<u>1,784</u>	<u>(5,862)</u>
Balance at December 31	<u>\$ 4,815</u>	<u>\$ 3,031</u>

9. INVENTORIES

	December 31	
	2021	2020
Raw materials	\$ 103,056	\$ 51,547
Work in progress	73,370	44,701
Finished goods	<u>9,091</u>	<u>3,308</u>
	<u>\$ 185,517</u>	<u>\$ 99,556</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2021	2020
Cost of inventories sold	\$ 1,839,072	\$ 1,264,708
Inventory write-downs (reversed)	<u>778</u>	<u>(1,897)</u>
	<u>\$ 1,839,850</u>	<u>\$ 1,262,811</u>

Inventory write-downs were reversed as a result of increased selling prices in certain markets.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD - CREDIT

	December 31			
	2021		2020	
Investee	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Investments accounted for using the equity method</u>				
Asia Optical International Ltd. ("Asia International")	\$ 10,797,253	100	\$ 10,243,806	100
Powerlink Electronic International (Cayman) Ltd. ("Powerlink Cayman")	1,114,640	100	1,104,134	100

(Continued)

Investee	December 31			
	2021		2020	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
<u>Investments accounted for using the equity method</u>				
Asia Tech Image, Inc. (“Asia Tech”)	\$ 715,160	26	\$ 678,137	26
Richman International Group Co., Ltd. (“Richman”)	187,103	100	180,398	100
Taiwan Top Optical Co., Ltd. (“Taiwan Top”)	110,168	93	97,377	93
Dong-Guan Tailien Optical Co., Ltd. (“Dong-Guan Tailien”)	39,312	17	30,670	17
AOE Optronics Co., Ltd. (“AOE Optronics”)	<u>447,264</u>	95	<u>-</u>	-
	<u>\$13,410,900</u>		<u>\$12,334,522</u>	
<u>Investments accounted for using the equity method - credit</u>				
Powerlink Electronic International Ltd. (“Powerlink”)	\$ 40,325	100	\$ 28,821	100
AOE Optronics Co., Ltd.	<u>-</u>	-	<u>802</u>	95
	<u>\$ 40,325</u>		<u>\$ 29,623</u>	

(Concluded)

The board of directors of Richman resolved to return capital in the amount of US\$2,200 thousand in March 2020.

Shareholders of AOE Optronics resolved a capital reduction to offset deficit in May 2020. The base date of capital reduction was on May 29, 2020.

In March 2021 and March 2020, AOE Optronics’s board of directors resolved to issue new shares. The subscription date was on July 20, 2021 and June 30, 2020, respectively. The Company subscribed for additional new shares of AOE Optronics at a percentage different from its existing ownership percentage, thereby increasing its continuing interest from 94.90% to 95.47% and from 83.61% to 94.90%, respectively.

The investments accounted for using the equity method and the share of profit or loss of the subsidiaries were based on the financial statements audited by the auditors for the same years.

11. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2021					
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 253,936	\$ -	\$ -	\$ -	\$ 253,936
Buildings	244,789	835	(9,310)	6,128	242,442
Machinery and equipment	149,331	188,549	(1,381)	1,140	337,639
Other equipment	18,297	8,144	(698)	2,315	28,058
Construction in progress	468	7,037	-	(6,301)	1,204
	<u>666,821</u>	<u>\$ 204,565</u>	<u>\$ (11,389)</u>	<u>\$ 3,282</u>	<u>863,279</u>
<u>Accumulated depreciation</u>					
Buildings	105,935	\$ 6,528	\$ (9,310)	\$ -	103,153
Machinery and equipment	62,231	25,550	(1,381)	-	86,400
Other equipment	6,708	4,244	(698)	-	10,254
	<u>174,874</u>	<u>\$ 36,322</u>	<u>\$ (11,389)</u>	<u>\$ -</u>	<u>199,807</u>
	<u>\$ 491,947</u>				<u>\$ 663,472</u>
For the Year Ended December 31, 2020					
	Balance, Beginning of Year	Additions	Decrease	Reclassification	Balance, End of Year
<u>Cost</u>					
Land	\$ 253,936	\$ -	\$ -	\$ -	\$ 253,936
Buildings	242,027	594	(176)	2,344	244,789
Machinery and equipment	216,407	16,059	(93,103)	9,968	149,331
Other equipment	16,187	2,472	(1,226)	864	18,297
Construction in progress	2,020	826	-	(2,378)	468
	<u>730,577</u>	<u>\$ 19,951</u>	<u>\$ (94,505)</u>	<u>\$ 10,798</u>	<u>666,821</u>
<u>Accumulated depreciation</u>					
Buildings	99,729	\$ 6,382	\$ (176)	\$ -	105,935
Machinery and equipment	128,196	27,138	(93,103)	-	62,231
Other equipment	4,647	3,287	(1,226)	-	6,708
	<u>232,572</u>	<u>\$ 36,807</u>	<u>\$ (94,505)</u>	<u>\$ -</u>	<u>174,874</u>
	<u>\$ 498,005</u>				<u>\$ 491,947</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	25-50 years
Others	2-20 years
Machinery and equipment	2-12 years
Other equipment	2-35 years

12. LEASE ARRANGEMENTS

a. Right-of-use assets

For the Year Ended December 31, 2021				
	Balance, Beginning of Year	Addition	Decrease	Balance, End of Year
<u>Cost</u>				
Land	\$ 7,034	\$ -	\$ -	\$ 7,034
Buildings	20,972	27,261	(20,259)	27,974
Other equipment	865	433	-	1,298
	<u>28,871</u>	<u>\$ 27,694</u>	<u>\$ (20,259)</u>	<u>36,306</u>
<u>Accumulated Depreciation</u>				
Land	2,084	\$ 1,675	\$ -	3,759
Buildings	15,601	8,935	(19,244)	5,292
Other equipment	187	389	-	576
	<u>17,872</u>	<u>\$ 10,999</u>	<u>\$ (19,244)</u>	<u>9,627</u>
	<u>\$ 10,999</u>			<u>\$ 26,679</u>
For the Year Ended December 31, 2020				
	Balance, Beginning of Year	Addition	Decrease	Balance, End of Year
<u>Cost</u>				
Land	\$ 5,145	\$ 3,205	\$ (1,316)	\$ 7,034
Buildings	21,262	2,235	(2,525)	20,972
Other equipment	1,298	-	(433)	865
	<u>27,705</u>	<u>\$ 5,440</u>	<u>\$ (4,274)</u>	<u>28,871</u>
<u>Accumulated Depreciation</u>				
Land	1,706	\$ 1,694	\$ (1,316)	2,084
Buildings	7,531	10,139	(2,069)	15,601
Other equipment	231	389	(433)	187
	<u>9,468</u>	<u>\$ 12,222</u>	<u>\$ (3,818)</u>	<u>17,872</u>
	<u>\$ 18,237</u>			<u>\$ 10,999</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 10,243</u>	<u>\$ 4,441</u>
Non-current	<u>\$ 15,942</u>	<u>\$ 3,757</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	2%	2%
Buildings	2%	2%
Other equipment	2%	2%

c. Material lease-in activities and terms

The Company leases lands and buildings for the use of plants and offices with lease terms of 2 to 20 years. The lease contracts for land located in the ROC's export processing zone specify that lease payments will be adjusted in the next month after change in land value prices is announced. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases	\$ 767	\$ 1,233
Total cash outflow for leases	<u>\$ 9,728</u>	<u>\$ 13,627</u>

13. INVESTMENT PROPERTIES

	Balance, Beginning of Year	Additions	Balance, End of Year
<u>For the Year Ended December 31, 2021</u>			
Cost	\$ 175,684	\$ -	\$ 175,684
Accumulated depreciation	<u>(52,707)</u>	<u>\$ (3,478)</u>	<u>(56,185)</u>
	<u>\$ 122,977</u>		<u>\$ 119,499</u>
<u>For the Year Ended December 31, 2020</u>			
Cost	\$ 175,684	\$ -	\$ 175,684
Accumulated depreciation	<u>(49,230)</u>	<u>\$ (3,477)</u>	<u>(52,707)</u>
	<u>\$ 126,454</u>		<u>\$ 122,977</u>

The investment properties are depreciated using the straight-line method over 40-50 years.

The market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Company determined that the fair value of the investment property is not reliably measurable.

14. OTHER INTANGIBLE ASSETS

	December 31	
	2021	2020
Balance, beginning of year	\$ 12,591	\$ 4,856
Additions	52,140	10,980
Amortizations	<u>(11,524)</u>	<u>(3,245)</u>
Balance, end of year	<u>\$ 53,207</u>	<u>\$ 12,591</u>

The computer software is amortized on a straight-line basis over 1 to 8 years.

15. OTHER ASSETS - NON-CURRENT

	December 31	
	2021	2020
Restricted deposit	<u>\$ 41,492</u>	<u>\$ 239,943</u>

The Company repatriated US\$10,000 thousand under The Management, Utilization, and Taxation of Repatriated Offshore Funds Act by National Taxation Bureau, Ministry of Finance (MOF) and submitted an investment plan to the Ministry of Economic Affairs under the Regulations on Industries Investment from Repatriated Offshore Funds for approval. The Company withdraws the fund for investment according to the schedule of the approved plan. The fund cannot be used for purposes other than those specified and shall be subject to 20% tax.

16. OTHER PAYABLES TO UNRELATED PARTIES

	December 31	
	2021	2020
Compensation of employees and remuneration of directors	\$ 297,100	\$ 91,350
Salaries and rewards	201,369	197,179
Payables for consumables, supplies and packing charges	24,490	14,746
Payables for annual leave	24,017	22,336
Others	<u>29,685</u>	<u>33,139</u>
	<u>\$ 576,661</u>	<u>\$ 358,750</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plans under the Labor Pension Act (LPA) which is a state-managed defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plan

The Company adopted the defined benefit plan under the Labor Standards Act, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Companies contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 242,160	\$ 231,832
Fair value of plan assets	<u>(109,913)</u>	<u>(104,644)</u>
Net defined benefit liability	<u>\$ 132,247</u>	<u>\$ 127,188</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2021	<u>\$ 231,832</u>	<u>\$ (104,644)</u>	<u>\$ 127,188</u>
Service cost			
Current service cost	504	-	504
Effect of transfer	(1,509)	-	(1,509)
Net interest expense (income)	<u>1,159</u>	<u>(543)</u>	<u>616</u>
Recognized in profit or loss	<u>154</u>	<u>(543)</u>	<u>(389)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,301)	(1,301)
Actuarial loss - changes in demographic assumptions	6,639	-	6,639
Actuarial loss - experience adjustments	<u>9,436</u>	<u>-</u>	<u>9,436</u>
Recognized in other comprehensive income	<u>16,075</u>	<u>(1,301)</u>	<u>14,774</u>
Contributions from the employer	-	(8,775)	(8,775)
Paid from plan assets	(5,350)	5,350	-
Paid by the Company	<u>(551)</u>	<u>-</u>	<u>(551)</u>
Balance at December 31, 2021	<u>\$ 242,160</u>	<u>\$ (109,913)</u>	<u>\$ 132,247</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2020	<u>\$ 212,900</u>	<u>\$ (93,731)</u>	<u>\$ 119,169</u>
Service cost			
Current service cost	4,966	-	4,966
Net interest expense (income)	<u>1,597</u>	<u>(734)</u>	<u>863</u>
Recognized in profit or loss	<u>6,563</u>	<u>(734)</u>	<u>5,829</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,199)	(3,199)
Actuarial loss - changes in demographic assumptions	3,453	-	3,453
Actuarial loss - changes in financial assumptions	9,839	-	9,839
Actuarial loss - experience adjustments	<u>5,929</u>	<u>-</u>	<u>5,929</u>
Recognized in other comprehensive income	<u>19,221</u>	<u>(3,199)</u>	<u>16,022</u>
Contributions from the employer	-	(13,669)	(13,669)
Paid from plan assets	(6,689)	6,689	-
Paid by the Company	<u>(163)</u>	<u>-</u>	<u>(163)</u>
Balance at December 31, 2020	<u>\$ 231,832</u>	<u>\$ (104,644)</u>	<u>\$ 127,188</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2021	2020
Operating costs	\$ 308	\$ 571
Selling and marketing expenses	19	43
General and administrative expenses	(1,086)	4,462
Research and development expenses	<u>370</u>	<u>753</u>
	<u>\$ (389)</u>	<u>\$ 5,829</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate(s)	0.5%	0.5%
Expected rate(s) of salary increase	2.25%	2.25%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate(s)		
0.25% increase	\$ (6,498)	\$ (6,515)
0.25% decrease	\$ 6,757	\$ 6,782
Expected rate(s) of salary increase		
0.25% increase	\$ 6,531	\$ 6,555
0.25% decrease	\$ (6,316)	\$ (6,332)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
The expected contributions to the plan for the next year	\$ 9,202	\$ 8,040
The average duration of the defined benefit obligation	10.9 years	11 years

18. EQUITY

a. Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands)	313,000	313,000
Shares authorized	\$ 3,130,000	\$ 3,130,000
Number of shares issued and fully paid (in thousands)	281,084	281,084
Shares issued	\$ 2,810,839	\$ 2,810,839

b. Capital surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 433,676	\$ 714,760
Recognized from conversion of bonds	4,691,598	4,691,598
<u>May be used to offset a deficit only (2)</u>		
Recognized from changes in ownership interest in subsidiaries	72,003	72,102
Recognized from interest payable compensation of convertible bonds	74,833	74,833
Others (options expired)	<u>127,730</u>	<u>127,730</u>
	<u>\$ 5,399,840</u>	<u>\$ 5,681,023</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital, limited to a certain percentage of the Company's capital surplus and once a year.
- 2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors refer to Note 20.

Under the Company Law of the ROC and the Company's Articles of Incorporation, in deciding its stock dividend policy, the Company should consider that it is currently expanding and has a great demand for capital. Thus, for a stable dividend policy, the board of directors should take into account the results of operations, financial position and capital demand of the Company when deciding the type of dividends (cash or shares) to be distributed. Total dividends paid should be less than 90% of retained earnings available for appropriation, and the cash dividends must be more than 10% of total dividends paid.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

In July 2021 and June 2020, the shareholders in their meetings approved the appropriations of earnings for 2020 and 2019, respectively, as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2020	2019	2020	2019
Legal reserve	\$ 37,795	\$ 95,875		
Special reserve	358,911	346,246		
Cash dividends	-	491,897	\$ -	\$ 1.75
Cash dividends appropriated from capital surplus	281,084	70,271	<u>1.00</u>	<u>0.25</u>
			<u>\$ 1.00</u>	<u>\$ 2.00</u>

The appropriations of earnings for 2021 were proposed by the Company's board of directors in March, 2022. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 148,823	
Special reserve	254,672	
Cash dividends	1,040,010	<u>\$ 3.70</u>

The appropriations of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held in June 2022.

19. REVENUE

	For the Year Ended December 31	
	2021	2020
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 2,350,293</u>	<u>\$ 1,658,100</u>

a. Contract information

	December 31	
	2021	2020
Notes receivable and trade receivables	<u>\$ 400,379</u>	<u>\$ 262,501</u>
Contract liabilities		
Sale of goods	<u>\$ 419,728</u>	<u>\$ 175,398</u>

b. Disaggregation of revenue

Refer to Statement 7 for information about disaggregation of revenue.

	For the Year Ended December 31	
	2021	2020
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	<u>\$ 2,350,293</u>	<u>\$ 1,658,100</u>

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Employee benefits, depreciation and amortization expenses

	For the Year Ended December 31					
	2021			2020		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and bonuses	\$ 375,264	\$ 478,884	\$ 854,148	\$ 223,889	\$ 330,744	\$ 554,633
Labor and health insurance	24,586	35,152	59,738	19,694	27,463	47,157
Post-employment benefits						
Defined contribution plans	10,188	15,862	26,050	7,791	15,518	23,309
Defined benefit plans	308	(697)	(389)	571	5,258	5,829
Remuneration of directors	-	39,310	39,310	-	12,685	12,685
Other employee benefits	15,251	14,402	29,653	11,551	11,907	23,458
Depreciation	15,491	35,308	50,799	13,503	39,003	52,506
Amortization	42	11,482	11,524	75	3,170	3,245

For the years ended December 31, 2021 and 2020, the Company had an average of 778 and 679 employees, respectively, which included 5 non-employee directors for both years.

Average labor costs for the years ended December 31, 2021 and 2020 were \$1,254 thousand and \$971 thousand, respectively.

Average salaries and bonuses for the years ended December 31, 2021 and 2020 were \$1,105 thousand and \$823 thousand, respectively.

The average salary and bonuses increased by 34% year over a year.

The Company had established the audit committee to replace supervisors.

Policy on Compensation

According to the policy as set forth in the Articles before the amendments, the Company accrues compensation of employees and remuneration of directors at rates of 5% to 15% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors.

The shareholders in their meeting on July 20, 2021, resolved the amendments to the Articles. The amendments explicitly stipulate that the Company accrues compensation of employees and remuneration of directors at rates of 5% to 20% and no higher than 3.5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. Besides the remuneration given to the independent directors, the remuneration of directors is taken into account based on Company's operating results, own performance evaluation and participation. The remuneration of managers and compensation of employees are based on position held, responsibilities, potential future risks, contributions to operational goals, and salary management measures of the Company.

b. Compensation of employees and remuneration of directors

The compensation of employees and remuneration of directors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors in March 2022 and March 2021, respectively, were as follows:

	2021		2020	
	Accrual Rate	Amount	Accrual Rate	Amount
Compensation of employees	14%	\$ 259,800	15%	\$ 80,600
Remuneration of directors	2%	37,300	2%	10,750

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in next year.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

Information on the compensation of employees and remuneration of directors resolved by the company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 11,913	\$ 23,551
Income tax on unappropriated earnings	-	188
Adjustment for prior years	<u>(6,892)</u>	<u>8,682</u>
	5,021	32,421
Deferred tax		
In respect of the current year	<u>28,612</u>	<u>16,868</u>
Income tax expense recognized in profit or loss	<u>\$ 33,633</u>	<u>\$ 49,289</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2021	2020
Income tax expense calculated at the statutory rate (20%)	\$ 306,884	\$ 89,230
Tax-exempt income	(214,170)	(73,901)
Unrecognized temporary differences	(15,669)	(14,868)
Income tax on unappropriated earnings	-	188
Unrecognized loss carryforwards	(29,216)	16,407
Unrecognized investment credits	(7,477)	-
Adjustments for prior year's tax	(6,892)	8,682
Taxation of repatriated offshore funds	<u>173</u>	<u>23,551</u>
Income tax expense recognized in profit or loss	<u>\$ 33,633</u>	<u>\$ 49,289</u>

In accordance with Rule No. 10904550440 issued by the MOF, the Company used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Company's unappropriated earnings for 2018 for filing the additional tax. For the 2020 financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual profit for 2020, and the current income tax payable is adjusted accordingly.

In addition, in accordance with Rule No. 10904558730 issued by the MOF, the Company has deducted the amount of dividends distributed in 2020 attributable to the increase in the beginning retained earnings for 2018 as a result of initial adoption of IFRS 9 when calculating the tax on unappropriated earnings for 2018.

b. Deferred tax assets and liabilities

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized loss of financial assets at FVTPL	\$ 13,698	\$ (13,698)	\$ -
Unrealized inventory loss	<u>2,407</u>	<u>156</u>	<u>2,563</u>
	<u>\$ 16,105</u>	<u>\$ (13,542)</u>	<u>\$ 2,563</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unrealized foreign exchange gain	\$ 22,724	\$ 105	\$ 22,829
Unappropriated earnings of subsidiaries	<u>14,335</u>	<u>14,965</u>	<u>29,300</u>
	<u>\$ 37,059</u>	<u>\$ 15,070</u>	<u>\$ 52,129</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized loss of financial assets at FVTPL	\$ -	\$ 13,698	\$ 13,698
Unrealized inventory loss	<u>-</u>	<u>2,407</u>	<u>2,407</u>
	<u>\$ -</u>	<u>\$ 16,105</u>	<u>\$ 16,105</u>
<u>Deferred Tax Liabilities</u>			
Temporary differences			
Unrealized foreign exchange gain	\$ 4,086	\$ 18,638	\$ 22,724
Unappropriated earnings of subsidiaries	<u>-</u>	<u>14,335</u>	<u>14,335</u>
	<u>\$ 4,086</u>	<u>\$ 32,973</u>	<u>\$ 37,059</u>

- c. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2029	\$ 489,711	\$ 737,065
Expiry in 2030	<u>82,144</u>	<u>82,036</u>
	<u>\$ 571,855</u>	<u>\$ 819,101</u>
Deductible temporary differences		
Net defined benefit liabilities	\$ 132,247	\$ 127,188
Allowance for impairment loss that exceeded the limitation of tax laws	<u>764</u>	<u>376</u>
	<u>\$ 133,011</u>	<u>\$ 127,564</u>

- d. Information about unused loss carryforwards

Filing Year	Expiry Year	Unused Amount
2019	2029	\$ 489,711
2020	2030	<u>82,144</u>
		<u>\$ 571,855</u>

- e. Income tax assessments

The income tax returns of the Company through 2019 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2019 tax returns and applied for a re-examination. Nevertheless, to be conservative, the Company provided the income tax to the tax authorities for assessment.

22. EARNINGS PER SHARE

	Net Income (Numerator)	Number of Shares (Denominator In Thousands)	Earnings Per Share NT\$
<u>For the year ended December 31, 2021</u>			
Basic EPS			
Net income available to owners of the Company	\$ 1,500,788	281,084	<u>\$ 5.34</u>
Dilutive effects			
Subsidiaries' employee compensation	(2,061)	-	
Company's employee compensation	<u>-</u>	<u>2,953</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 1,498,727</u>	<u>284,037</u>	<u>\$ 5.28</u>

	Net Income (Numerator)	Number of Shares (Denominator In Thousands)	Earnings Per Share NT\$
<u>For the year ended December 31, 2020</u>			
Basic EPS			
Net income available to owners of the Company	\$ 396,864	281,084	<u>\$ 1.41</u>
Dilutive effects			
Subsidiaries' employee compensation	(1,716)	-	
Company's employee compensation	<u>-</u>	<u>1,629</u>	
Diluted EPS			
Net income available to owners of the Company	<u>\$ 395,148</u>	<u>282,713</u>	<u>\$ 1.40</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assume the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares, if dilutive, are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Company subscribed for additional new shares of AOE Optronics at a percentage different from its existing ownership percentage in 2021 and 2020, thereby increasing its continuing interest from 94.90% to 95.47% and from 83.61% to 94.90%, respectively.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over these subsidiaries.

24. NON-CASH TRANSACTIONS

For the years ended December 31, 2021 and 2020, the Company entered into the following non-cash investing activities which were not reflected in the statements of cash flows:

The Company reclassified prepayments for equipment in the amounts of \$3,282 thousand and \$10,798 thousand to property, plant and equipment for the years ended December 31, 2021 and 2020, respectively.

25. 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 stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued ordinary shares, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure on a quarterly basis. As part of this review, the key management personnel consider 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, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

The company is not subject to any externally imposed capital requirement.

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at FVTPL				
Domestic unlisted shares	\$ -	\$ 47,316	\$ -	\$ 47,316
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Domestic unlisted shares	-	30,771	-	30,771

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Unlisted shares	Market approach: using the market transaction price and other relevant information of same or comparable (similar) assets and liabilities, or a Group of assets and liabilities (e.g., operation).

b. Categories of financial instruments

	<u>December 31</u>	
	2021	2020
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,809,963	\$ 1,438,545
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	47,316	30,771
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	3,013,708	2,688,362

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, other financial assets and refundable deposits and so on.

- 2) The balances include financial liabilities at amortized cost, which comprise notes payable, trade payables and other payables and so on.

c. Financial risk management objectives and policies

The Company's major financial instruments included equity, trade receivables, trade payables, borrowings and lease liabilities. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, 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 currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

1) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities are shown in Note 28.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. Numbers below indicate the change in pre-tax profit or equity associated with the New Taiwan dollar strengthening 1% against the relevant currency:

	For the Year Ended December 31	
	2021	2020
The impact of USD		
Profit and loss	\$ 7,967	\$ 9,703
Equity	120,586	114,999

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

2) Interest rate risk

The Company was exposed to interest rate risk because the Company deposits and borrows funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 675,120	\$ 529,480
Lease liabilities	26,185	8,198
Cash flow interest rate risk		
Financial assets	677,726	604,125

Sensitivity analysis

If interest rates had been 5% basis points higher/lower and all other variables been held constant, the Company's pretax profits for the years ended December 31, 2021 and 2020 would have increased/decreased by \$83 thousand and \$16 thousand, respectively. A 5% basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Company, could arise from:

- 1) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- 2) The amount of contingent liabilities in relation to financial guarantees issued by the Company.

The Company adopted a policy of obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

3) Liquidity risk

The Company's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been 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. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

	Less Than 1 Year	1-5 Years	More than 5 Years	Total
<u>December 31, 2021</u>				
Non-interest bearing	\$ 3,536,194	\$ -	\$ -	\$ 3,536,194
Lease liabilities	<u>10,764</u>	<u>15,550</u>	<u>817</u>	<u>27,131</u>
	<u>\$ 3,546,958</u>	<u>\$ 15,550</u>	<u>\$ 817</u>	<u>\$ 3,563,325</u>
<u>December 31, 2020</u>				
Non-interest bearing	\$ 2,999,227	\$ -	\$ -	\$ 2,999,227
Lease liabilities	<u>4,554</u>	<u>3,127</u>	<u>817</u>	<u>8,498</u>
	<u>\$ 3,003,781</u>	<u>\$ 3,127</u>	<u>\$ 817</u>	<u>\$ 3,007,725</u>

27. TRANSACTIONS WITH RELATED PARTIES

Beside information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party names and category

Related Party Name	Relationship Party Category
Asia International	Subsidiary
Powerlink Cayman	Subsidiary
Taiwan Top	Subsidiary
AOE Optronics	Subsidiary
Richman	Subsidiary
AOE International (Cayman) Limited ("AOE Cayman")	Subsidiary
AOE Optronics (Shen Zhen) Ltd. ("AOE Shen Zhen")	Subsidiary
Powerlink Electronic International (KY) Ltd. Taiwan Branch. ("Powerlink TWN BR")	Subsidiary
Yorkey Optical Technology Limited ("Yorkey Technology")	Subsidiary
Asia Tech	Subsidiary

b. Trading transactions

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Sales of goods	Subsidiaries		
	Asia International	\$ 182,281	\$ 136,319
	Others	<u>157,082</u>	<u>86,124</u>
		<u>\$ 339,363</u>	<u>\$ 222,443</u>
Purchases	Subsidiaries	<u>\$ 98,102</u>	<u>\$ 73,828</u>
Rental income	Subsidiaries		
	AOE Optronics	\$ 5,410	\$ 5,410
	Powerlink TWN BR	<u>2,820</u>	<u>2,820</u>
		<u>\$ 8,230</u>	<u>\$ 8,230</u>

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2021	2020
Other income	Subsidiaries		
	Asia International	\$ 48,443	\$ 51,717
	Asia Tech	<u>8,320</u>	<u>7,620</u>
		<u>\$ 56,763</u>	<u>\$ 59,337</u>

The sale prices for related parties were similar to those for third parties. The credit terms are within 30 to 180 days.

Purchases were made at discounted market price to reflect the quantity of goods purchased and relationships between the parties. The payment terms to related parties were not significantly different from those of purchases from third parties.

The service fee received by the Company from its subsidiaries was calculated based on relevant service costs and markups, and recorded as non-operating income and expenses - other income.

The rentals were based on the market rentals in the area, and were paid monthly.

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade receivables	Subsidiaries	<u>\$ 58,907</u>	<u>\$ 66,525</u>
Other financial assets	Subsidiaries		
-current	Asia International	\$ 3,758	\$ 3,631
	Powerlink TWN BR	2,075	2,150
	AOE Optronics	<u>-</u>	<u>2,433</u>
		<u>\$ 5,833</u>	<u>\$ 8,214</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2021 and 2020, no impairment losses were recognized for trade receivables from related parties.

d. Payables to related parties

Line Item	Related Party Category/Name	December 31	
		2021	2020
Trade payables	Subsidiaries		
	Asia International	\$ 2,262,354	\$ 1,977,602
	Others	<u>10,846</u>	<u>6,143</u>
		<u>\$ 2,273,200</u>	<u>\$ 1,983,745</u>
Other payables	Subsidiaries		
	Asia International	\$ 574,128	\$ 582,919
	Others	<u>43,023</u>	<u>38,642</u>
		<u>\$ 617,151</u>	<u>\$ 621,561</u>

The outstanding trade payables to related parties are unsecured.

e. Others

Line Item	Related Party Category/Name	December 31	
		2021	2020
Other current assets			
- temporary payments	Subsidiaries	\$ 27	\$ 3
Contract liabilities	Subsidiaries		
	Asia International	\$ 129,974	\$ 129,974

f. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 26,261	\$ 26,849

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	December 31, 2021		
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 57,632	27.68 (USD:NTD)	\$ 1,595,254
<u>Non-monetary items</u>			
Investments accounted for using the equity method			
USD	435,923	27.755 (USD:NTD)	12,098,996
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	86,414	27.68 (USD:NTD)	2,391,940
<u>Non-monetary items</u>			
Investments accounted for using the equity method - credit			
USD	1,457	27.68 (USD:NTD)	40,325

	December 31, 2020			
	Foreign Currency	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
<u>Monetary items</u>				
USD	\$ 39,917	28.48	(USD:NTD)	\$ 1,136,836
<u>Non-monetary items</u>				
Investments accounted for using the equity method				
USD	404,111	28.528	(USD:NTD)	11,528,338
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD	73,988	28.48	(USD:NTD)	2,107,178
<u>Non-monetary items</u>				
Investments accounted for using the equity method - credit				
USD	1,012	28.48	(USD:NTD)	28,821

Significant unrealized foreign exchange gains (losses) are as follows:

Foreign Currency	2021		2020	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	28.009(USD:NTD)	\$ <u>113,158</u>	29.549(USD:NTD)	\$ <u>113,719</u>

29. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others: Table 1.
- 2) Endorsements/guarantees provided: None.
- 3) Marketable securities held (excluding investment in subsidiaries and associates): Table 2.
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- 5) Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None.

- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3.
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4.
 - 9) Trading in derivative instruments: None.
- b. Information on investees: Table 5.
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriation of investment income, and limit on the amount of investment in the mainland China area: Table 6.
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 3.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 3.
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.
- d. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7).

TABLE 1

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment loss	Collateral		Financing Limit for Each Borrower (Note)	Aggregate Financing Limit (Note)
													Item	Value		
1	Shen Zhen Sintai	Shang Hai Sintai	Receivables from related parties	Yes	\$ 185,237 (RMB 42,700)	\$ 178,817 (RMB 41,200)	\$ 178,817 (RMB 41,200)	0.5	Short-term financing	\$ -	For working capital	\$ -	-	\$ -	\$ 1,000,000	\$ 2,000,000
Total						\$ 178,817	\$ 178,817			\$ -		\$ -		\$ -		

Note: The lending amount to a company shall not exceed forty percent (40%) of the net worth of the Company, and the aggregate amount for lending shall not exceed fifty percent (50%) of the net worth of the Company. The restriction of these term shall not apply to inter-company loans for funding between 100% owned subsidiaries, and the Company sets an additional rule that the amount available for lending purpose between 100% owned subsidiaries shall be (a) no more than NT\$1 billion for the individual financier and (b) no more than NT\$2 billion in total.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	DECEMBER 31, 2021			
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value
Asia Optical	<u>Shares</u>						
	OTO Brite	None	Financial assets at FVTPL - non-current	2,902,846	\$ 47,316	9	\$ 47,316
Asia International	<u>Equity</u>						
	Pioneer	None	Financial assets at FVTPL - non-current	-	147,429	12	147,429
	OTO Brite	None	Financial assets at FVTPL - non-current	1,520	6,569	46	6,569
	Shisei Datum	None	Financial assets at FVTPL - non-current	2,718	-	29	-
Shen Zhen Sintal	<u>Equity</u>						
	Guangdong Xinwei	None	Financial assets at FVTPL - non-current	-	4,531	38	4,531
Powerlink	<u>Shares</u>						
	Kotura	None	Financial assets at FVTPL - non-current	1,000	-	1	-

TABLE 3

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases / Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
Asia Optical	Asia International	Note	Sales	\$ (182,281)	(8)	30-180 days	-	-	\$ 19,061	5	
Asia International	Shen Zhen Sintai	Note	Purchases	3,486,791	22	30-180 days	-	-	(1,587,584)	(57)	
	Myanmar Asia	Note	Purchases	709,579	5	30-180 days	-	-	-	-	
	Dong-Guan Sintai	Note	Purchases	793,722	5	30-180 days	-	-	(167,449)	(6)	
	Dong-Guan Tailien	Note	Purchases	439,916	3	30-180 days	-	-	-	-	
	Asia Optical	Note	Purchases	182,281	1	30-180 days	-	-	-	-	
Powerlink Cayman	Powerlink TWN BR	Note	Sales	(1,999,536)	(97)	30-180 days	-	-	1,012,322	93	
	Asia Scopro	Note	Purchases	524,967	33	30-180 days	-	-	(71,115)	(21)	
	Scopro	Note	Purchases	539,006	33	30-180 days	-	-	(86,761)	(26)	
Powerlink TWN BR	Powerlink Cayman	Note	Purchases	1,999,536	74	30-180 days	-	-	(1,011,467)	(82)	
	Scopro	Note	Sales	(251,976)	(9)	30-180 days	-	-	227,191	37	
	Asia Scopro	Note	Sales	(199,627)	(7)	30-180 days	-	-	200,165	32	
Asia Scopro	Powerlink Cayman	Note	Sales	(524,967)	(100)	30-180 days	-	-	70,864	100	
	Powerlink TWN BR	Note	Purchases	199,627	53	30-180 days	-	-	(196,279)	(67)	
Asia Tech	Asia Tech Samoa	Note	Purchases	3,417,321	100	30-180 days	-	-	(1,207,531)	(99)	
Asia Tech Samoa	Asia Tech	Note	Sales	(3,417,321)	(100)	30-180 days	-	-	1,207,531	100	
	Shen Zhen Atii	Note	Purchases	2,159,621	68	30-180 days	-	-	(936,810)	(62)	
Shen Zhen Atii	Asia Tech Samoa	Note	Sales	(2,159,621)	(85)	30-180 days	-	-	936,810	92	
	Shen Zhen Sintai	Note	Sales	(142,562)	(6)	30-180 days	-	-	9,869	1	
AOE Optronics	AOE Cayman	Note	Purchases	106,857	70	30-180 days	-	-	(10,103)	(72)	

(Continued)

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Non-arm's Length Terms		Notes/Accounts Payable or Receivable		Note
			Purchases or Sales	Amount	%	Payment Terms	Unit Price	Payment Terms	Ending Balance	%	
AOE Cayman	AOE Shen Zhen	Note	Purchases	\$ 210,233	46	30-180 days	-	-	\$ (4,589)	(2)	
	AOE Shen Zhen	Note	Sales	(235,995)	(52)	30-180 days	-	-	231,779	92	
	AOE Optronics	Note	Sales	(106,857)	(23)	30-180 days	-	-	10,857	4	
AOE Shen Zhen	AOE Cayman	Note	Sales	(210,233)	(10)	30-180 days	-	-	4,589	1	
	Shen Zhen Sintai	Note	Purchases	327,116	37	30-180 days	-	-	(45,405)	(9)	
	AOE Cayman	Note	Purchases	235,995	27	30-180 days	-	-	(191,814)	(38)	
Dong-Guan Sintai	Asia International	Note	Sales	(793,722)	(88)	30-180 days	-	-	168,189	95	
Shen Zhen Sintai	Asia International	Note	Sales	(3,486,791)	(60)	30-180 days	-	-	1,633,130	79	
	Shen Zhen Atii	Note	Purchases	142,562	4	30-180 days	-	-	(10,743)	(2)	
	AOE Shen Zhen	Note	Sales	(327,116)	(6)	30-180 days	-	-	136,707	6	
Dong-Guan Tailien	Asia International	Note	Sales	(439,916)	(48)	30-180 days	-	-	-	-	
Myanmar Asia	Asia International	Note	Sales	(709,579)	(100)	30-180 days	-	-	-	-	
Dong-Guan Yorkey	Yorkey Technology	Note	Sales	(1,271,955)	(71)	30-180 days	-	-	1,239,754	92	
	Yorkey Technology	Note	Purchases	200,938	33	30-180 days	-	-	-	-	
Yorkey Technology	Dong-Guan Yorkey	Note	Sales	(200,938)	(13)	30-180 days	-	-	-	-	
	Dong-Guan Yorkey	Note	Purchases	1,271,955	86	30-180 days	-	-	(1,239,754)	(96)	
Scopro	Powerlink Cayman	Note	Sales	(539,006)	(100)	30-180 days	-	-	85,034	100	
	Powerlink TWN BR	Note	Purchases	251,976	70	30-180 days	-	-	(212,717)	(72)	

(Concluded)

Note: Refer to Note 11 to the consolidated financial statements.

TABLE 4**ASIA OPTICAL CO., INC. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Asia International	Myanmar Asia	Subsidiary of Asia International	\$ 2,225,185	Note	\$ -	-	\$ 67,983	\$ -
	AOE Cayman	Affiliate	134,283	Note	-	-	3,679	-
	Asia Optical	Parent company of Asia International	2,355,146	Note	-	-	29,742	-
	Asia Optical	Parent company of Asia International	462,274	Note	-	-	-	-
	Powerlink Cayman	Affiliate	176,185	Note	-	-	46,580	-
	Dong-Guan Tailien	Subsidiary of Asia International	155,850	Note	-	-	-	-
AOE Cayman	AOE Shen Zhen	Subsidiary of AOE Cayman	231,779	Note	-	-	34,937	-
	AOE Shen Zhen	Subsidiary of AOE Cayman	801,456	Note	-	-	-	-
Powerlink TWN BR	Asia Scopro	Affiliate	200,165	Note	-	-	12,638	-
	Scopro	Affiliate	277,191	Note	-	-	16,626	-
Dong-Guan Sintai	Asia International	Parent company of Dong Guan Sintai	168,189	Note	-	-	23,561	-
Shen Zhen Sintai	Asia International	Parent company of Shen Zhen Sintai	1,633,130	Note	-	-	199,585	-
	Shang Hai Sintai	Affiliate	180,688	Note	-	-	-	-
	AOE Shen Zhen	Affiliate	136,707	Note	-	-	136,748	-
	AOE Shen Zhen	Affiliate	128,793	Note	-	-	-	-
Powerlink Cayman	Powerlink TWN BR	Branches operations of Powerlink Cayman	1,012,322	Note	-	-	133,697	-
Asia Tech Samoa	Asia Tech	Parent company of Asia Tech Samoa	1,207,531	Note	-	-	248,275	-
Shen Zhen Atii	Asia Tech Samoa	Parent company of Shen Zhen Atii	936,810	Note	-	-	261,204	-
Dong-Guan Yorkey	Yorkey Technology	Parent company of Dong-Guan Yorkey	1,239,754	Note	-	-	188,292	-

Note: The receivables were resulted from purchases of materials and property, plant, and equipment on behalf of Asia International and loan transaction; thus, turnover analysis was not suitable.

TABLE 5

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of DECEMBER 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2021	December 31, 2020	Shares	Percentage of Ownership	Carrying Value			
Asia Optical	Asia International	British Virgin Islands	Sale of riflescopes, lenses and optical components	\$ 2,701,520	\$ 2,701,520	15,686,000	100	\$ 10,797,253	\$ 756,271	\$ 756,271	Subsidiary
	Powerlink Cayman	Cayman Islands	Trading company	44,392	44,392	1,500,000	100	1,114,640	486,827	486,765	Subsidiary
	Asia Tech	New Taipei	Sale of precision instruments and image sensors	231,753	231,753	19,027,964	26	715,160	425,483	111,740	Subsidiary
	Powerlink	British Virgin Islands	Sale of riflescopes, lenses and optical components	14,000	14,000	50,000	100	(40,325)	(18,024)	(18,024)	Subsidiary
	Richman	British Virgin Islands	Holding company	172,295	172,295	5,066,000	100	187,103	9,577	9,577	Subsidiary
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	1,921,610	1,788,438	19,065,843	95	447,264	351,303	334,850	Subsidiary
	Taiwan Top	Changhua	Manufacture and sale of cameras, copy machines, printers and facsimile machines	562,781	562,781	7,743,600	93	110,168	14,100	13,046	Subsidiary
Asia International	Yorkey Cayman	Cayman Islands	Holding company	549,526	549,526	186,833,000	23	551,022	60,407	14,196	Indirect Subsidiary
	Pentax Sintai	Hong Kong	Trading company	42,557	42,557	9,360,000	45	-	1,523	685	Note
	AOE Optronics	Taichung	Design, manufacture and sale of cell phone related products	298,179	298,179	506,880	3	11,892	351,303	9,368	Subsidiary
	AOIDC	Japan	Development and technology services	22,071	22,071	100	100	30,060	426	426	Indirect Subsidiary
	Myanmar Asia	Myanmar Yangon	Manufacture of lens and related product	365,865	365,865	11,111,000	100	(1,517,622)	161,051	161,051	Indirect subsidiary
Powerlink Cayman	Asia Scopro	Philippines Calamba	Manufacture and trade of riflescopes, lenses and optical component	17,043	17,043	241,000	100	(25,544)	(16,175)	(16,175)	Indirect subsidiary
	ASAM	Philippines Calamba	Anode processing factory	9,690	9,690	150,000	100	49,750	2,551	2,551	Indirect subsidiary
Asia Tech	Asia Tech Samoa	Samoa	Sale of precision instruments and image sensor	845,520	845,520	18,662,310	100	2,394,390	268,349	268,349	Indirect Subsidiary
Powerlink	Scopro	Philippines Manila	Manufacture and trade of riflescopes, lenses and optical component	5,119	5,119	4,000,000	100	(51,016)	(17,988)	(17,988)	Indirect subsidiary
Richman	Yorkey Cayman	Cayman Islands	Holding company	291,289	291,289	40,000,000	5	117,558	60,407	2,956	Indirect Subsidiary
	Crosszone	British Virgin Islands	Trading company	1,568	1,568	50,000	100	(2,620)	(249)	(249)	Indirect subsidiary
AOE Optronics	AOE Cayman	Cayman Islands	Sale of cell phone related products	1,311,447	1,171,801	44,176,066	100	324,877	376,213	376,213	Indirect subsidiary
Yorkey Cayman	Yorkey Technology	Samoa	Trading company	2,560,518	2,560,518	550,001	100	549,298	52,439	52,439	Indirect subsidiary

Note: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

ASIA OPTICAL CO., INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of DECEMBER 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of DECEMBER 31, 2021	Accumulated Repatriation of Investment Income as of DECEMBER 31, 2021
					Outward	Inward						
Shen Zhen Sintai	Manufacture of laser printers, cameras, scanners and plastic products	US\$ 38,000	(2)	\$ 1,270,274 (US\$ 38,000)	\$ -	\$ -	\$ 1,270,274 (US\$ 38,000)	\$ 160,851	100	\$ 160,851	\$ 2,894,180	\$ -
Dong-Guan Sintai	Manufacture of optical components and finished products	US\$ 16,600	(2)	1,234,670 (US\$ 35,937)	-	-	1,234,670 (US\$ 35,937)	12,352	100	12,352	448,660	454,587 (US\$ 14,000)
Shen Zhen Atii	Manufacture and sale of image sensor	US\$ 10,000	(2)	170,256 (US\$ 5,400)	-	-	170,256 (US\$ 5,400)	124,280	26	32,675	403,224	-
Shang Hai Sintai	Manufacture and sale of parts of DV and DSC	US\$ 34,000	(2)	1,098,606 (US\$ 34,000)	-	-	1,098,606 (US\$ 34,000)	(18,937)	100	(18,937)	96,024	-
Xingfung Sintai	Manufacture and sale of DVD players, DVD pickup heads and parts	US\$ 29,137	(2)	145,656 (US\$ 4,200)	-	-	145,656 (US\$ 4,200)	-	12	-	147,429	51,144 (US\$ 1,813)
Dong-Guan Tailien	Manufacture and processing of cameras and parts	US\$ 3,160	(2)	123,440 (US\$ 4,000)	-	-	123,440 (US\$ 4,000)	61,532	61	37,901	140,318	48,813 (US\$ 1,608)
			(3)	11,163 (US\$ 420)	-	-	11,163 (US\$ 420)	61,532	17	10,516	39,312	29,281 (US\$ 935)
			(2)	22,614 (US\$ 700)	-	-	22,614 (US\$ 700)	61,532	12	7,086	26,479	11,902 (US\$ 373)
			(2)	291,289 (US\$ 9,079)	-	-	291,289 (US\$ 9,079)	50,105	5	2,455	64,921	-
Dong-Guan Yorkey	Manufacture of plastic and metallic parts, molds and cases of optical and optronics products	US\$ 20,680	(2)	549,526 (US\$ 18,553)	-	-	549,526 (US\$ 18,553)	50,105	23	11,856	305,132	-
			(2)	27,703 (US\$ 845)	-	-	27,703 (US\$ 845)	801	-	360	-	-
Shen Zhen Pentax Sintai	Manufacture and sale of optical instruments	HK\$ 12,600	(Note 4)	27,772 (US\$ 800)	-	-	27,772 (US\$ 800)	4,874	40	1,950	42,856	-
Dong-Guan Nikon	Research and manufacture of equipment for electronic use	US\$ 2,000	(2)	360,186 (US\$ 12,000)	-	-	360,186 (US\$ 12,000)	376,993	95	360,054	(519,591)	-
AOE Shen Zhen	Manufacture of cell phone related products	US\$ 12,000	(2)	-	-	-	-	376,993	3	9,576	(13,831)	-
Guangdong Xinwei	Manufacture of car	RMB\$ 9,100	(2)	-	-	-	-	-	38	-	4,531	-

Accumulated Outward Remittance for Investment in Mainland China as of DECEMBER 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
\$ 5,677,606 (US\$ 159,690)	\$ 10,170,182 (US\$ 324,042)	(Note 3)

Note 1: The investments were made as follows:

- (1) The investment was made directly by a subsidiary located in mainland China.
- (2) The investment was made through a corporation established in a third country, which, in turn, invested in companies located in mainland China (refer to Note 11 to the accompanying consolidated financial statements; in addition, Asia International is the investor of Pioneer and Dong-Guan Nikon).
- (3) Others

Note 2: Calculated based on the parent company and Yorkey Cayman's financial statements audited by independent auditor.

Note 3: Under the "Regulations for the Screening of Applications to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, the amount of investment in mainland China has no limit since the parent company, Asia Optical Co., Inc. had acquired the approval by the Industrial Development Bureau to establish operating headquarters in Taiwan.

Note 4: The dissolution was approved by the board of directors. Refer to Note 11 to the consolidated financial statements.

TABLE 7**ASIA OPTICAL CO., INC. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
I-Jen Lai	17,907,039	6.37%
Tsih-Mei Industrial Co., Ltd.	16,000,000	5.69%

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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ASIA OPTICAL CO., INC.**STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount
Cash	
Cash on hand	\$ 384
Cash in banks	
Checking accounts deposits	35,566
Demand deposits	69,916
Foreign deposits (Note 1)	<u>566,318</u>
	672,184
Cash equivalents	
Time deposits with original maturities of less than three months (Note 2)	<u>675,120</u>
	<u><u>\$ 1,347,304</u></u>

Note 1: Including US\$20,354 thousand (US\$1 = NT\$27.68), JPY\$10,808 thousand (JPY\$1 = NT\$0.2405), HK\$19 thousand (HK\$1 = NT\$3.5490), EUR\$6 thousand (EUR\$1 = NT\$31.32) and RMB\$5 thousand (RMB\$1 = NT\$4.344).

Note 2: Including US\$21,500 thousand and NT\$80,000 thousand which expired from January 2022 to March 2022, interest rate at 0.23%-0.4%.

ASIA OPTICAL CO., INC.

STATEMENT OF TRADE RECEIVABLES FROM UNRELATED PARTIES

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Client Name	Amount
108250	\$ 73,240
120510	59,736
121690	48,778
106340	31,379
115810	31,261
Other (Note)	<u>101,326</u>
	345,720
Less: Allowance for impairment loss	<u>(4,815)</u>
	<u><u>\$ 340,905</u></u>

Note: Each of the clients was less than 5% of the account balance.

ASIA OPTICAL CO., INC.**STATEMENT OF INVENTORIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Market (Note)
Raw materials	\$ 109,769	\$ 103,056
Work in process	78,789	73,370
Finished goods	<u>9,773</u>	<u>9,091</u>
	198,331	<u>\$ 185,517</u>
Less: Allowance for impairment loss	<u>(12,814)</u>	
	<u>\$ 185,517</u>	

Note: Stated at the lower of cost or net realizable value by item.

TABLE 4

ASIA OPTICAL CO., INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

	Beginning Balance			Increase/Decrease	Share of Profit (Loss) of Subsidiaries	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other	Ending Balance			Marker Value or Net Assets Value
	Shares (In Thousands)	%	Amount					Shares (In Thousands)	%	Amount	
Investments accounted for using the equity method											
TPEX listed company											
Asia Tech (Note 1)	19,028	26	\$ 678,137	\$ -	\$ 111,740	\$ (8,119)	\$ (66,598)	19,028	26	\$ 715,160	\$ 1,056,052
Unlisted company											
Asia International (Note 2)	15,686	100	10,243,806	-	756,271	(200,847)	(1,977)	15,686	100	10,797,253	10,797,253
Powerlink Cayman (Note 3)	1,500	100	1,104,134	-	486,765	(31,459)	(444,800)	1,500	100	1,114,640	1,114,640
Richman (Note 4)	5,066	100	180,398	-	9,577	(1,931)	(941)	5,066	100	187,103	187,103
Taiwan Top (Note 5)	7,744	93	97,377	-	13,046	-	(255)	7,744	93	110,168	110,168
Dong-Guan Tailien (Note 6)	-	17	30,670	-	10,516	(149)	(1,725)	-	17	39,312	39,312
AOE Optronics (Note 7)	16,106	95	-	133,172	334,850	(16,214)	(4,544)	19,066	95	447,264	447,264
			<u>\$ 12,334,522</u>	<u>\$ 133,172</u>	<u>\$ 1,722,765</u>	<u>\$ (258,719)</u>	<u>\$ (520,840)</u>			<u>\$ 13,410,900</u>	<u>\$ 13,751,792</u>
Investment accounted for using the equity method - credit											
Unlisted company											
AOE Optronics (Note 7)	16,106	95	\$ (802)	\$ -	\$ -	\$ -	\$ 802	-	-	\$ -	\$ -
Powerlink (Note 8)	50	100	(28,821)	-	(18,024)	4,047	2,473	50	100	(40,325)	(40,325)
			<u>\$ (29,623)</u>	<u>\$ -</u>	<u>\$ (18,024)</u>	<u>\$ 4,047</u>	<u>\$ 3,275</u>			<u>\$ (40,325)</u>	<u>\$ (40,325)</u>

Note 1: Other was cash dividends declared amounted to \$66,598 thousand.

Note 2: Other was cash dividends declared amounted to \$5,520 thousand, and other was change in ownership interests amounted to \$3,543 thousand.

Note 3: Other was cash dividends declared amounted to \$444,800 thousand.

Note 4: Other was cash dividends declared amounted to \$1,041 thousand, and other was change in ownership interests amounted to \$100 thousand.

Note 5: Other was actuarial losses of defined benefit liabilities amounted to \$255 thousand.

Note 6: Other was cash dividends declared amounted to \$1,725 thousand.

Note 7: Other was change in ownership interests amounted to \$3,742 thousand, and the credit balance reclassified from investments accounted for using the equity method amounted to \$802 thousand.

Note 8: Other was actuarial gains of defined benefit liabilities amounted to \$2,473 thousand.

ASIA OPTICAL CO., INC.**STATEMENT OF TRADE PAYABLES TO UNRELATED PARTYIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Vendor Name	Amount
EVER PINE INTERNATIONAL LTD.	\$ 17,607
GREDMANN TAIWAN LTD.	12,249
CONTENT INDUSTRIAL CO.	6,091
XINYANG TUZHAN OPTICS CO., LTD.	4,822
EAST-TENDER OPTOELECTRONICS CORPORATION	4,417
YUNG LUNG INDUSTRIAL CORP. LTD.	4,286
Other (Note)	<u>19,412</u>
	<u>\$ 68,884</u>

Note: Each of the suppliers was less than 5% of the account balance.

ASIA OPTICAL CO., INC.**STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2021****(In Thousands of New Taiwan Dollars)**

Item	Description	Lease Term	Discount Rate	Balance
Land	Land lease	2020.8.1-2040.7.31	2%	\$ 895
		2020.8.1-2023.7.31	2%	756
		2019.1.1-2023.3.31	2%	880
		2019.1.1-2028.12.31	2%	<u>142</u>
				<u>2,673</u>
Building	Office space lease	2019.1.1-2023.3.31	2%	10,712
		2019.7.1-2024.6.30	2%	5,346
		2019.7.1-2024.6.30	2%	5,692
	Dormitory lease	2020.4.18-2022.4.17	2%	120
		2019.12.13-2023.12.12	2%	<u>910</u>
				<u>22,780</u>
Other	Car lease	2019.12.18-2024.12.17	2%	514
		2021.1.2-2023.1.1	2%	<u>218</u>
				<u>732</u>
				<u>\$ 26,185</u>

ASIA OPTICAL CO., INC.**STATEMENT OF NET SALES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Quantity (thousand)	Amount
Laser distance sensor modules	Components 540	\$ 1,190,370
Lens	Finished goods and components 19,918	892,193
Projector	Components 202	232,281
Fiber components	Components 238	21,961
Others	Components 71	<u>21,616</u>
		2,358,421
Less: Sales return		(4,336)
Sales discount		<u>(3,792)</u>
Profit from operations		<u>\$ 2,350,293</u>

ASIA OPTICAL CO., INC.**STATEMENT OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Raw material, beginning of year	\$ 58,217
Raw material purchased	395,216
Transferred to research and development expenses	(4,018)
Raw material, end of year	<u>(109,769)</u>
Raw material used	339,646
Direct labor	245,055
Manufacturing expense	<u>352,614</u>
Manufacturing cost	937,315
Work in process, beginning of year	49,816
Others	2,108
Work in process, end of year	<u>(78,789)</u>
Cost of finished goods	910,450
Finished goods, beginning of year	3,559
Finished goods purchased	933,172
Finished goods, end of year	<u>(9,773)</u>
Cost of goods manufactured	1,837,408
Merchandise purchase	2,027
Transferred from office supplies	(363)
Write-down of inventories	<u>778</u>
Cost of goods sold	<u>\$ 1,839,850</u>

ASIA OPTICAL CO., INC.**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Marketing	Administrative	Research and Development Expenses	Total
Salaries	\$ 21,282	\$ 167,038	\$ 344,965	\$ 533,285
Research supply expenses	-	-	54,660	54,660
Depreciation	57	21,424	13,827	35,308
Shipping expenses	2,001	1,775	461	4,237
Import/export expenses	2,845	30	77	2,952
Other expenses (Note)	<u>3,147</u>	<u>92,526</u>	<u>82,752</u>	<u>178,425</u>
	<u>\$ 29,332</u>	<u>\$ 282,793</u>	<u>\$ 496,742</u>	<u>\$ 808,867</u>

Note: The amount of each item in others does not exceed 5% of the account balance.