

OPTIMAX TECHNOLOGY CORPORATION

2020 Annual Report

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Company Website: <http://www.optimax.com.tw>
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Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Company Spokeman

Name: Peter Chao

Title: President

TEL: +886 3 460 6677

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Company Deputy Spokeman

Name: Ren-Qiang Ma

Title: Assistant Vice President

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Corporate, Office and Factory

Headquarter and Taoyuan Factory

Address: No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan, R.O.C

TEL: +886 3 460 6677

Stock transfer agency

Name: Stock Affairs Department of CAPITAL SECURITIES CORP.

Address: B1F.-2, No.97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 10601, Taiwan, R.O.C.

Website: <http://www.capital.com.tw>

TEL: +886 2 2705 2888

Auditors

CPAs: Yung-Chi, Lai & Li-Chen, Peng

Accounting firm: BAKERK TILLY CLOCK & CO. Taiwan

Address: 14th Fl., 111 Sec.2, Nanking E. Rd. Taipei 10485, Taiwan, R.O.C.

Website: <http://www.clockcpa.com.tw>

TEL: +886 2 2516 5255

Oversea stock transfer information: None

Company Website: <http://www.optimax.com.tw>

Letter to Shareholders

Shareholders Ms. and Mr.:

I. 2020 Business Report:

(I) The results of implementation of the business plan

In 2020, due to the COVID-19, people in most countries were unable to engage in activities such as going to work, school, and traveling. On the contrary, the demand of panels such as TV and PC or monitor (display) for notebook, computers and other TFT-LCD products have risen, which have also led to an increase in panel prices. Although the price of polarizers has not risen sharply, the price has remained at a certain level. The company's current products include TFT-LCD polarizers for TV and Monitor, TN/STN polarizers for industrial computers, and vehicle-mounted dye-based and iodine-based polarizers. It also continues to develop new products such as sunglasses and VR products. In 2020, with the efforts of the company's chairman and all colleagues, the gross profit was maintained at 18.43% and the operating profit ratio was maintained at 4.9%, which is not easy. In terms of non-operating income and expenditure, the rental income increased from NT\$101,718,000 in 2019 to NT\$132,336,000 in 2020 and the disposition loss of real estate, plant and equipment was NT\$15,180,000. The sharp appreciation of the New Taiwan dollar resulted in an exchange loss of NT\$37,372,000. However, due to the disposal of the Pingzhen No.5 Factory, an interest of NT\$50,607,000 was generated, and the non-current assets of the branch in Southern Taiwan Science Park to be sold resulted in benefits of NT\$135,994,000 on reversal of impairment loss. To sum up, in 2020, the net profit before tax was NT\$31,198,000 and the net profit after tax was NT\$16,464,000. Looking forward to the future, the management team will continue to uphold the management model and the spirit of perseverance and the pursuit of maximum profit. Moreover, Optimax will continue to expand sunglasses, vehicle-mounted products and VR products to increase profit. In terms of non-operating income and expenditure, the Pingzhen No.2 Factory, as well as the idle equipment, will be aggressively disposed to repay bank loans and reduce interest expenses to improve financial conditions, and pursue the company's maximum profit as the goal, so as to live up to the expectations of all shareholders.

(II) Analysis of the budget enforcement, receipts and expenditures, and profitability:

In Thousands of New Taiwan Dollars; %

Item	2020	%	2019	%	Amount of increase/decrease	%
Operating revenue	2,417,836	100.00	2,514,724	100.00	(96,888)	(3.85)
Operating gross profit	445,622	18.42	488,908	19.44	(43,286)	(8.85)
Operating net profit	118,443	4.90	145,686	5.79	(27,243)	(18.70)
Annual net profit (loss)	31,198	1.29	(126,729)	(5.04)	157,927	124.62
Annual net profit (loss) of tax	16,464	0.68	(169,313)	(6.73)	185,777	109.72

The turnover decreased by NT\$96,888,000 in 2020 compared with the previous year, and the gross profit margin decreased from 19.44% in 2019 to 18.43% in 2020. The revenue was not as good as expected due to the COVID-19 in the first quarter of 2020 and product mix differences. In terms of operating expenses, the sales and marketing expenses decreased by NT\$4,249,000; the management expenses decreased by NT\$11,531,000; the research and development expenses decreased by NT\$2,359,000; the expected credit impairment losses increased by NT\$2,096,000, compared with all that in 2019. To sum up, the overall operating expenses in 2020 decreased by NT\$ 16,043,000 compared with that in 2019. In terms of non-operating income and expenditure, due to the sharp appreciation of the New Taiwan dollar, the exchange rate in 2020 resulted in an exchange loss of NT\$37,372,000, an increase of NT\$15,423,000 compared with the exchange loss of NT\$21,949,000 in 2019. Other income increased by NT\$46,124,000 compared with that in 2019, mainly because of rental income increased by NT\$30,618,000 compared with that in 2019. For other benefits and losses, the disposal of non-current assets to be sold in 2020 is NT\$50,607,000 and the reversal of investment real estate impairment in 2020 is NT\$135,994,000, which is an increase of NT\$135,093,000 from NT\$901,000 in 2019. For the above main reasons, the net profit after tax in 2020 was increased by NT\$185,777,000 compared with the net loss after tax of NT\$169,313,000 in 2019.

Item		2020	2019
Analysis of financial Structure	Debt to asset ratio (%)	85.86	86.23
	Long-term fund to real estate, factory, and Equipment ratio (%)	332.22	296.34
Analysis of debt-paying structure	Current Ratio (%)	362.58	111.40
	Quick Ratio (%)	296.22	63.84
Analysis of profitability	ROA (%)	1.32	(0.69)
	ROE (%)	1.32	(12.8)
	Net profit (loss) ratio (%)	0.68	(6.73)
	Basic earnings per share (NT\$)	0.05	(0.52)

(III) Status of production and R&D

The development direction is mainly on vehicle-mounted products and cost reduction. Therefore, the part of vehicle-mounted products will focus on improving reliability to meet the increasing reliability requirements of customers; the cost reduction part will target the localization of materials, such as PVA, TAC and PSA materials.

The development direction of each product as follows:

1. In the development of large-size TV/MNT products, in response to the regular price reduction needs of customers, it is necessary to evaluate cheap materials. Therefore, the manufacturers of PVA and TAC are mainly based in Taiwan and South Korea, and the which in Chinese Mainland will be also added in the future.
2. In the application of small and medium-sized, the dye-based polarizers, besides the original industrial control products, such as electricity meters, the new application of electronic rearview mirrors has also developed a corresponding polarizers. In the vehicle-mounted plarizers, how to improve the reliability (from the original guaranteed 95 degrees to 105 degrees) and how to match the customer panel design to improve the viewing angle to meet the specifications of European OEM5.1 version are the key points of development in the future.
3. For the sunglasses ploarizers, we will continue to develop new products in response to customer needs.
4. For the surface self-coated products, as the yield rate rises, the self-made ratio will be higher and higher.

II. Future planning

(I) The principle of operation and policy of production and sale

1. The principle of stable operation, stable quality and rise yield to reduce costs.
2. Repay long-term and short-term bank loans to reduce interest expenses.
3. Concentrate resources on the development of high-margin polarizer products, such as high weather resistant vehicle-mounted applications and thinner polarizers, as well as polarizers for VR products.
4. Aggressively dispose of the plant and related ancillary equipment of Pingzhen No.2 Factory and revitalize the idle assets.

(II) The Company's future strategy of development

1. Develop important clients to increase the company's revenue, such as LCD panel manufacturers in Chinese Mainland.
2. Do not compete in the low-margin market, and strive to muscle for the niche market with high gross profit and high cash inflow.
3. Fully develop polarizers for high weather resistant vehicle-mounted and VR products, in addition to the sunglasses ploarizers.
4. Continue to develop new clients in Taiwan, Chinese Mainland, Japan and South Korea.

Sincerely,

Chairman : Peter Chao

Company Profile

(I) Established date : March 3, 1998

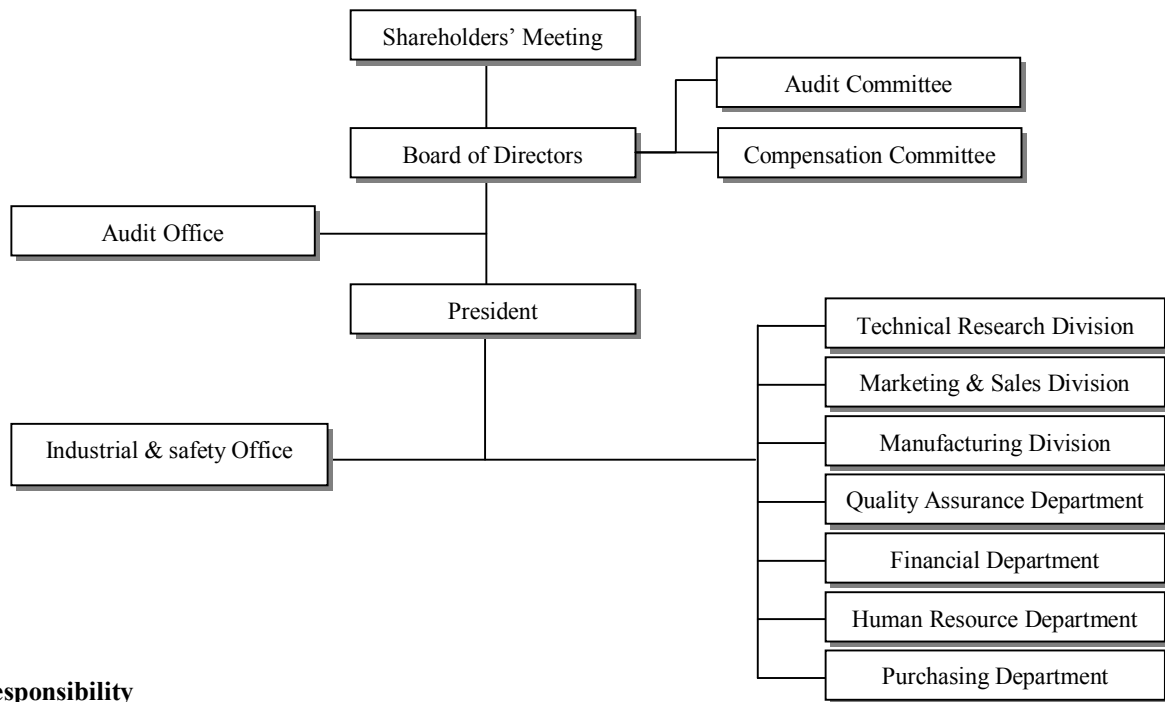
(II) Milestone :

- 1998.03 — Company was established, authorized capital was NT\$800 million, and paid-in capital was NT\$291 million.
- 1998.04 — The Chairman was Dr. Frank Huang, from UMAX Co. and the President was Dr. Larry Lai.
- 1998.04 — Signed a technology transfer contract of polarizer for TN/STN-LCD applications with Sanitize Corp., Japan.
- 2000.10 — Signed a technology transfer contract of polarizer for TFT-LCD applications with Sanitize Corp., Japan.
- 2001.01 — President Dr. Larry Lai had been promoted to Chairman and President concurrently.
- 2002.10 — Listed on Taiwan Stock Exchange Corp.
- 2005.01 — Obtained the award of 13th SOE (Symbol of Excellence) and was nominated the 13th NAOE (National Award of Excellence).
- 2005.03 — The Branch in Tainan Science Park the second intention construction was finished.
- 2005.05 — Ping-Chen No. 5 Factory groundbreaking.
- 2006.02 — Obtained ISO/TS16949 Certificate.
- 2007.01 — The Branch office set up in Korea.
- 2007.04 — Elected Dr. Peter Chao as Chairman.
- 2007.12 — Suzhou Factory mass production.
- 2009.01 — Obtained the Best Supplier Award of LGD.
- 2010.02 — Signed a lease contract for part of factory building in Tainan Science Park with BenQ Materials.
- 2010.03 — Obtained ISO9001:2008 International Quality Assurance System Verification Certificate.
- 2011.03 — The 3rd factory in Pingzhen passed the review of the national perspiration source air juice dyeing prevention and exemption.
- 2012.03 — Awarded the "Juniper Model Award for Promoting Industrial Carbon Reduction and Water Saving Plan" by Taoyuan City Government.
- 2014.09 — Completed the "Ultra-thin Polarizer Development Project" of the Ministry of Economic Affairs.
- 2017.11 — Obtained IATF16949:2016 and ISO9001:2015 international quality assurance system verification certificate.
- 2018.09 — Pingzhen plant passed the ISO 14001:2015 environmental management system certification.
- 2019.02 — Signed a lease contract for part of factory building in Tainan Science Park with Taiwan Semiconductor Manufacturing Co., Ltd.
- 2019.08 — The board of directors approved the disposal of the Branch in Tainan Science Park and the Pingzhen No. 5 Plant.
- 2019.09 — Pingzhen plant passed the ISO 45001 occupational safety and health management system certification.
- 2019.12 — Sold Pingzhen No. 5 Plant.
- 2020.10 — Signed a sale and purchase contract of the Branch in Tainan Science Park and related ancillary equipment with Taiwan Semiconductor Manufacturing Co., Ltd.

Corporate Governance Report

Organizational

(1) Organizational Chart



(2) Responsibility

Division	Responsibilities
Audit Office	Be responsible for internal audit, reflect potential control problem or loophole, and adjust to the expected target in order to ensure Company interest and validity. Functions include planning audit, maneuver audit, and follow-up audit.
Industrial & safety Office	Be responsible for setting up and auditing safety process system and safety training. Be responsible for controlling and dealing with wastewater, exhaust gas and waste disposal.
Technical Research Division	Be responsible for searching new raw materials and product technology to develop new product with new materials and make new business opportunities. Be in charge of existing product improvement, technical information collection, setting up product specs and solving filed process problem, sending samples and introducing new products into the market.
Marketing and Sales Division	Responsible for business development of product sales, production and sales analysis, customer management and service.
Manufacturing Division	Be responsible for operation of manufacturing factories, production planning, product quality/delivery controlling, equipment maintenance and repairing.
Quality Assurance Department	Be responsible for the promotion of quality system, controlling of document system, instrument calibration and environment monitoring and measuring of clean room, client auditing, quality service and handling of customer complaint.
Financial Department	Be responsible for raising and planning operating capital effectively, setting up operating accounting system plans and budget controlling. Be responsible for external relations of Juridical persons and company stock affairs.
Human Resources Department	Responsible for human resource management and organizational development related affairs.
Purchasing Department	Be responsible for sourcing new material suppliers, price negotiations of raw materials and production equipments, and production material delivery control.

Director, Supervisor, and Management team

(1) Directors and Supervisors

1. Personal Profile

2021-04-26 : Unit: share, %

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions held concurrently in the company and/ or and other company	EXECutives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Peter Chao	Male	2018.06.08	3	2001.05.25	33,480,151	10.29	34,831,503	10.71	2,712,678	0.83	-	-	Chairman, Taiwan Regional Association of Adhesive Tape Manufacturers Vice-President, Achem Opto-Electronic Corporation Ph.D. in Dartmouth College	President, Optimax Technology Corporation Chairman, Optimax Technology corp. (Suzhou) Co., Ltd Chairman, Art Optronics Corporation Chairman, Cyclone Investment Co., Ltd.	Director	Wilson Chao	Father-son	Note 1
Director	Republic of China	Wilson Chao	Male	2018.06.08	3	2012.06.28	4,001,674	1.23	4,669,674	1.44	-	-	-	-	Engineer, Foxconn Technology Group Engineer, Chunghwa Picture Tubes, Ltd Master Degree in Chemistry, University of San Francisco	Vice-President, Optimax Technology Corporation	Chairman	Peter Chao	Father-son	-
Director	Republic of China	Shi-Hong Industrial Co., Ltd.	-	2018.06.08	3	2015.06.16	624,712	0.19	1,333,712	0.41	-	-	-	-	Bachelor Degree in Business Administration. Ming Chuan University	Financial Manager, Kong Foods Co., Ltd	-	-	-	Note 4
		Representative: Shu-Ping, Wu	Female				-	-	-	-	-	-	-	-						
Director	Republic of China	Jiu-Ru Investment Co., Ltd.	-	2018.06.08	3	2018.06.08	1,521,828	0.47	1,521,828	0.47	-	-	-	-	Bachelor Degree, National Taipei Institute of Technology	Chairman, Jiu-Ru Investment Co., Ltd.	-	-	-	Note 4
		Representative: Jin-De, Wang	Male				-	-	-	-	-	-	-	-						
Director	Republic of China	Xiao-Nan Xiang	Female	2018.06.08	3	2018.06.08	8,425	-	8,425	-	-	-	-	-	Executive Secretary, TSRAIA Bachelor Degree, National Taipei Institute of Technology	None	-	-	-	-
Director	Republic of China	Qi-Bang, Yu	Male	2018.06.08	3	2018.06.08	-	-	-	-	-	-	-	-	Technical adviser, Taiwan Regional Association of Adhesive Tape Manufacturers Executive Assistant to President, Achem Opto-Electronic Corporation Bachelor Degree, Air Force Institute of Technology	Chairman, Furuto International Corporation	-	-	-	-
Director	Republic of China	Chang-Shu, Jiang	Male	2020.06.09	1	2020.06.09	-	-	-	-	-	-	-	-	Chairman, 9th Board of Directors, Taiwan Professional Electrical Engineers Association R.O.C Bachelor Degree in Electrical Engineering, Tatung University	Chairman, Hong-Da Electric Industrial Technician Office	-	-	-	Note 2

Title	Nationality / Country of Origin	Name	Gender	Date Elected	Term (years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Positions held concurrently in the company and/ or and other company	EXECutives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	Republic of China	Nai-Tu, Cheng	Male	2018.06.08	3	2014.06.27	-	-	-	-	-	-	-	-	Master Degree, National Tsing Hua University	Manager, Heng Shing Co., Ltd.	-	-	-	-
Independent Director	Republic of China	Ted Guo	Male	2018.06.08	3	2018.06.08	-	-	-	-	-	-	-	-	Master Degree in Law, Chinese Culture University	Land Administrator, Pvolynben Attorneys-At-Law	-	-	-	-
Independent Director	Republic of China	Tzeng-Guey Gu	Male	2020.06.09	1	2020.06.09	-	-	-	-	-	-	-	-	SHU-JEN High School	None	-	-	-	Note 3

Note 1 : The directors and the general managers or equivalent (executive managers) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

The purpose of the chairman serves as the President of the company is mainly to draw on his rich academic experience, and consider his management ability and communication and coordination ability, which can improve operating efficiency and decision-making execution. Moreover, the chairman can obtain more information to understand the company's operating conditions, and is committed to continuing the company's operations. At present, company has the implementation that more than half of the board members do not concurrently serve as employees or managers of any affiliates.

Note 2 : Director Chang-Shu, Jiang was elected on June 9, 2020.

Note 3 : Independent Director Tzeng-Guey Gu was elected on June 9, 2020.

Note 4 : Major shareholders of corporate shareholders

Name of legal shareholder	Major shareholders of corporate shareholders	Share (%)
Shi-Hong Industrial Co., Ltd.	Jiu-Ru Investment Co., Ltd.	36.50
	Shi-Fen Lin	30.00
	Shi-Xin Lin	30.00
	Mei-Ling Lin	0.27
Jiu-Ru Investment Co., Ltd.	Long-Shi Lin	65.90
	Shi-hong Lin	23.30
	Ru-Ying Wu	10.00

2. Other resource

Professional qualifications and independence analysis of directors and supervisors

2021-04-26

Criteria Name	Meet One of Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Peter Chao			V						V		V	V		V	V	None
Wilson Chao			V						V	V	V	V		V	V	None
Shi-Hong Industrial Co., Ltd. Representative: Shu-Ping, Wu			V	V		V	V		V	V	V	V	V	V	V	None
Jiu-Ru Investment Co., Ltd. Representative: Jin-De, Wang			V	V		V	V		V	V	V	V	V	V	V	None
Xiao-Nan Xiang			V	V		V	V	V	V	V	V	V	V	V	V	None
Qi-Bang, Yu			V	V		V	V	V	V	V	V	V	V	V	V	None
Chang-Shu, Jiang			V	V		V	V	V	V	V	V	V	V	V	V	None
Nai-Tu, Cheng			V	V	V	V	V	V	V	V	V	V	V	V	V	None
Ted Guo			V	V	V	V	V	V	V	V	V	V	V	V	V	None
Tzeng-Guey Gu			V	V	V	V	V	V	V	V	V	V	V	V	V	None

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office :

Not an employee of the company or any of its affiliates.

Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution.

Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.

Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

Not been a person of any conditions defined in Article 30 of the Company Law.

Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

**(2) Chairman, General Manager, Assistant General Manager, Deputy Assistant General Manager, and Managers
of all divisions and branch units**

2021-04-26; Unit: share %

Title	Nationality	Name	Gender	Date Elected	Shareholding		Spouse & Minor Shareholding		Other persons holding shares in their name		Principle work experience and academic qualifications	Positions held concurrently in the company and/ or and other company	Managers with spouses or relative within second-degree of kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Republic of China	Peter Chao	Male	2007.06.29	34,831,503	10.71	2,712,678	0.83	-	-	Chairman, Taiwan Regional Association of Adhesive Tape Manufacturers Vice-President, Achem Opto- Electronic Corporation Ph.D. in Dartmouth College	Chairman, Optimax Technology Corporation Chairman, Optimax Technology corp. (Suzhou) Co., Ltd Chairman, Art Optronics Corporation Chairman, Cyclone Investment Co., Ltd.	Vice- President	Wilson Chao	Father- son	Note 1
Vice- President	Republic of China	Wilson Chao	Male	2016.10.01	4,669,674	1.44	-	-	-	-	Engineer, Foxconn Technology Group Engineer, Chunghwa Picture Tubes, Ltd Master Degree in Chemistry, University of San Francisco	-	President	Peter Chao	Father- son	-
Assistant Vice- President	Republic of China	Ren-Qiang Ma	Male	2018.02.01	21,441	0.01	-	-	-	-	EMBA, Chang Jung Christian University	President, Optimax Technology corp. (Suzhou) Co., Ltd Head of the Department of Affairs, Optimax Technology Corporation	-	-	-	-
Financial Manager	Republic of China	Zong-Ze Chen	Male	2013.11.26	-	-	-	-	-	-	Manager, Zhenda Optoelectronics Manager, Taiwan Jingxing Technology Bachelor Degree in Accounting, Tamkang University	-	-	-	-	-

Note 1: The director and the general manager or equivalent (executive manager) are the same person, spouses, or relatives, which need to explain the reason, rationality, necessity and related information about the implementation:

The purpose of the chairman serves as the President of the company is mainly to draw on his rich academic experience, and consider his management ability and communication and coordination ability, which can improve operating efficiency and decision-making execution. Moreover, the chairman can obtain more information to understand the company's operating conditions, and is committed to continuing the company's operations. At present, company has the implementation that more than half of the board members do not concurrently serve as employees or managers of any affiliates.

(3) Remuneration paid during the most recent fiscal year to Directors, Supervisors, General Manager, and Assistant General Managers

1. Remuneration paid to Directors and Independent Director

2020-12-31th; Unit: NT\$ thousands

Title	Name	Remuneration paid to Directors								Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation earned as employee of Optimax subsidiary affiliates								Total compensation (A+B+C+D+E+F+G) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
		Salary (A) (Note 1)		Retirement pay(B)		Remuneration (C) (Note 1)		Allowance (D)				Salary, Bonuses, and Allowance (E) (Note 2)		Retirement pay(F)		Employee compensation(G) (Note 1)						
		Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company	All consolidated entities	Company		All consolidated entities		Company	All consolidated entities	
																cash	stock	cash	stock			
Chairman	Peter Chao	-	-	-	-	-	-	38	38	0.23	0.23	6,278	6,278	-	-	-	-	-	-	38.36	38.36	None
Director	Wilson Chao	-	-	-	-	-	-	36	36	0.22	0.22	4,558	4,558	108	108	-	-	-	-	28.56	28.56	None
Director	Shi-Hong Industrial Co., Ltd. Representative: Shu-Ping, Wu	-	-	-	-	-	-	38	38	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	None
Director	Jiu-Ru Investment Co., Ltd. Representative: Jin-De, Wang	-	-	-	-	-	-	36	36	0.22	0.22	-	-	-	-	-	-	-	-	0.22	0.22	None
Director	Xiao-Nan Xiang	-	-	-	-	-	-	38	38	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	None
Director	Qi-Bang, Yu	-	-	-	-	-	-	38	38	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	None
Director	Chang-Shu, Jiang (Note 3)	-	-	-	-	-	-	8	8	0.05	0.05	-	-	-	-	-	-	-	-	0.05	0.05	None
Independent Director	Nai-Tu, Cheng	-	-	-	-	-	-	38	38	0.23	0.23	-	-	-	-	-	-	-	-	0.23	0.23	None
Independent Director	Ted Guo	-	-	-	-	-	-	36	36	0.22	0.22	-	-	-	-	-	-	-	-	0.22	0.22	None
Independent Director	Tzeng-Guey Gu (Note 4)	-	-	-	-	-	-	4	4	0.02	0.02	-	-	-	-	-	-	-	-	0.02	0.02	None
1.Directors and Independent Directors’ remuneration policies, procedures, standards and structure, as well as the linkage to responsibilities, risks and time spent: According to BMC’s Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas. Due to independent directors are members of Audit Committee requiring additional time to attend, their remuneration policy differ from the others. The independent directors of the company are responsible for the duty of supervision. At present, there is no income of the company, therefore they only receive the transportation allowance for attendance. 2.In addition to the disclosure in the above table, the directors of the company in the most recent year received remuneration for providing services to all companies in the financial report (such as serving as consultants for non-employees): None.																						

Note 1: Due to the accumulated deficit in 2020, so there is no remuneration for distribution.

Note 2: The pension is all provisioned.

Note 3: Director Chang-Shu, Jiang was elected on June 9, 2020.

Note 4: Independent Director Tzeng-Guey, Gu was elected on June 9, 2020.

Remuneration paid scale to Directors and Independent Directors

Scale of remunerations to managers of the Company	Name			
	Total remuneration (A+B+C+D)		Total remuneration (A+B+C+D+E+F+G)	
	Company	All consolidate affiliates	Company	All consolidate affiliates
Under NT\$ 1,000,000	Peter Chao, Wilson Chao, Shu-Ping, Wu, Jin-De, Wang Xiao-Nan Xiang, Qi-Bang, Yu Chang-Shu, Jiang, Nai-Tu, Cheng Ted Guo, Tzeng-Guey Gu	Peter Chao, Wilson Chao, Shu-Ping, Wu, Jin-De, Wang Xiao-Nan Xiang, Qi-Bang, Yu Chang-Shu, Jiang, Nai-Tu, Cheng Ted Guo, Tzeng-Guey Gu	Shu-Ping, Wu, Jin-De, Wang Xiao-Nan Xiang, Qi-Bang, Yu Chang-Shu, Jiang, Nai-Tu, Cheng Ted Guo, Tzeng-Guey Gu	Shu-Ping, Wu, Jin-De, Wang Xiao-Nan Xiang, Qi-Bang, Yu Chang-Shu, Jiang, Nai-Tu, Cheng Ted Guo, Tzeng-Guey Gu
NT\$ 1,000,000 (include)~ NT\$ 2,000,000 (exclude)	-	-	-	-
2,000,000 (include)~ NT\$ 3,500,000 (exclude)	-	-	-	-
3,500,000 (include)~ NT\$ 5,000,000 (exclude)	-	-	Wilson Chao	Wilson Chao
5,000,000 (include)~ NT\$ 10,000,000 (exclude)	-	-	Peter Chao	Peter Chao
10,000,000(include)~ NT\$ 15,000,000 (exclude)	-	-	-	-
15,000,000(include)~ NT\$ 30,000,000 (exclude)	-	-	-	-
30,000,000(include)~ NT\$ 50,000,000 (exclude)	-	-	-	-
50,000,000(include)~ NT\$ 100,000,000 (exclude)	-	-	-	-
Over NT\$ 100,000,000	-	-	-	-
Total	10	10	10	10

2. Remuneration paid to Chairman, General Manager and Vice General Manager

2020-12-31; Unit: NT\$ thousands

2020-12-31; Unit: RMB thousands														
Title	Name	Salary (A)		Retirement pay(B) (Note 2)		Bonus and special allowance (C)		Remuneration (D) (Note 1)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
												Company	All consolidated affiliate	
		Company	All consolidated affiliate	Company	All consolidated affiliate	Company		All consolidated affiliate		Company	All consolidated affiliate			
cash	share					cash	share							
President	Peter Chao	6,278	6,278	-	-	-	-	-	-	-	-	38.13	38.13	None
Vice-President	Wilson Chao	4,558	4,558	108	108	-	-	-	-	-	-	28.34	28.34	None

Note 1: Due to the accumulated deficit in 2020, so there is no remuneration for distribution.

Note 2: The pension is all provisioned.

Remuneration paid scale to CEO, General Manager and Vice General Manager

Scale of remunerations to managers of the Company	Name of Chairman, General Manager and Vice General Manager	
	Company	All consolidate affiliates
Under NT\$ 1,000,000	-	-
NT\$ 1,000,000 (include) ~ NT\$ 2,000,000 (exclude)	-	-
2,000,000 (include) ~ NT\$ 3,500,000 (exclude)	-	-
3,500,000 (include) ~ NT\$ 5,000,000 (exclude)	Wilson Chao	Wilson Chao
5,000,000 (include) ~ NT\$ 10,000,000 (exclude)	Peter Chao	Peter Chao
10,000,000 (include) ~ NT\$ 15,000,000 (exclude)	-	-
15,000,000 (include) ~ NT\$ 30,000,000 (exclude)	-	-
30,000,000 (include) ~ NT\$ 50,000,000 (exclude)	-	-
50,000,000 (include) ~ NT\$ 100,000,000 (exclude)	-	-
Over NT\$ 100,000,000	-	-
Total	2	2

3. The remuneration of the top five executives

Title	Name	Salary (A)		Retirement pay(B) (Note 2)		Bonus and special allowance (C)		Remuneration (D) (Note 1)				Total remuneration (A+B+C+D) as a percentage of net income (%)		Compensation paid to Directors from non-subsidiary affiliates
		Company	All consolidated affiliate	Company	All consolidated affiliate	Company	All consolidated affiliate	Company		All consolidated affiliate		Company	All consolidated affiliate	
								cash	share	cash	share			
President	Peter Chao	6,278	6,278	-	-	-	-	-	-	-	-	38.13	38.13	None
Vice-President	Wilson Chao	4,558	4,558	108	108	-	-	-	-	-	-	28.34	28.34	None
Assistant vice- president	Ren-Qiang Ma	1,810	1,810	91	91	-	-	-	-	-	-	11.55	11.55	None
IT Manager	Sam Su	1,593	1,593	91	91	-	-	-	-	-	-	10.23	10.23	None
Financial Manager	Zong-Ze Chen	1,101	1,101	58	58	-	-	-	-	-	-	7.04	7.04	None

(4) Total remuneration as a percentage of net income as paid by the company, during the past two fiscal years to its Directors, General Manager, and Vice General Manager

Fiscal year Item	2020		2019	
	Company	All consolidated entities	Company	All consolidated entities
After-tax (loss) profit (NT\$ thousands)	16,464	16,464	(169,313)	(169,313)
Directors remuneration share (%)	1.88	1.88	0.15	0.15
Proportion of remuneration of managers above vice general manager (%)	66.47	66.47	6.12	6.12

Note 1: Due to the accumulated deficit in 2020, so there is no remuneration for distribution.

(5) The company's remuneration policies, standards and portfolios, procedures for determining remuneration, and its relevance to operating performance and future risks

The remuneration of directors of the company is issued by the board of directors in accordance with the authorization of the company's Articles of Incorporation. If the company has a surplus, the board of directors shall, in accordance with the company's Articles of Incorporation, decide the amount of directors' remuneration.

The State of the Company's Implementation of Corporate Governance

(1) The state of operations of the Board of Directors

The Board of Directors conducted 9 meetings. The Directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Note
Chairman	Peter Chao	9	-	100	-
Director	Wilson Chao	8	-	89	-
Director	Shi-Hong Industrial Co., Ltd. Representative: Shu-Ping, Wu	9	-	100	-
Director	Jiu-Ru Investment Co., Ltd. Representative: Jin-De, Wang	8	-	89	-
Director	Xiao-Nan Xiang	9	-	100	-
Director	Qi-Bang, Yu	9	-	100	-
Director	Chang-Shu, Jiang	4		100	2020-6-9 elected
Independent Director	Nai-Tu, Cheng	9	-	100	-
Independent Director	Ted Guo	8	-	89	-
Independent Director	Tzeng-Guey Gu	2	-	50	2020-6-9 elected

Other matters to be included:

- If any of the following circumstances occur during board meetings, the date of said meeting, session number, proposal content, all independent director opinions, and the Corporation's responses to said independent director opinions:
 - (1) According to Article 14-3 of the Securities and Exchange Act: None.
 - (2) In addition to the pre-opened matters, other directors' meeting resolutions with a record or written statement opposed or reserved by independent directors: None.
- The implementation of the director's avoidance of the proposal of interest shall state the name of the director, the content of the proposal, the reason for the avoidance of interest and the voting situation: None.
- Implementation Status of Board Evaluations:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Every year	The year of 2020	The board of directors and functional committees (including Audit committee and compensation Committee)	Self-evaluation	(1) Individual director and Board performance evaluation: level of participation in company operations, the quality of decisions, Board composition and structure, appointment of directors and their continued development, and internal controls. (2) Functional committee performance evaluation: participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees, and member selection and internal control.

The objectives of strengthening the functions of the board of directors in the current year and the most recent year (such as the establishment of an audit committee, the enhancement of information transparency, etc.) and the assessment of implementation.

- The company chose to establish an independent director and an audit committee on June 8, 2018 by the shareholders' meeting, and set up a salary and compensation committee on December 13, 2011. This plan has helped strengthen the functions of the board of directors and implement corporate governance.
- According to the "Evaluation of Board of Directors" passed by Optimax's BOD on March 19, 2020, the board and directors have to be evaluated at least one time every year. The evaluation of 2020 was done and was reported to the BOD on March 25, 2021.

(2) The state of operation of the audit committee:

The Audit Committee held 9 times in the most recent year, and the attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Nai-Tu, Cheng	9	-	100	-
Independent Director	Ted Guo	8	-	89	-
Independent Director	Tzeng-Guey Gu	2	-	50	2020-06-09 elected

Other matters to be recorded:

1. If there is any of the following situations in the operation of the audit committee, the date, period, content of the bill, resolution of the audit committee, and the company's handling of the audit committee's opinions should be stated:
 - (1)Matters listed in Article 14-5 of the Securities and Exchange Act: None.
 - (2)Except for the pre-opening matters, other resolutions that have not been approved by the Audit Committee and have been approved by more than two-thirds of all directors: None.
2. The implementation status of the independent director's avoidance of the proposal of interest shall state the name of the independent director, the content of the proposal, the reason for the avoidance of interest and the voting situation: None.
3. The communication between independent directors, internal audit supervisors and accountants (such as matters, methods and results of communication on the company's financial and business conditions) :None.

(3) Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow “Taiwan Corporate Governance Implementation” to establish and disclose its corporate governance practices?		V	The company has not yet formulated a code of practice for corporate governance.	Same as explanation
2. Shareholding Structure & Shareholders’ Rights				
(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1)The spokesperson and stock affairs department of the company handle related matters.	None
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) The company keeps abreast of the list of major shareholders who actually control the company and the list of ultimate controllers of major shareholders.	
(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(3) Assets and financial accounting of affiliated companies are all independent operations. Relevant departments of the company regularly and from time to time audit the affiliated companies that have control rights, so as to prevent your company from creating extravagance and causing company risks.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) The company has established internal regulations, and from time to time publicizes equity-related laws and regulations and matters to be noted to insiders, and prohibits insiders from using undisclosed information on the market to buy valuable securities.	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The board of directors of the company has 10 directors with a term of three years. The selection of directors is based on the overall configuration of the board of directors. Board members generally have the knowledge, experience, skills and accomplishments necessary to perform their duties. The powers of the board of directors shall be handled in accordance with the company's articles of association.	Same as explanation
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?		V	(2) In addition to the remuneration committee established in accordance with the law, the company also established an audit committee on June 8, 2018.	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?		V	(3) The company has formulated a plan for the "Board of Directors and Functional Committee Renewal Evaluation Method" and its evaluation method, which was approved by the board of directors on March 19, 2020.	
(4) Does the Company regularly evaluate its external auditors’ independence?	V		(4) The company regularly evaluates the independence of certified accountants.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	V		The company has a stock affairs and auditing unit responsible for corporate governance-related matters, and provides directors and supervisors with relevant information about the execution of the business on a regular basis without major discrepancies, and handles board of directors and shareholder meetings in accordance with the law, and handles company registration and changes Registration matters, and preparation of minutes of board of directors and shareholders' meetings, etc.	None
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The company currently has a special area for interested parties on the company website. Moreover, the company provides sufficient information to the financial institutions and creditors. In addition, the company provides smooth communication channels for employees, and disclose relevant information in accordance with regulations, such as asset acquisition and disposal, endorsement guarantees equal to the exchange website and public information observatory, so that interested parties have enough information to make judgments to protect their rights and interests.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The company appoints a professional stock affairs agency to handle the affairs of the shareholders meeting.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V V V		(1) The company has designated a person to be responsible for the collection and disclosure of company information, and to disclose the company's financial business and other related information on the information disclosure observatory and company website. (2) The company's website: http://www.optimax.com.tw , through the establishment of spokespersons and deputy spokespersons for information collection, disclosure and external communication. (3) The company announces and declares its annual financial report within the time limit on time, and announces the financial report and monthly operating conditions within the specified time limit every quarter.	Same as explanation

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) Employee rights and employee relations: 1. Employees' rights and interests: A labor retirement reserve supervision committee was established in accordance with the law, and labor insurance and national health insurance were applied to protect employees' rights and interests. 2. Employee care: In addition to providing labor and health insurance for employees in accordance with the law, the company also provides group insurance for employees, including accident insurance, medical insurance, and cancer insurance. 3. Regular labor-management meetings are held to coordinate labor-management relations and promote labor-management cooperation. (2) Investor relations: The company maintains the relationship between the company and investors through the establishment of spokespersons, agent spokespersons and stock affairs units. (3) Supplier relationship: through irregular meetings with suppliers, maintain a good relationship with suppliers. (4) Rights of interested parties: The company provides adequate information to financial institutions and creditors, and has smooth communication and management for employees in accordance with regulations, relevant information such as asset acquisition and disposal, endorsement guarantee, etc. shall be disclosed on the exchange website and public information observatory. (5) Implementation of risk management policies and risk measurement standards: The company has formulated various internal regulations in accordance with the law, and conducted various risk management and evaluations. (6) Implementation of customer policy: The company maintains a good relationship with customers department to create company profits. (7) Circumstances in which the company purchases liability insurance for directors and supervisors: The company has insured directors, supervisors and important employees.	None
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange: None.				

(4) Salary and compensation committee composition, responsibilities and operations :

Identity (Note 1)	Condition Name	more than five years of work experience and the following professional qualifications			Meet the independence situation (Note 2)										Number of members of the salary and compensation committee of issuing companies	Note
		Lecturer or above in public or private colleges and universities in related departments required for business, legal affairs, finance, accounting or company business	Judges, prosecutors, lawyers, accountants, or other professional and technical personnel with national examinations and certifications required for the company's business	Work experience required for business, legal affairs, finance, accounting or company business	1	2	3	4	5	6	7	8	9	10		
Independent Director	Nai-Tu, Cheng			V	V	V	V	V	V	V	V	V	V	V	0	None
Independent Director	Ted Guo			V	V	V	V	V	V	V	V	V	V	V	0	None
Other	Tong-Chi Xu			V	V	V	V	V	V	V	V	V	V	V	0	None

Note 1: Please fill in the identity type as Director, Independent Director or others.

Note 2: If each member meets following condition two years before the appointment and during the post, please check the column indicating the code below on above table.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
- (5) Not a director (including independent director), supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings
- (6) Not A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
- (7) Not the business owner, partner, director, independent director (supervisor), or manager of a professional person, single proprietorship, joint venture, company or institution that provides commerce, legal affairs, accounting services or consultation to the company or its affiliates or spouse of any above.
- (8) No involvement with any of the situations specified in Article 30, Company Act.
- (9) No a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) No involvement with any of the situations specified in Article 30, Company Act.

The committee has met 2 times in the most recent year, and the remuneration committee attended as follows:

Title	Name	Actual attendance	Delegated attendance	Actual attendance ratio (%)	Note
Convener	Nai-Tu, Cheng	2	0	100	None
Member	Ted Guo	2	0	100	None
Member	Tong-Chi Xu	2	0	100	None

Other matters to be recorded:

- (1) If the board of directors does not adopt or amend the recommendations of the salary and compensation committee, it shall state the date, period, content of the proposal, resolution of the board of directors, and the company's handling of the salary and compensation committee's opinions (such as the salary and compensation approved by the board of directors is better than the salary and compensation committee) The proposal should state the difference and the reason): None.
- (2) The matters resolved by the Remuneration and Remuneration Committee, if the members have objections or reservations, and have a record or written statement, which should state the date and period of the Remuneration and Remuneration Committee, the content of the proposal, the opinions of all members and the treatment of the opinions of the members: None.

(5) Implementation of corporate social responsibility and the difference with best ethical practice principle of corporate social responsibility for TWSE/GTSM listed companies and its reason

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Whether the company carried out risk evaluation on the topics of environment, society and corporate governance related to company operation according to materiality principle as well as establish policies or strategies related to risk management?	V		The company upholds the business philosophy of ``people-oriented, professional operation, innovative service, profit sharing" and the principle of significance. While pursuing sustainable business and operating profitability, the company actively performs corporate social responsibility and values the rights and interests of stakeholders, and Pay attention to the issues of environment, society and corporate governance, and incorporate them into the company's management policies and operating activities to achieve the goal of sustainable operation and the balanced development of economy, society and environmental ecology.	None
2. Whether the company established a full-time (part-time) unit to promote corporate social responsibility and it is authorized by the Board of Directors for high management level to handle it as well as report the implementation status to the Board of Directors?	V		Although the company currently does not have a full-time corporate social responsibility unit, it still authorizes relevant units to plan and promote social responsibility actions, enhance environmental protection awareness, implement ecological balance and greening, and promote the quality of work and life of employees, communities, and society. Meetings, management activities or reports to review the effectiveness of implementation and continuous improvement to ensure that the relevant operation processes and results of the business meet the company's sustainability goals and policies, and report to relevant departments, supervisors, and the board of directors.	None
3. Environmental issues (1)Whether the company established an appropriate environmental management system based on its industrial characteristics?	V		(1)Continue to implement the new version of the ISO 14001 environmental management system.	None
(2)Whether the company works hard to enhance the utilization efficiency for various resources and use the recycled materials that are with lower impact on the environment?	V		(2)Continue to implement energy conservation projects and waste reduction projects.	
(3)Whether the company evaluates the potential risk and opportunity that climate change has towards to the corporate as well as takes responding measures towards climate related topics?	V		(3)In response to environmental protection, energy conservation and carbon reduction, the company implements it in a way of full participation, and starts with general administrative policies, process management and improvement, so that employees can deeply root energy conservation in the working environment. The target of carbon reduction is to achieve environmental pollution-free: 1. Switch to energy-saving lamps for some lighting; reduce the use of lamps in administrative areas and maintain basic lighting to save energy.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4)Whether the company carried out the statistics of the greenhouse gas emission, in the past two years amount of water consumption, and total weight of the wastes as well as established the policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or management for other wastes?	V		2. Strengthen the management of air-conditioning: all types of chiller water outlet temperature, factory aisle temperature, office temperature, clean room temperature are all set and controlled and continue reducing the exhaust air volume of each coating equipments to save energy. 3. Aggressively promote electronic and reduce paper usage. 4. Instead of using sanitary chopsticks, use environmentally friendly chopsticks. 5. Promote the upper and lower floors to take the stairs, and the elevator will stop running on the floor. 6. Turn off the computer after get off work and turn off the lights and computer screen power during lunch break. 7. Waste battery recycling, faucet water-saving device, planting and environmental greening. 8. The company passed the greenhouse gas checking and verifying in January 2015. 9. The company was adopted rivers and obtained a reward of excellent manufacturer by Taoyuan City Government. (4) The company continues to implement various energy saving projects and waste reduction projects to reduce greenhouse gas emissions to protect the earth.	None
4. Social issues (1)Whether the company establishes relevant management policy and procedure according to related legal regulations and International Bill of Human Rights?	V		(1) The company complies with relevant labor laws and regulations to protect the legitimate rights of employees. The relevant human resources policies are based on the principle of respect for basic labor human rights protection, including freedom of association, the right to collective consultation, caring for disadvantaged groups, prohibiting child labor, and eliminating all forms of coercion Labor, eliminate employment discrimination, etc., at the same time, the employment policy does not have gender, race, age, marital and family status and other discrimination, implements equal remuneration, employment conditions, training and promotion opportunities, and implements its mission and spirit. The management methods and procedures, including work rules, various regulations and procedures, etc., are posted on the internal website for colleagues to read, and at the same time embody the spirit of care, equality and employing disadvantaged groups in various positions, and promoting employees to do their best.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2)Whether the company establishes and implements reasonable employee welfare measures (include remuneration, leave, and other welfare), and appropriately reflect business performance or results on employees' remuneration?	V		(2) The company has established work rules and related personnel management regulations, which cover the basic wages, working hours, vacations, pension payments, labor and health insurance benefits, and occupational accident compensation of the employees hired by the company, all in compliance with the Labor Standards Law. The company has established an employee welfare committee to plan and handle the benefits that employees can enjoy in accordance with laws and regulations and comply with the needs of employees. The company's employee remuneration policy is based on personal ability, contribution, and is positively correlated with operating performance.	None
(3)Whether the company provides employees a safe and healthy working environment and regularly carries out employee safety and health education?	V		(3) Provide a safe and healthy working environment for employees: 1. In accordance with regulations, the company regularly (implemented once every 6 months) implements work environment measurement to monitor the work environment, regularly and irregularly implement employee safety and health education, training and publicity, and relevant implementation records are kept by the workplace. 2. The company sets work safety management goals every year and regularly tracks improvements, formulates standardized emergency response procedures, and engages in various safety response drills and emergency education training each year to establish a healthy and safe working environment and prevent occupational disasters. 3. The company passed the SGS certification in 2018:OHSAS18001 verification in 2007 edition. 4. Perform monthly health visits by physicians and nurses to each site to understand the risks to the health of employees.	
(4)Whether the company established effective career capability development and training program for employees?	V		(4) Create a good environment for the career development of employees, and establish an effective career ability development training program, and actively plan and handle new personnel training, functional training, class training, general training, etc., so as to strengthen employees Inspired by professional skills and self-growth to enhance learning ability, and through a certification system, to ensure the stability and quality of employees' knowledge and skills. In addition, we regularly send newsletters related to industry development and technology to increase employees' horizons and horizons and keep abreast of industry trends.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(5) In terms of customer health and safety, client privacy, marketing and labeling related to products and services, whether the company complies with relevant legal regulations and international standards as well as establishes relevant consumer rights and interests protection and complaint procedure?	V		(5) The company upholds the ideal concept of a green enterprise, realizes the importance of the earth's green environmental protection, and produces products comply with RoHS, halogen-free, and REACH regulations. The quality management aspect follows the system constructed and maintained by the integrated quality management system of ISO 9001:2015 and IATF 16949:2016. 1. The customer provides basic information, drawings, etc., and the marketing follows the "Contract Review Procedures" for proper storage and management of customer information. 2. When receiving customer requests or international laws and regulations, it will be posted on the "Product Applicable Laws/Regulations List" from time to time for internal compliance and control. 3. Customer service (such as technical consultation, sample testing), customer opinion survey, etc., follow the "Customer Service Management Procedures" to quickly cooperate to improve customer satisfaction. 4. When a customer complaint occurs, the dedicated customer service staff will be responsible for contacting and handling, and follow the company's internally planned "Customer Complaint Handling Procedure" for related operations and storage. Regularly track customer satisfaction status to maintain good interaction with customers.	None
(6) Whether the company establishes supplier management policy to request suppliers follow relevant regulations for environmental protection, occupational safety and health, or labor human rights as well as its implementation status?	V		(6) When developing a new third-party manufacturer, the new third-party manufacturer is required to fill in the "Supplier Evaluation Report". The content of the questionnaire covers: compliance with EU WEEE, RoHS, ROHS2.0, halogen-free, REACH and other international or regional related regulations (Such as: do not use conflict minerals policy). For green product management, we regularly obtain from the third-party manufacturers: 1. The third notary public inspection report or controlled substance content and composition questionnaire; validity period is one year. 2. Material Safety Data Sheet (MSDS); valid for three years. Help, the two sides work together to prevent after inspection, if it is confirmed that the controlled substance is out of specification and is caused by a third-party manufacturer, the third-party manufacturer is responsible for handling defective products and related derivative expenses. Based on the basis for cooperation between the two parties, willing to provide the necessary cooperation and requires third-party manufacturers to start reducing projects.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
5. Whether the company prepares corporate social responsibility report that discloses the company's non-financial information by referencing international report preparation standard or guidance? Whether the above report is verified or guaranteed by the third verification party?	V		The company's performance of corporate social responsibility is handled in accordance with the "Supervisory Authority" and relevant laws and regulations. Relevant information of the company's operating conditions will be disclosed on the company's website and Market Observation Post System ("MOPS").	None
6. If the company establishes its own corporate social responsibility code according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state its operation and the difference with the code established: At present, the company has not formulated the corporate social responsibility code according to "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", but all the business operation comply with the corporate social responsibility code.				
7. Other important information that is helpful for understanding the state of operation of corporate social responsibility: The company's Pingzhen factory has passed the ISO 45001 occupational safety and health management system certification and continued to participate river adoption activities in Taoyuan City, and the relevant information is disclosed on the company's website (www.optimax.com.tw).				

(6) Implementation of sincerity managing and the difference with best ethical practice principle of sincerity managing for TWSE/GTSM listed companies and its reason

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team? (2) Does the company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies? (3) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?			(1) Through the internal control system, internal audit operating specifications, accounting system, audit authority management methods, employee codes, employee award management, job descriptions, and related employee management regulations and methods, to clarify and implement the due ethics And honest behavior, prevent and punish dishonest behavior. (2) In order to implement the determination to operate with integrity, the relevant policies, prevention plans, confidentiality agreements, your handling of violations of integrity, and the channels for appeals, etc., are clearly set in the employee code and awards. The regulations include that employees must not use their power to seek illegal benefits, and accept entertainment, puppet gifts, receive kickbacks, embezzle public funds, or other illegal benefits; and must not manipulate, conceal, or abuse interested parties such as customers, suppliers, and other external parties. Based on the information learned by their duties, they make misrepresentations on important matters or other unfair trading methods to obtain improper benefits: employees shall bear the duty of confidentiality of business secrets, which is the same after leaving the company. (3) Arrange training for new recruits after reporting, sign a letter of agreement on personal confidentiality and issue manuals, and send out relevant promotional content from time to time to improve employees' awareness of integrity and code of conduct, and publish the regulations on the internal website. In addition, multiple channels such as forums, meetings, and suggestion boxes on internal and external websites are provided for internal and external feedback to be reflected and handled by dedicated personnel. In addition, there are rewards and punishments. The relevant contents are communicated to all colleagues. Through various preventive measures, the concept and behavior of the principle of good faith are effectively strengthened, and good governance and sustainable operation are established.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2. Ethic Management Practice				
(1) Does the company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The company and its major customers have signed contracts with respect to integrity clauses, so any business activity companies will indeed abide by the content of the contract, and work with customers to establish an honest business environment.	None
(2) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		(2) At present, there is no full-time unit to promote the integrity of enterprises, but the company firmly believes that only integrity management can achieve sustainable operation and development. In order to implement the principle of honest management, the company has formulated the "employee ethics code of conduct", which regulates the prohibition of bribery and bribery by employees, avoiding conflicts of interest, etc., in order to establish a corporate culture of honest operation and ensure the company's sustainable operation.	
(3) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) Relevant policies are clearly set in the employee code, rewards and punishments, and the regulations are published on the internal website. Employees can reflect their opinions through multiple channels, such as every labor-management meeting, or with management and employee suggestion boxes, and appoint a dedicated person Immediately and properly handle. At the same time, there are rewards and punishments, and the relevant content and information are communicated to all colleagues. Employees are also encouraged to report to their immediate supervisor, audit supervisor, top human resources supervisor, or other appropriate personnel if they discover or reasonably suspect any violations, or report it through the suggestion box channels on internal and external websites.	
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) The auditing unit checks the financial reporting related information according to the laws and regulations every year, supervises the implementation of the internal control system and prepares an audit report, and tracks the improvement progress of the audit deficiencies quarterly to ensure the effectiveness of the internal control system. In addition, the company has established an accounting system to regulate that employees should abide by accounting principles to ensure that the published information can be properly and correctly reflected.	
(5) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(5) The company has included the "Code of Ethical Conduct for Employees in Employment" and other integrity-related requirements in the recruitment and new personnel education and training to clarify and implement the due ethics and integrity behaviors, and prevent and punish dishonest behaviors.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Implementation of Complaint Procedures (1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received? (2) Does the company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner? (3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?			(1) The company's employee work rules and employee rewards and punishments management measures clearly define the disciplinary and reporting complaint channels for violations of the integrity regulations, and encourage employees to immediately report to their direct supervisors, audit supervisors, and human resources if they find or reasonably suspect any violations. Report by the top supervisor or other appropriate personnel, or report through the suggestion box channel of internal and external websites, and handle it properly by designated personnel. (2) The company's employee work rules and employee rewards and punishments management measures specify the investigation procedures and confidentiality mechanisms for related matters in the punishment of violations of the integrity regulations and the reporting and appeal channels. (3) The company shall properly handle the reporting matters by designated personnel, and protect and ensure that the reporter will not be improperly or unfairly treated as a result.	None
4. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?			From time to time, the company discloses relevant information on the company's website, public information observatory, and shareholders' meeting without major differences. The company's website also sets up an investor area, links to public information observatories, and provides investors with information about the company's responsibilities. Important company information is announced and disclosed in accordance with the regulations of the competent authority. Information inquiry method: 1. Market Observation Post System (http://mpos.tse.com.tw). 2. Company's website (http://www.optimax.com.tw).	None
5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their Implementation: The company has not yet established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, but the overall operation comply with the corporate governance policies.				
6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy). The auditing office regularly reviews financial report-related information and supervises the operating system to ensure the effectiveness of the internal control system.				

(7) If the company has formulated a corporate governance regulation and related regulations, it should disclose its inquiry method: None.

(8) Other important information that enhances the state of operation of corporate governance: None.

(9) The state of implementation of Optimax Technology Corporation internal control system:

1. Statement on Internal Control

Optimax Technology Corporation Internal Control System Statement

Date: 2021-03-25

The company states of the following with regard to its internal control system for 2020, based on the finding of a self-assessment:

The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets security), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws.

An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.

The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public

Companies”, promulgated by the Financial Supervisory Commission (hereafter, the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication 5. Monitoring activities. Each element further contains several items. Please refer to the Regulations for details.

The Company has assessed the designed and operating effectiveness of its internal control system according to the formentioned criteria.

Based on the findings of the assessment mentioned as of December 31, 2020, the Company believes that during the stated time period its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding of the degree of achievement of operational effectiveness and efficiency objectives, reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations and bylaws, was effectively designed and operating, and reasonably assured the achievement of the above -stated objectives.

This Statement will become a major part of the content of the Company’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

This Statement has been passed by the Board of Directors Meeting of the Company held on March 25, 2021, in which all of the ten attending directors affirmed the content of this Statement.

Optimax Technology Corporation

Chairman: Peter Chao

President: Peter Chao

External auditors’ opinion on Optimax Technology Corporation’s internal control: Not applicable.

(10) During the most recent fiscal year and before printing date of annual report, if the company and its internal personnel have been punished according to law or the company carries out punishment to the internal personnel who violate internal control system and the result might have significant impact towards shareholders' equity or securities value, the content of the punishment should be specified as well as the main deficiency and improvement implementation: None.

(11) During the most recent fiscal year and before printing date of annual report, the important resolutions from the Shareholders' Meeting and the Board of Directors:

Date	Material Resolutions	Implementation Status
2020.06.09	Year 2020 Shareholder's Meeting	(1) Accept 2020 Business Report and Financial Statements (2) Accept the proposal for 2020 Deficit Compensation (3) Approve the amendment to the Articles of Incorporation (4) Elect Directors (including Independent Directors)
-	Year 2020 Company's Board Meeting	The major resolutions of the board of directors of the company have declared important information in the Market Observation Post System ("MOPS") in accordance with the regulations, and there are no other resolutions that have a significant impact on shareholders' equity or securities prices.

(12) Where, during the most recent fiscal year and current fiscal year up to the date of printing of this annual report, there was no Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof: None.

(13) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the Company's chairman, president, principal accounting officer, principal financial officer, chief internal auditor and principal research and development officer: None.

Information on CPA Professional Fees

(1) CPA Professional Fees Information

Unit: NT\$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					CPA's Audit Period	Note
			System Design	Company Registration	Human Resource	Other (Note)	Subtotal		
BAKERK TILLY CLOCK & CO.	Yung-Chi, Lai Li-Chen, Peng	1,740	-	-	-	-	-	2020-01-01 ~2020-12-31	None

- (2) If the non-audit public fees paid to the independent auditor, the firm to which the visa accountant belongs, and its affiliated enterprises are more than a quarter of the audit public fees, the amount of the audit and non-audit public fees and the content of the non-audit services shall be disclosed: Not applicable.
- (3) If the replacement of the accounting firm and the audit public fees paid in the replacement year are lower than those in the previous year, the amount and reason of the audit public fees before and after the replacement shall be disclosed: Not applicable.
- (4) If the audit public expenditure has decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the reduction of audit public expenditure shall be disclosed: Not applicable.

Information of replace it Certificated Public Accountant

None.

The Company's Chairman, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matter in the most recent year held a position at the Accounting Firm of its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm

None.

Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10 Percent during the most recent fiscal year and the current fiscal year up to the date of printing of this annual report

In the most fiscal year and up to the date of publication of the annual report, the transfer of shareholding and changes in shareholding pledges of directors, supervisors, managers and shareholders holding more than 10% of the share:

(1) Changes in shareholdings of Directors, Supervisors, Mangers, and Major Shareholders:

Unit: share

Title	Name	2020		For the year end 2021-04-26	
		Change in quantity of shareholding	Change in quantity of pledged shares	Change in quantity of shareholding	Change in quantity of pledged shares
Chairman President Over 10% shareholdings	Peter Chao	-	-	-	-
Vice-President Director	Wilson Chao	338,000	-	330,000	-
Corporate Director	Shi-Hong Industrial Co., Ltd.	439,000	-	-	-
Representative	Shu-Ping, Wu	-	-	-	-
Corporate Director	Jiu-Ru Investment Co., Ltd.	-	-	-	-
Representative	Jin-De, Wang	-	-	-	-
Director	Qi-Bang, Yu	-	-	-	-
Director	Xiao-Nan Xiang	-	-	-	-
Director	Chang-Shu Jiang	-	-	-	-
Independent Director	Nai-Tu, Cheng	-	-	-	-
Independent Director	Ted Guo	-	-	-	-
Independent Director	Tzeng-Guey Gu	-	-	-	-
Assistant Vice-President	Ren-Qiang Ma	-9,000	-	-	-
Financial Manager	Zong-Ze Chen	-	-	-	-

(2) Stock transfer with related party: None.

(3) Stock Pledge with related party: None.

Related Party Relationship Among the Company's 10 Largest Shareholders

2021-04-26; Unit: share ; %

Name	Shareholding		Shareholding under spouse and children of minor age		Shareholding under the title of third party		Top 10 shareholders who are related parties to each other		Note
	Shares	%	Shares	%	Shares	%	Title (or name)	Relation	
Peter Chao	34,831,503	10.71	2,712,678	0.83	-	-	Wilson Chao	Father-son	-
Long-Shi, Lin	18,400,000	5.66	-	-	-	-	Shi-Hong, Lin	Father-son	-
Jufeng Global Investment Co., Ltd.	9,000,000	2.77	-	-	-	-	-	-	-
Jufeng Global Investment Co., Ltd. Principle: Lai Jianxun	-	-	2,666,702	0.82	-	-	Peter Chao	Father-son -in-law	-
Jun-zhong, Zheng	8,516,000	2.62	-	-	-	-	-	-	-
Yuqi Investment Co., Ltd	7,825,000	2.41	-	-	-	-	Uben Investment Co., Ltd.	Joint Venture	-
Yuqi Investment Co., Ltd Principle: Hong-Yu Lin	-	-	-	-	-	-	-	-	-
Sen-yuan, Liu	7,088,000	2.18	-	-	-	-	-	-	-
Wilson Chao	4,669,674	1.44	-	-	-	-	Peter Chao	Father-son	-
Shi-Hong, Lin	4,243,244	1.30	-	-	-	-	Long-Shi, Lin	Father-son	-
Uben Investment Co., Ltd.	3,990,000	1.23	-	-	-	-	Yuqi Investment Co., Ltd	Joint Venture	-
Uben Investment Co., Ltd. Principle: Hong-Yu Lin	-	-	-	-	-	-	-	-	-
Jing-kai, Lin	3,633,000	1.12	-	-	-	-	-	-	-

Comprehensive shareholding ratio information

The company's director, managers, and companies directly or indirectly controlled by the company directly or indirectly control the numbers of shares held by the same reinvested enterprise, and its comprehensive shareholding ratio information is as follow:

2020-12-31; Unit: thousand share

Long-term investments (Note 1)	Investment by OPTIMAX		Investment directly or indirectly controlled by directors, supervisors, and managers of OPTIMAX		Total Investment	
	Shares	%	Shares	%	Shares	%
Optimax Technology (BVI) Co., Ltd (Note 2)	50,000	100	-	-	50,000	100
Optimax Optronics (MAURITIUS) corp.	19,000,000	100	-	-	19,000,000	100
Art Optronics corp.	225,000	100	-	-	225,000	100

Note1: Investment accounted for using the equity method.

Note2: Optimax Technology (BVI) Co., Ltd. was liquidated on March 24, 2020.

Capital Overview

Capital Overview

(1) Capitalization

1. Capitalization

Unite: NT\$ thousand, thousand shares

Year/Month	Price (NT\$)	Authorized		Paid-in		Remark		
		Shares (thousand share)	Amount (NT\$ thousand)	Shares (thousand share)	Amount (NT\$ thousand)	Sources of capital	Capital increase by assets other than cash	other
1998/03	10	80,000	800,000	29,100	291,000	Established	None	Note1
1998/11	10	80,000	800,000	58,200	582,000	Rights issue	None	Note2
1999/10	12	80,000	800,000	73,200	732,000	Rights issue	None	Note3
2000/11	18	150,000	1,500,000	109,200	1,092,000	Rights issue	None	Note4
2001/07	10	150,000	1,500,000	118,646	1,186,463	Capitalization of retained earnings (including employee bonuses), Capitalization of capital surplus	None	Note5
2001/10	15	150,000	1,500,000	136,646	1,366,463	Rights issue	None	Note6
2002/05	22	150,000	1,500,000	149,646	1,496,463	Rights issue	None	Note7
2002/06	10	400,000	4,000,000	176,160	1,761,605	Capitalization of retained earnings (including employees' bonuses), Capitalization of capital surplus	None	Note8
2002/11	40	400,000	4,000,000	209,660	2,096,605	Rights issue	None	Note9
2003/08	10	400,000	4,000,000	246,812	2,468,119	Capitalization of retained earnings (including employees' bonuses)	None	Note10
2004/04	10	400,000	4,000,000	263,573	2,635,724	Bonds converted to common stock	None	Note11
2004/06	107	400,000	4,000,000	288,572	2,885,724	Rights issue	None	Note12
2004/08	10	700,000	7,000,000	291,549	2,915,490	Bonds and Stock option converted to common stock	None	Note13
2004/08	10	700,000	7,000,000	363,614	3,636,141	Capitalization of retained earnings, Bonds and Stock option converted to common stock	None	Note14
2004/10	10	700,000	7,000,000	364,728	3,647,281	Bonds and Stock option converted to common stock	None	Note15
2005/01	10	700,000	7,000,000	365,351	3,653,511	Bonds and Stock option converted to common stock	None	Note16
2005/05	10	700,000	7,000,000	371,668	3,716,678	Bonds and Stock option converted to common stock	None	Note17
2005/07	10 73	700,000	7,000,000	411,653	4,116,534	Bonds converted to common stock and Rights issue	None	Note18
2005/08	10	700,000	7,000,000	411,848	4,118,476	Bonds and Stock option converted to common stock	None	Note19
2005/08	10	700,000	7,000,000	414,194	4,141,936	Bonds and Stock option converted to common stock	None	Note20
2005/09	10	700,000	7,000,000	488,982	4,889,824	Capitalization of retained earnings (including employees' bonuses)	None	Note21
2005/11	10	700,000	7,000,000	489,665	4,896,653	Bonds and Stock option converted to common stock	None	Note22

Year/Month	Price (NT\$)	Authorized		Paid-in		Remark		
		Shares (thousand share)	Amount (NT\$ thousand)	Shares (thousand share)	Amount (NT\$ thousand)	Sources of capital	Capital increase by assets other than cash	other
2006/01	10	700,000	7,000,000	493,232	4,932,323	Bonds and Stock option converted to common stock	None	Note23
2006/04	10	700,000	7,000,000	494,999	4,949,990	Bonds and Stock option converted to common stock	None	Note24
2006/07	10	1,000,000	10,000,000	503,718	5,037,178	Bonds and Stock option converted to common stock	None	Note25
2006/10	10	1,000,000	10,000,000	505,367	5,053,671	Bonds and Stock option converted to common stock	None	Note26
2007/03	10	1,000,000	10,000,000	505,941	5,059,412	Bonds and Stock option converted to common stock	None	Note27
2007/05	10	1,000,000	10,000,000	506,629	5,066,293	Bonds and Stock option converted to common stock	None	Note28
2007/09	10	1,000,000	10,000,000	506,776	5,067,764	Bonds and Stock option converted to common stock	None	Note29
2010/06	10	1,000,000	10,000,000	271,366	2,713,661	Disinvestment	None	Note30
2011/03	10	1,000,000	10,000,000	267,224	2,672,242	Cancels the storehouse stock	None	Note31
2011/11	10	1,000,000	10,000,000	325,332	3,253,323	Private Investment in Public Equity	None	Note32

Note 1: The Ministry of Economic Affairs approved on 1998/03/03 No. 087103851.

Note 2: The 1998/09/10 Letter No. Taiwan-Finance-Securities-I-75847 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 3: The 1999/05/25 Letter No. Taiwan-Finance-Securities-I-48502 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 4: The 2000/06/20 Letter No. Taiwan-Finance-Securities-I-52557 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 5: The 2001/07/12 Letter No. Taiwan-Finance-Securities-I-142982 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 6: The 2001/07/12 Letter No. Taiwan-Finance-Securities-I-142982 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 7: The 2002/02/22 Letter No. Taiwan-Finance-Securities-I-106950 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 8: The 2002/05/21 Letter No. Taiwan-Finance-Securities-I-123945 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 9: The 2002/06/26 Letter No. Taiwan-Finance-Securities-I-0910134944. The 2002/07/29 Letter No. Taiwan-Finance-Securities-I-0910142819 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 10: The 2003/06/13 Letter No. Taiwan-Finance-Securities-I-0920126201 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 11: The Ministry of Economic Affairs approved No. 09301058210.

Note 12: The Letter No. Taiwan-Finance-Securities-I-0930106816 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 13: The Ministry of Economic Affairs approved No. 09301148610. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 14: The Ministry of Economic Affairs approved No. 09301156070. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 15: The Ministry of Economic Affairs approved No. 09301197400. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 16: The Ministry of Economic Affairs approved No. 09401013970. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 17: The Ministry of Economic Affairs approved No. 094010176290. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 18: The Ministry of Economic Affairs approved No. 09401114040. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 19: The Ministry of Economic Affairs approved No. 09401155540. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 20: The Ministry of Economic Affairs approved No. 09401155530. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 21: The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 0940128432 of Jinguanzhengzi on 2005/07/14.

Note 22: The Ministry of Economic Affairs approved No. 09401223000. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 23: The Ministry of Economic Affairs approved No. 09501010290. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 24: The Ministry of Economic Affairs approved No. 09501070530. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 25: The Ministry of Economic Affairs approved No. 09501151360. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 26: The Ministry of Economic Affairs approved No. 09501239450. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 27: The Ministry of Economic Affairs approved No. 09601054920. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 28: The Ministry of Economic Affairs approved No. 09601099510. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 29: The Ministry of Economic Affairs approved No. 09601228040. The Letter No. Taiwan-Finance-Securities-I-123946 of the Securities and Futures Commission (SFC), Ministry of Finance.

Note 30: The Ministry of Economic Affairs approved No. 09901134930. The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 0990029643 of Jinguanzhengfazi on 2010/06/15.

Note 31: The Ministry of Economic Affairs approved No. 10001043070. The Taiwan Stock Exchange Corporation Reference No.10000083511 on 2011/03/22.

Note 32: The Ministry of Economic Affairs approved No. 10001274710. The Financial Supervision and Administration Commission of the Executive Yuan approved the letter No. 1000024210 of Jinguanzhengfazi on 2011/05/24.

2. Shares Categories

2021-4-26; Unite: share

Stock Type	Approved share capital					Note
	Outstanding shares			Un-issued shares	Total	
	Listed stock	Unlisted stock (Note 1)	Total			
Common stock	267,224,285	58,108,111	325,332,396	674,667,604	1,000,000,000	50,000,000 shares including warrants and company bonds with warrants

Note 1: Private Investment in Public Equity.

3.Information on the shelf registration: Not applicable.

(2) Shareholder structure

2021-4-26; Unit: share; %

Structure	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Individual	Total
Number of shareholders	-	-	110	23	28,248	28,381
Shareholding	-	-	27,224,069	1,741,232	296,367,095	325,332,396
Holding percentage%	0.00	0.00	8.37	0.53	91.10	100.00

(3) Distribution of ownership

Each share has a per value of NT\$10; 2021-4-26

Shareholder Ownership (Unit: share)	Number of Shareholders	Ownership (share)	Ownership (%)
1 - 999	16,504	2,233,869	0.69
1,000 - 5,000	7,251	16,099,498	4.95
5,001 - 10,000	1,977	14,486,332	4.45
10,001 - 15,000	716	8,726,268	2.68
15,001 - 20,000	451	8,234,578	2.53
20,001 - 30,000	443	11,471,038	3.53
30,001 - 40,000	197	7,058,271	2.17
40,001 - 50,000	172	8,055,646	2.48
50,001 - 100,000	320	23,359,831	7.18
100,001 - 200,000	171	24,224,877	7.45
200,001 - 400,000	97	27,738,199	8.53
400,001 - 600,000	32	15,636,400	4.81
600,001 - 800,000	11	7,750,458	2.38
800,001 - 1,000,000	5	4,385,636	1.34
Over 1,000,001	34	145,871,495	44.83
Total	28,381	325,332,396	100.00

(4) List of principal shareholders

2021-4-26; Unit: share; %

Name of major shareholder	Number of shares held (shares)	Shareholding ratio (%)
Peter Chao	34,831,503	10.71
Long-Shi, Lin	18,400,000	5.66
Jufeng Global Investment Co., Ltd.	9,000,000	2.77
Jun-zhong, Zheng	8,516,000	2.62
Yuqi Investment Co., Ltd	7,825,000	2.41
Sen-yuan, Liu	7,088,000	2.18
Wilson Chao	4,669,674	1.44
Shi-Hong, Lin	4,243,244	1.30
Uben Investment Co., Ltd.	3,990,000	1.23
Jing-kai, Lin	3,633,000	1.12

(5) Share prices for the past two fiscal years, the Company's net worth per share, earnings per share, dividends per share, and related information:

Item \ Year			2019	2020	Year ended March 31, 2021 (Note 6)
Market price per share (Note 2)	Highest market price		4.30	6.60	7.70
	Lowest market price		2.55	2.49	5.55
	Average market price		3.21	4.08	6.54
Net worth per share	Before distribution		3.79	3.83	5.66
	After distribution		NA	NA	NA
Earnings (loss) per share	Weighted average share (thousand shares) (before retrospective)		325,332	325,332	325,332
	Earnings (loss) Per share		-0.52	0.05	1.84
Dividends per share	Cash dividends		Note 1	Note 1	-
	Stock dividend	Dividends from retained earnings	-	-	-
		Dividends from capital surplus	-	-	-
	Accumulated undistributed dividend		-	-	-
Return on investment	Price/ Earnings ratio (Note 3) (times)		-	-	-
	Price/ Dividend ratio (Note 4) (times)		-	-	-
	Cash dividend yield (Note 5) (%)		-	-	-

Note 1: Due to the accumulated deficit in 2020, there is no remuneration for distribution.

Note 2: List the highest and lowest market price per share of common stock in each fiscal year. Calculate each fiscal year's average market price based upon each fiscal year's actual trading prices and volume.

Note 3: PE ratio = average closing price per share for the year / earnings per share.

Note 4: PE ratio = average closing price per share for the year / cash dividend per share.

Note 5: Cash dividend yield = cash dividend per share / average closing price per share for the year.

Note 6: Data verified (audited) by the accountant for the most recent quarter as of the publication date of the annual report should be filled in the net worth and earnings per share. The remaining fields should be filled with data of the year as of the publication date of the annual report.

(6) Dividend policy

1.Dividend policy:

The dividend policy stipulated in the company's current articles of association (to be implemented after the approval of the regular shareholders meeting)

The company's dividend policy is regulated in Articles 20 of the company's articles of association. Its contents are as follows:

The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' accumulated losses and then set aside 10% as legal reserve. When such legal reserve amounts to the total paid-in capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the relevant regulations. The remaining earnings, plus the accumulated undistributed earnings, may be appropriated to shareholders as dividends or bonuses according to the distribution plan proposed by the Board of Directors and approved by the shareholders' meeting.

After taking into account of the Company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 50% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 30% of paid-in capital, the Company may choose not to distribute dividends. Dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.

2. The situation of the proposed dividend distribution at the shareholders' meeting of this year: None.

(7) The impact of the proposed free placement of shares this year on the company's business performance and earnings per share: Not applicable.

(8) Employee dividends and compensation of directors and supervisors

1.The percentage or scope of employee dividends and remuneration of directors and supervisors as stated in the company's articles of association:

When the Company allocates the profit of the current year, if any, 5%~10% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation shall be approved by a majority of total Directors and then reported on the Shareholders' meeting. Notwithstanding the foregoing, when there are accumulated losses, the profits shall be used to offset accumulated losses first and report on the Shareholders' meeting.

2.The current basis for estimating the amount of compensation for employees and directors, the basis for calculating the number of shares for employee compensation for stock distribution, and the accounting treatment when the actual distribution amount is different from the estimated number: Not applicable.

3.Proposed distribution of compensation by the board of directors: None.

4.The actual distribution of employees 'and directors' remuneration in the previous year, the number of differences with those who recognize differences between employees 'and directors' remuneration, reasons and handling situations: Not applicable.

(9) Share repurchases: None.

Insurance of Corporate Bonds

- (1) Corporate bond issuance: None.
- (2) Convertible Bond: None.
- (3) Exchangeable Bond: None.
- (4) Shelf Registration: None.
- (5) Bond with Warrants: None.

Special stock issuance situation: None

Overseas depositary receipt issuance: None.

Employee stock option certificate issuance: None.

Restricted employees' rights to deal with new shares: None.

Mergers or acquisitions or transfer of shares of other companies to issue new shares: None.

Implementation of the fund utilization plan

As of the quarter before the printing date of the annual report, the cash capital increase plans of the previous issuances have been implemented and the benefits have been shown. Therefore, it is not applicable.

Operational Highlights

Business Content

(1) Business Scope

1. The main content of the business and its operating proportion:

The company's business is mainly divided into two parts, one is that the sales proportion of polarizers is 95%. The other part is for the sales of sunglasses, touch controls and related optical materials, accounting for 5% of revenue.

2. The company's current product (service) projects and planned new products (services):

The company currently manufactures and sells important raw material polarizers for LCD/OLED (including TN, STN, TFT, PM-OLED, AM-OLED, etc.), lenses for sunglasses and some touch-related materials. At present, it is planned to cut into the production and sales of more optoelectronic peripheral raw materials products.

(2) Industry Overview

1. Industry status and development

Polarizers are mainly used in liquid crystal displays (Liquid Crystal Display, referred to as LCD), which are upstream components of the LCD industry, and their sales are greatly affected by overall LCD demand.

Comparison table of TN, STN and TFT-LCD

LCD	Theory	Characteristic	Angle of view	Panel size	Application
TN	Liquid crystal molecules (twisted 90 degrees)	Black and white, monochrome low contrast(20:1)	narrow (Below 30 degrees)	Below 6"	Electronic watches, computers, simple palm-sized game consoles, etc.
STN	Liquid crystal molecules (twisted 180~270 degrees)	Black and white, color (260,000 colors), low contrast is better than TN (50:1)	narrow (Below 40 degrees)	Below 10"	Electronic dictionary, mobile phone, stock machine, etc.
TFT	Liquid crystal molecules (twisted 90 degrees)	Color (16.78 million colors), high contrast TN 500:1~1000:1 MVA 1500:1~3000:1 IPS 1000:1~2000:1	Wider TN:80 degrees MVA: 88 degrees IPS: 88 degrees	1.5~65"	Digital cameras, digital frames, personal digital assistants, mobile phones, LCD projectors, notebook computers, liquid crystal monitors, color TVs (Full HD), and car navigation systems, etc.

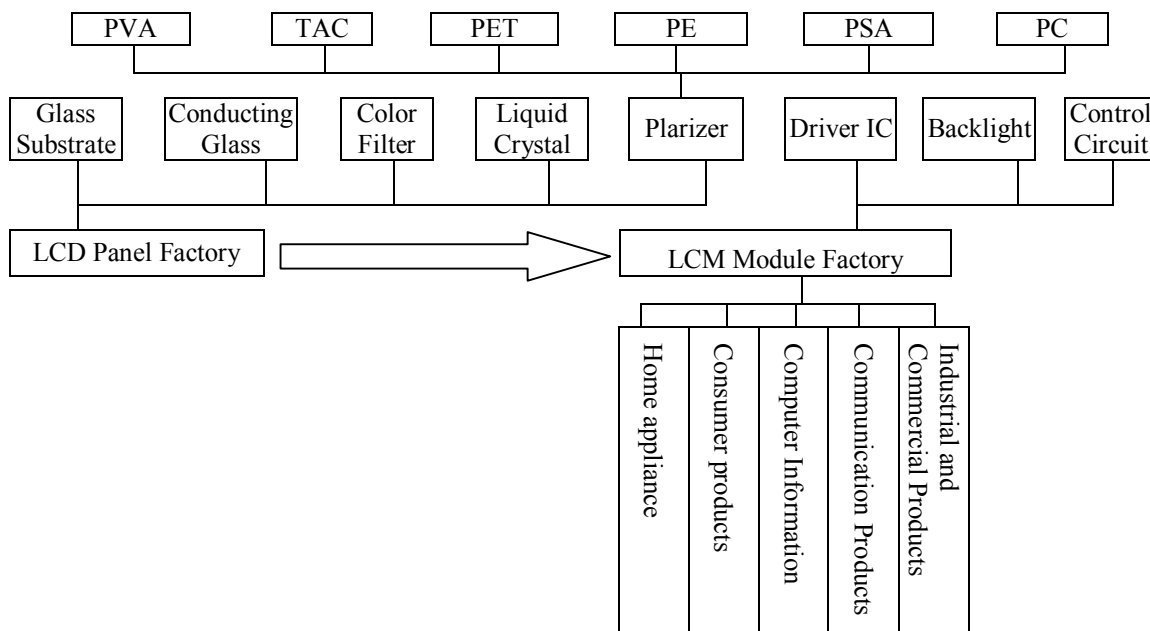
The above data shows that the applications of liquid crystal displays include business, information, communications, consumer electronics, transportation and entertainment applications, and various types of LCD have different applications under different terminal product specifications. The polarizing plate is the key component of the above three types of LCD. Its function is mainly used to control the polarization direction of specific light waves, so that light can pass or shield, and provide the necessary display characteristics. Because the liquid crystal itself does not have the ability to pass or shield light, and the control function requires the use of a polarizer to achieve related functions, so the polarizer is of great importance to LCD.

Liquid crystal displays (LCDs) take advantage of their small size, light weight, low power consumption, full-plane display and low radiation, from general-purpose electronic products such as watches and computers to high-end electronic product displays such as mobile phones and tablets. Computers, laptops, LCD screens, LCD TVs, etc. are quite high market share.

The investment boom in my country's liquid crystal display industry has continued in recent years. Although the investment in super-twisted liquid crystal displays (STN-LCD) has stopped, a series of eye-catching large-size thin film transistor displays (TFT-LCD) and AM-OLED continues to invest. At present, Taiwan is already the world's TFT-LCD production center, and TN-LCD and STN-LCD are mostly transferred to mainland China due to low prices and profits. In recent years, domestic investment has set off next-generation large-size TFT-LCD and AM-OLED. The upsurge of new technology, and the gradual implementation of independent technology development, coupled with the opening of the panel factory in 2010, the conditional landing of these hundreds of billions of new Taiwan dollars of investment, compared with the semiconductor industry has a tendency to come from behind.

Polarizers are materials required for the production of LCD/OLED, and the LCD industry is divided into TN, STN, OLED industry is divided into two categories: PM-OLED and AM-OLED. Although other flat-panel displays use polarizing plates, their individual application products, production centers, industrial characteristics and production technologies are different. Optimax will position the main marketing markets in Taiwan, mainland China, Japan and South Korea.

2. Industrial connection



3. Industry development trends and competition

(1)Product development trend

Polarizers are classified according to their optical functions, which can be divided into general use, high contrast, ultra-high contrast, ultra-high contrast, high durability, color, whitening, IPS and VA polarizers. Recently, product development is trending towards thinness, high transmittance, high resolution and high brightness. To meet the requirements of panel lightweight and environmental protection and energy saving. Polarizing plates are classified according to the production materials, which can be divided into iodine series and dye series. The difference is that the weather resistance of the dye-based polarizer is better than that of the iodine series. Therefore, dye-based polarizers are often used under high temperature conditions such as automotive, industrial control and LCD projectors, but the iodine series is used for the optical properties of polarization and transmittance. Polarizers are better. Therefore, iodine series polarizers are completely used in products that require high optical properties such as notebook computers, desktop PC monitors and LCD TVs. The company's product classification is as follows:

Optical function	General purpose	High contrast type	Ultra-high contrast type
Category	TN Polarizers	STN/PM-OLED Polarizers	TFT /AM-OLED Polarizers
Iodine series (I2)	Computer, Watch, Sun glasses, Game	PDA 、 Mobile phone	Laptops, Smart phones, Digital photography, Camera, Tablet PC, Desktop PC monitor, LCD TV
Dye series (dye)	For vehicles, ships, Low-level displays	Car navigator	Projector, Car navigator

Since LCD products have special and strict requirements in terms of brightness, visibility, weather resistance, ease of use, and light weight, in order to meet the needs of LCD manufacturers for the quality and characteristics of polarizers, the company should improve and develop the polarizer, each composite film, adhesion, processing, and interact with LCD customers to fully understand customer needs as a product development reference.

The development trend of polarizing plate required by LCD is as follows:

LCD demand for polarizing plate characteristics	Demand type	Polarizer products development direction	Description
Visual effect	➤ High brightness ➤ High contrast ➤ No color shift ➤ Anti-reflection ➤ Wide viewing angle characteristics	Improved characteristics of polarizer	Transmittance, polarizer performance, surface reflection prevention (AGLR, AGAR, HCLR, HCAR)
		Reflection, semi-transmission	Whiteness, reflectivity, semi-transmission, viewing angle characteristics
		Retardation film	Retardation film difference value control, wavelength dispersion characteristics, temperature dependent film, Liquid crystal coating film
Portable type with high weather resistance, thin and light weight	➤ Thin ➤ Durability	➤ Improve durability of Dye and Iodine product ➤ Thin product Introduction	Thinner, high durability and medium durability
Ease of processing	➤ Flatness ➤ Easy to tear release film and protect film	Process improvement, raw material selection	Correct use of polarizer materials and adhesives
			Prevent static electricity, good cutting performance

(2) Product competition

At present, manufacturers with polarizing plate manufacturing technology, in addition to Japanese, Taiwan and Korean manufacturers, there are Chinese manufacturers. Previously, mainland manufacturers mainly focused on low-end TN/STN/PM-OLED products. Recently, they have accelerated the introduction of TFT/AM-OLED products. However, the overall market share is still low, and the product quality is still unable to compare with Japanese, Taiwan, and Korean factories. In addition, Taiwan's panel makers continue to invest in next-generation panels. Due to the high future growth of the polarizer industry, new players are also attracting new players to actively enter the market, including Taiwanese manufacturers such as BenQ Materials and Chengmei Materials, as well as the establishment of Sumitomo in Tainan. Nitto expands production in Taichung. In addition to the current LCD TV, MNT, NB, Tablet PC. In addition to the development of polarizers for Automobile LCD, Smart Phone, Smart Watch, PM-OLED/AM-OLED and VR/AR, the company also actively expands surface treatment business and products such as precision coating to improve quality stability and reduce costs, and actively expand Japan and Chinese mainland market and improve the service and cooperation with customers, so as to widen the gap with competitors and maintain high competitiveness.

(3) Technology and R&D Overview

1. R&D expenses invested in the most recent year and up to the date of publication of the annual report

Unit : NT\$ Thousand

Item	2020	AS of 2021-03-31 (Note)
Net Sales	2,417,836	752,257
R&D Expense	51,788	12,384
Percentage of Net Sales (%)	2.14%	1.65%

Note: The information for the year 2021 as of March 31 has been reviewed by an accountant.

2. Research and Development Achievement

Year	Achievement	Application
2020	Q1	Vehicle-mounted polarizer
	Q2	Dye reflective polarizer
	Q3	Polarizer for OLED
	Q4	Polarizer for VR/AR
2021	Q1	HUD reflective polarizer
		Vehicle HUD

(4) Long-term and short-term business development plans

1. Short-term development plan:

(1) Marketing strategy

A. Market:

The overall demand for LCD panels in the global economic downturn has no longer experienced substantial growth. The overall strategy has been adjusted to operate in 2019 with high-margin products and a reasonable economic scale. It also demonstrates the optimized cost-effectiveness of centralized production management to increase the value of Optimax in the client.

B. Customers:

In addition to continuing to strengthen the relationship with existing customers, it is also actively exploring new customers in the mainland, South Korea, Japan and other regions.

C. Product range:

Expanded from TV, Monitor to NB and a full range of small and medium size products, the company also continued to strengthen the preparation of raw film/semi-finished products and finished products to meet the urgent orders of other customers in the market.

D. Service:

In order to implement Total Solution, the customer group is divided regionally, and the functions of product developers and marketing personnel are combined to provide full-service nearby and deep-grown customers.

(2) Production strategy

A. Centralized management of personnel, centralized production of production lines, in order to cope with the poor overall environment: people make the best use of their talents, make the best use of materials, in order to achieve the best production utilization rate and the lowest cost.

B. Due to the current surplus production lines caused by the decline in market demand, depending on the actual situation, temporarily stop production to achieve effective management and improve the effective production yield and utilization rate.

(3) Product research and development

A. Large-size TV and MNT etc. focus on cost reduction. At present, the vehicle-mounted product has begun to increase its volume; in general linearity and viewing angle compensation, there is a trend of increasing demand. In response to the increasingly stringent requirements of customers for reliability, it is also moving toward the development of more reliable products. For example, from the original guarantee of 95 degrees to the guarantee of 105 degrees products.

B. The cost reduction of large size and MNT products is mainly the domestic material and self-made coating of surface treatment. At present, domestic materials have been imported such as PVA, TAC, PSA, etc.; and the proportion of self-made coating of surface treatment AG and HC is also increasing.

C. Great progress has been made in sunglasses products. After years of development and sample delivery, the current orders from customers have also grown steadily.

2. Long-term plan

(1) Marketing strategy

A. Strengthen the sales of superior products (high durability, optical films, self-made coating) and adjust the product portfolio to ensure increased profitability and increase product differentiation with competitors.

B. Become a professional polarizing plate design and production factory, cooperate with market development, strengthen negotiation with customers, have achieved mutual benefits, profit sharing, and continue to strive for more international cooperation.

C. Actively expand the existing TV, Monitor and small and medium-sized product lines to NB, Tablet PC wearable and vehicle/industrial control product lines.

(2) Production strategy

A. Import planned production integration automation, such as CCD automatic detection system, to increase production efficiency.

B. Strengthen the line change speed, concentrate production, and flexibly schedule production capacity in order to properly arrange urgent order production.

C. Strengthen the interaction with suppliers to stabilize the adequate supply of raw materials and reduce production costs.

D. Analyze the amount of production of drugs and consumables, and adjust the frequency reasonably to reduce production costs Use and cost.

E. Actively lay out the mainland market and strive to supply panel factories in mainland China.

(3) Product development

- A. In the display polarizer part, in addition to LCD displays, automotive applications will also develop vehicle-mounted polarizers for OLED. In addition to high-reliability polarizers, the matching of $1/4\lambda$ film must also meet the high-reliability requirements, so special attention should be paid to the evaluation.
- B. In terms of non-displays, AR/VR and other applications will also be the focus. In particular, the optical requirements of customers are different from those of ordinary displays. How to develop a film that can meet customer needs is very important in the evaluation and introduction of related film materials.
- C. When using non-TAC materials, such as PET/PMMA, etc., they will also be included in the evaluation to meet the reliability requirements of future customers.

Marketing and sales overview

(1) Market analysis

1. Sales (provided) area of main products

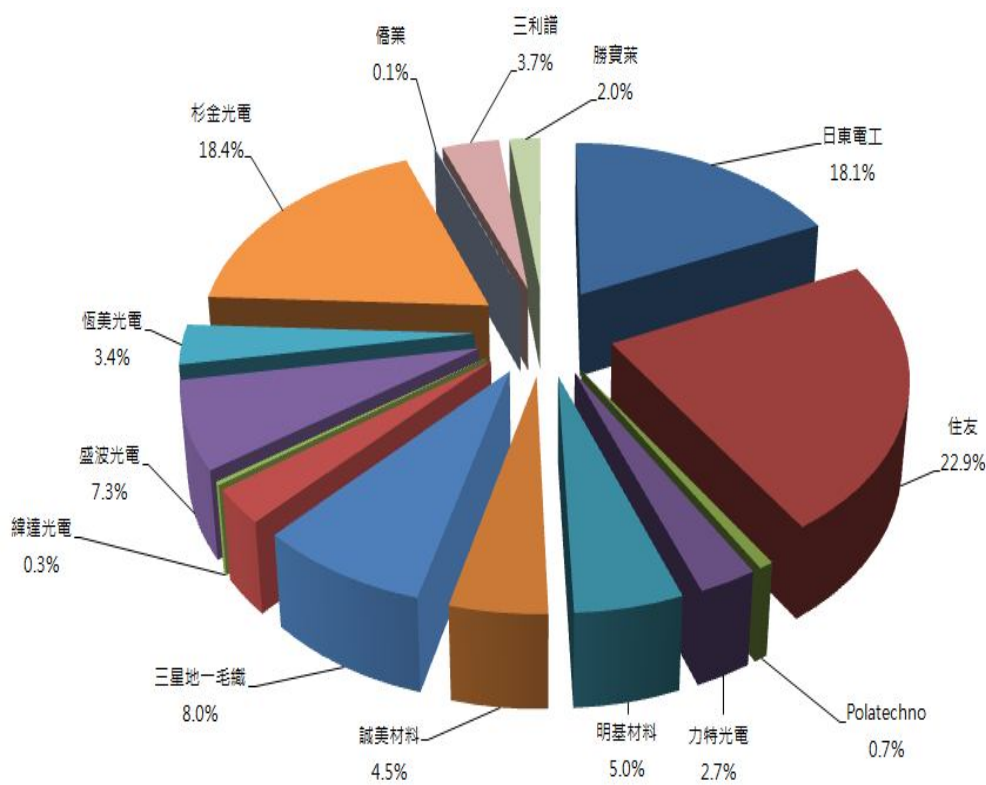
Sales Amount By Region in the most recent 2 years

Unit : NT\$ Thousand 、 %

Sales Area \ Year	2019		2020	
	Net Sales	Ratio (%)	Net Sales	Ratio (%)
Domestic	349,495	13.9	270,827	11.2
Export	2,165,229	86.1	2,147,009	88.8
Total	2,514,724	100.0	2,417,836	100.0

2. Market share

LCD Polarizer share by Suppliers in 2021



Source: Omdia 2021 & Optimax

According to IHS data, the company is Taiwan's third and ninth largest supplier of polarizers in the world in 2021, with a global production capacity of 2.7%.

3. The market's future supply and demand situation and growth, competitive niche and development of the favorable, unfavorable factors and countermeasures

<2018-2027 Global TFT LCD Market Demand>

Units (Millions)		Year									
Original Specification		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Amusement	Game	18.48	14.86	20.89	18.25	14.95	12.35	10.60	9.30	8.60	7.75
	Pachinko	0.54	0.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Automobile Monitor	Center Stack Display	78.30	78.81	69.39	74.03	82.01	87.47	91.67	92.55	92.72	93.82
	Head Up Display	3.89	4.58	4.47	5.93	8.38	9.48	10.50	11.74	12.60	13.18
	Instrument Cluster	60.85	59.67	49.29	58.10	64.62	69.85	74.24	77.59	79.40	81.35
	Rear Seat Entertainment	0.46	0.34	0.24	0.29	0.33	0.36	0.39	0.42	0.44	0.44
	Room Mirror	1.49	1.60	1.54	1.70	2.33	2.77	3.27	3.67	3.99	4.25
	Side Mirror	0.04	0.12	0.13	0.14	0.24	0.40	0.68	0.75	0.80	1.00
	Automobile Monitor (Others)	16.49	17.57	15.40	14.87	16.04	16.99	17.08	16.85	17.08	17.70
Desktop Monitor	Desktop Monitor	150.34	143.58	164.81	166.92	155.04	151.39	150.20	149.45	150.79	150.47
Digital Still Camera	Digital Still Camera	21.46	14.96	8.49	9.13	9.41	9.56	9.54	9.52	9.49	9.45
LCD TV	LCD TV	288.51	287.24	271.96	267.37	267.24	266.47	269.64	266.29	264.30	262.08
Mobile PC	Notebook PC	184.86	189.86	226.56	237.55	231.58	234.41	235.82	232.92	233.28	231.75
	Tablet	204.57	225.93	270.93	264.36	260.10	249.28	243.76	242.54	242.30	238.18
Mobile Phone	Feature Phone	324.86	287.81	226.25	219.36	208.09	195.21	182.74	170.76	159.64	149.43
	Smartphone (HD grade and above)	1,147.88	1,112.39	1,079.95	888.08	973.90	962.79	975.84	980.60	983.86	987.37
	Smartphone (VGA Grade)	41.14	12.30	12.48	14.18	15.13	15.54	15.66	15.03	14.58	14.13
Multi Function Printer	Multi Function Printer	10.74	7.62	8.91	9.40	9.67	9.73	9.70	9.67	9.61	9.52
Near Eye	Head Mount Display	1.49	1.43	4.38	5.40	8.50	12.00	15.00	15.38	15.45	15.35
Portable Media Player	Portable Media Player	0.00	0.70	1.11	0.92	0.84	0.78	0.75	0.71	0.67	0.65
Portable Navigation Device	Portable Navigation Device	5.78	3.42	1.78	1.62	1.69	1.68	1.60	1.54	1.53	1.53
Projector	Projector	4.67	4.76	5.23	4.65	4.85	4.84	4.81	4.93	4.94	4.94
Public Display	Public Display	9.05	7.79	7.74	8.15	8.31	8.57	8.72	8.77	8.94	9.02
Smart Watch	Smart Watch	32.69	56.64	46.75	62.22	80.40	93.74	105.18	112.26	117.68	121.26
Video Camera	Video Camera	0.33	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	Industrial	11.10	10.93	11.81	10.79	10.57	10.64	10.72	10.76	10.76	10.80
	Others	86.56	94.91	91.55	89.39	91.16	94.02	96.17	97.52	98.31	98.30
Total		2,706.52	2,640.24	2,602.02	2,432.79	2,525.39	2,520.32	2,544.26	2,541.52	2,541.74	2,533.73
Growth Rate		-1%	-2%	-1%	-7%	4%	0%	1%	0%	0%	0%

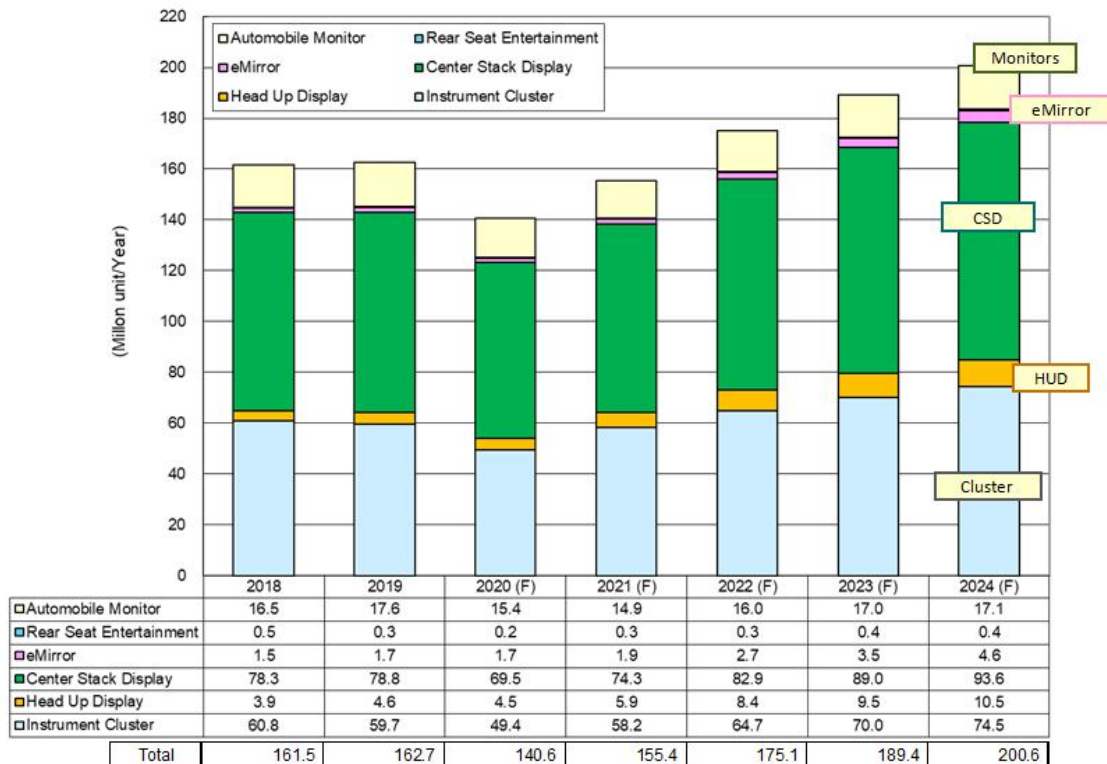
Source: Omdia 2021

<2018-2027 Global AM-OLED Market Demand>

Units (Millions)		Year									
Original Specification	Application	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Automobile Monitor	Center Stack Display	0.00	0.00	0.09	0.23	0.87	1.55	1.91	2.35	2.76	3.03
	Instrument Cluster	0.00	0.00	0.06	0.08	0.12	0.16	0.21	0.25	0.32	0.34
	Rear Seat Entertainment	0.03	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Side Mirror	0.01	0.03	0.01	0.03	0.15	0.35	0.64	0.95	1.17	1.35
Desktop Monitor	Desktop Monitor	0.01	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Digital Still Camera	Digital Still Camera	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mobile PC	Notebook PC	0.00	0.35	0.88	1.16	1.32	1.58	1.84	2.08	2.42	2.78
	Tablet	3.03	3.63	4.02	4.14	4.55	4.89	5.37	5.46	5.65	5.78
Mobile Phone	Smartphone (HD grade and above)	403.56	470.99	454.11	599.68	666.38	721.27	758.71	778.67	793.89	802.91
	Smartphone (VGA Grade)	3.94	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mobile Phone Sub Display	Mobile Phone Sub Display	0.42	0.75	4.14	12.11	17.10	24.29	30.80	34.54	41.19	49.02
Near Eye	Head Mount Display	2.22	3.20	1.53	2.00	1.83	1.71	1.87	1.90	1.85	1.90
	Near Eye	1.85	1.62	1.36	1.24	1.18	1.20	1.25	1.28	1.31	1.32
OLED TV	OLED TV	2.95	3.29	4.45	6.78	7.64	8.25	9.81	12.26	14.18	15.85
Smart Watch	Smart Watch	45.43	96.34	118.61	124.12	141.03	156.00	165.74	171.83	176.14	179.63
Others	Others	5.15	5.41	7.35	7.55	7.70	8.10	8.45	8.60	8.75	8.88
Total		468.61	585.70	596.61	759.12	849.86	929.35	986.60	1,020.17	1,049.62	1,072.78
Growth Rate		6%	25%	2%	27%	12%	9%	6%	3%	3%	2%

Source: Omdia 2021

<2018-2024 Global Vehicle-mounted TFT LCD Market Demand>



Source: Omdia 2021

From the chart of <2018-2027 Global TFT LCD Market Demand>, it can be clearly seen that due to the impact of the COVID-19, LCD TV shipments will decline in 2020 compared to 2019. As for MNT, Notebook and Tablet PC, due to the impact of the epidemic, the demand increasing for work at home, remote video conferencing, and teaching, the shipments will increase in 2020 compared to 2019. As for 2021, regardless of whether MNT, Notebook and Tablet PC continue to change the pattern of global work and teaching due to the epidemic, the shipment volume will still grow compared to 2020. The demand for related products such as Automobile and Public Display will continue to grow steadily from 2021 to 2026.

From the chart of <2018-2027 Global AM-OLED Market Demand>, it can be clearly seen that regardless of whether large-size or small-size AM-OLED products, shipments have continued to increase since 2018, and will continue to grow steadily after 2021.

The chart of <2018-2024 Global Vehicle-mounted TFT LCD Market Demand> clearly shows that whether it is Automobile Monitor, Center Stack Display, Instrument Cluster, E-Mirror or HUD, etc., during the period from 2020 to 2024, except for the reduced demand for shipments which are affected by COVID-19 in 2020 and 2021, it will continue to grow steadily after 2022.

In summary, the relevant information from the above three charts shows the development of applications such as Automobile LCD, Public Display, Smart Watch and AM-OLED (Rigid & Flexible) related products are remain a battlefield for the major panel manufacturers.

Overview of Global Polarizer Suppliers' Production Capacity

Country	Manufacturer	2019 Capacity	2020 Capacity	2021 Capacity (estimated)	2021 Market share (%) (estimated)	Applications
Japan	Nitto Denko	160,200	160,200	160,200	18.1%	TFT、OLED、STN、TN
	Sanlitsu	Merged by Sumitomo	Merged by Sumitomo	Merged by Sumitomo	0	TFT、OLED
	Sumitomo Chemical	164,000	203,000	203,000	22.9%	TFT、OLED、STN
	Polatechno	6,000	6,000	6,000	0.7%	TFT、OLED、STN、TN
Taiwan	Optimax	24,000	24,000	24,000	2.7%	TFT、OLED、STN、TN
	BenQ Materials	44,520	44,520	44,520	5.0%	TFT、OLED
	Chengmei Materials	57,600	57,600	40,400	4.5%	TFT、OLED
Korea	Samsung First Woolen	71,000	71,000	71,000	8.0%	TFT、OLED
	LG Chemical	205,800	205,800	25,440 Main production line purchased by Sansan	2.9%	TFT、OLED
Mainland China	WeiDa Optoelectronics	2,400	2,400	2400	0.3%	TFT、OLED、STN、TN
	Shengbo Optoelectronics	32,600	32,600	647,000	7.3%	TFT、OLED、STN、TN
	Hengmei Optoelectronic Corporation	0	0	30,000	3.4%	TFT、OLED
	Shanjin Optoelectronics	0	0	162,690	18.4%	TFT、OLED
	Chiao Yeh	750	750	750	0.1%	STN、TN
	Sanli Spectrum	24,600	33,200	33,200	3.7%	TFT、OLED、STN、TN
	Shengbaolai	18,000	18,000	18,000	2.0%	TFT、OLED、STN、TN
Total		850,470	859,070	885,900	100.0%	
Growth rate compared with the previous year		4.4%	1%	3.1%		

Source: Omidia 2021& Optimax

4. Advantages and disadvantages of competitive niches and development prospects and countermeasures

(1) Advantages of competitive niches and development prospects

- A. Utilize the existing staff of Suzhou factory to provide more immediate and comprehensive services to customers in East China/South China.
- B. In addition to the existing IPS product development and cooperation with world-class manufacturers, it has also accelerated the development and certification of ultra-thin and high-transmittance, high-durability, high-definition, and high-brightness polarizer to go with the trend of environmental protection and energy saving.
- C. Use optical film production and surface coating technology to develop high niche precision coating products.

(2) Unfavorable factors in the development prospects and countermeasures

- A. Downstream customers have fierce competition and require strong pressure to reduce prices
As new generation lines of TFT-LCD panel manufacturers (such as G8.5/G10) have been launched in 2011~2021, the supply of panels will increase greatly and the selling price will be lowered, and raw materials will inevitably face pressure to reduce prices.

< Countermeasures >

- (a) Continuously research and develop, and immediately launch high-energy, high-quality, and high-profit products to slow down the pressure of price, it will develop into high-margin small and medium size, industrial control and automotive products.
- (b) Continuously improve the production process, increase machine speed, utilization and cutting utilization, reduce in-plant consumption and accelerate the localization of materials, in order to reduce overall costs.
- (c) Develop the existing professional TN/STN and dye-based product production lines to further develop new products and markets expand the market share to create greater profits.

B. There are many potential competitors

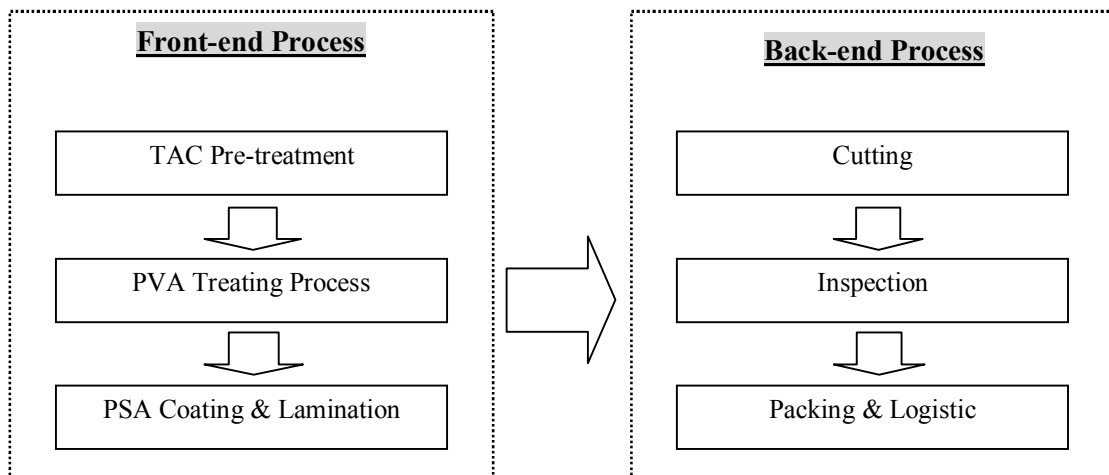
Due to the expansion of market demand, major panel manufacturers adopt the In House strategy of polarizers, and competition is becoming increasingly fierce.

< Countermeasures >

- (a) Adjust the product mix timely and match differentiated market strategies to get rid of potential crises.
- (b) Continuous and rapid research and development of improved products to lead market demand, lengthen the learning curve of potential competitors, and create favorable competitive advantages.

(2) Important uses of major products and production process

The company's main products are polarizers for the production of LCD/OLED. LCD is classified as TN/STN/TFT and OLED is classified as PM-OLED/AM-OLED.



(3) Supply status of main raw material

The global epidemic of the COVID-19 in the past two years has brought the growth of the housing economy, continuing the rise of the related display industry in the fourth quarter of last year. Due to the lack of electronic parts, all companies are actively engaged in material defense wars. This is a test for all material suppliers in preparing materials for their ability to adjust production capacity and dispatch materials, and the company is no exception. At present, the focus of procurement is to face the shortage of material supply and rising costs. At the same time, how to ensure that the materials needed by the company enter the factory at an appropriate time is the focus of the work in the past six months, and this situation is likely to continue until the end of this year. Maintaining a good relationship with existing Taiwan and Japanese suppliers, sharing market information and company status in a timely manner, in order to obtain the approval and support of the material supplier, and at the same time coordinating to maintain the current price, etc., are all daily tasks of purchase department. In addition, how to actively introduce new suppliers from other regions (such as China Mainland) is also one of our recent efforts.

(4)Parties who deliver more than 10% of the total raw materials or buy more than 10% of goods sold any one of the past two years:

1.Information on the main suppliers the past two years

Unit: In NT\$1,000

Year	2019				2020				2021 up to the previous quarter			
Item	Name	Amount	% of the net purchase of the year	Relationship	Name	Amount	% of the net purchase of the year	Relationship	Name	Amount	Percentage of the net purchase as of the end of the previous quarter in the year(%)	Relationship
1	Vendor A	295,178	19.92	None	Vendor A	240,867	16.56	None	Vendor A	79,453	17.51	None
2	Vendor B	181,192	12.23	None	Vendor C	167,917	11.55	None	Vendor F	56,214	12.38	None
3	Vendor C	170,737	11.52	None	Vendor B	132,453	9.11	None	Vendor E	42,380	9.34	None
4	Vendor D	137,258	9.26	None	Vendor E	119,712	8.23	None	Vendor C	32,602	7.18	None
5	Other	697,683	47.07	None	Other	793,205	54.55	None	Other	243,255	53.59	None
Net purchase		1,482,048	100.00		Net purchase	1,454,154	100.00		Net purchase	453,904	100.00	

Note 1: List the names of suppliers whose deliveries account for more than 10% of the total purchase, and their amounts and percentages. Supplier codes may be used if the names cannot be disclosed as required by the contract or if the transaction counterparty is an individual and is not a related party.

Explanation of reasons for changes in main materials in 2020:

In 2020Q1 and 2021, the main source of materials was mainly from Japan and Taiwan suppliers. Due to cost considerations, the localization of materials in Taiwan continued. The main procurement strategy was based on the adjustment of the use of materials and the emphasis on material-price ratio orders. Among them, the raw materials distributed through Vendor A not only step into TFT and TN/STN, but also have high exclusivity. Therefore, Vendor A is still the supplier with the highest proportion of purchases. The product order portfolio from 2018 to 2021Q1 was mostly MNT(PID)/ TV/small and medium-sized products, while TN/STN products have not grown significantly but still strive to maintain, and the purchase of main raw materials has not changed drastically.

2.Information on the main customers the past two years

Unit: In NT\$1,000

Year	2019				2020				2021 up to the previous quarter			
Item	Name	Amount	% of the Net sales of the year	Relationship	Name	Amount	% of the Net sales of the year	Relationship	Name	Amount	Percentage of the net sales as of the end of the previous quarter in the year(%)	Relationship
1	Customer A	365,395	14.53	None	Customer A	451,777	18.69	None	Customer A	124,077	16.49	None
2	Customer B	462,106	18.38	None	Customer B	614,689	25.42	None	Customer B	203,937	27.11	None
3									Customer C	85,546	11.37	None
	Other	1,687,223	67.09	None	Other	1,351,370	57.89	None	Other	338,697	45.03	None
Net sales		2,514,724	100.00		Net sales	2,417,836	100.00		Net sales	752,257	100.00	

Note 1: List the names of customers whose sales amount for more than 10% of the total sales, and their amounts and percentages. Customers' codes may be used if the names cannot be disclosed as required by the contract or if the transaction counterparty is an individual and is not a related party.

The reasons for the change in revenue of major sales customers in 2020 are explained as follows:

The demand for TV and MNT of customers in 2020 has increased compared with that in 2019.

(5) Production value table in the past two year

Unit: M² thousand ; NT\$ thousand

Year Main items	2019			2020		
	Capacity	Yield	Value	Capacity	Yield	Value
TN/STN	2,396	620	316,777	906	488	219,425
TFT	7,777	4,126	1,753,530	6,850	4,361	1,780,198
Total	10,173	4,746	2,070,307	7,756	4,849	1,996,623

(6) Sales value table in the past two year:

Unit: M² thousand ; NT\$ thousand

Year Main items	2019				2020			
	Domestic		Export		Domestic		Export	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
TN/STN	74	96,767	540	448,929	55	70,613	475	391,298
TFT	243	252,728	3,770	1,716,300	152	200,214	4,072	1,755,711
Total	317	349,495	4,310	2,165,229	207	270,827	4,547	2,147,009

Employee information

(1) Employee information for the most recent two years and up to the date of publication of the annual report:

Year		2019	2020	2021.3.31
Employee Amount (person)	Administrant employees	180	177	175
	R&D employees	38	35	35
	Direct employees	405	377	389
	Total	623	589	599
Average age (age)		40.3	41.4	41.0
Average years of service (years)		10.7	11.6	11.6
Education distribution ratio (%)	PhD	0.2	0.2	0.2
	Postgraduate	3.0	3.5	3.5
	Undergraduate	46.6	46.4	46.4
	High school	43.3	43.8	43.9
	Under high school	6.9	6.1	6.0

Note: The above information includes the number of contract workers.

Environmental protection expenditure information

- (1) Demonstrate the total amount of losses (including compensation) and punishment suffered by the company for the pollution of the environment in the last two years. As of the date of publication of the annual report, and explain the future countermeasures (including improvement measures) and possible expenditures (including the possible loss if the countermeasures are not taken), The estimated amount of punishment and compensation, if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated)

Item	Punish day/ Violated day	County	Penalty Content	Penalty fee Unit: NT\$
1	2020/4/7 (2020-02-20)	Taoyuan City Government Environmental Protection Agency	1.Subject: The fine is NT\$10,000. Date limited: May 07, 2020. Environment training for 2 hours. 2.Regulations: Article 9 item 1 of the Toxicity and Chemical Substances Management Act 3.Document number: 34 -109-040002 4. Reason: According to the operation record in December 2019 provided by your company, check the operation records from December 17 to 26, 2019, the company has a balance of 15560 kg and from December 27 to 31, 2019, the company has a balance of 14220 kg, which has reached 10 tons or more on any day. The release of toxic chemical substances should be declared in accordance with the regulations. However, your company did not comply with the regulations to record the release of toxic chemical substances of the previous year's release quantity before January 31, 2020. Therefore, the record of the release of toxic chemical substances from January to December of 2019 was not prepared and your company did not operate in accordance with the Article 9, item 1 of the Toxicity and Chemical Substances Management Act.	100,000
2	2020/9/24 (2019-07-18)	Taoyuan City Government Environmental Protection Agency	1.Subject: A fine of NT \$ 3,348,000. Environment training for 2 hours. 2.Regulations: Article 18-1 Item 1 of the Water Pollution Control Law 3.Document number: 30-109-090081 4.Reason: A linked submerged motor was found in the sewer manhole next to the temporary storage tank (TO1-14) of the water treatment plant, and the submerged motor was used to discharge the wastewater from the sewer manhole next to the temporary storage tank (TO1-14) to the rainwater in the plant After the ditch flows to the accidental ditch, and continues to the receiving water body (New Street Stream), and the standard test result (Biochemical oxygen demand: 233mg/L, Chemical oxygen demand: 289mg/L) of the rainwater ditch in the plant did not meet the standard (Biochemical oxygen demand: 30mg L, Chemical oxygen demand: 100mg/L).	3,348,000
3	2020/9/24 (2019-07-18)	Taoyuan City Government Environmental Protection Agency	1.Subject: The fine is NT\$135,000. Environment training for 2 hours. 2.Regulations: Article 7 Item 1 of the Water Pollution Prevention and Control Law 3.Document Number: 30-109-090082 4.Reason: Sampling and testing results at the wastewater discharge outlet of your plant, biochemical oxygen demand: 51.2 mg/L, chemical oxygen demand: 151 mg/L and suspended solids:73 mg/L, which did not meet the discharge water standard (biochemical oxygen demand: 30mgL, chemical oxygen demand: 100mg L and suspended solids:30 mg/L).	135,000

Item	Punish day/ Violated day	County	Penalty Content	Penalty fee Unit: NT\$
4	2020/9/24 (2019-07-18)	Taoyuan City Government Environmental Protection Agency	1.Subject: The fine is NT\$27,000. Environment training for 2 hours. 2.Regulations: Article 18 of the Water Pollution Prevention and Control Law 3.Document Number: 30-109-090083 4.Reason: Wastewater treatment facility (TO1-23) with mud filter dewatering machine, failed to operate due to a malfunction, and there is no daily sludge production, and did not operate in accordance with the approved water pollution control measures plan.	27,000

(2) Countermeasures:

1. Part of the proposed improvement measures.

(1) Improvement plan:

A. Item 1:

1. Update the sludge dewatering machine to facilitate the dewatering of sludge to produce sludge.
2. Continue to replace the MBR of biological treatment to allow biological strains to attach and grow.
3. Domestic biological strains to produce biological sludge.

B. Item 2: Continue to replace the MBR of biological treatment to reduce COD.

C. Item 3:

1. Re-examine the wastewater treatment process, clarify the pipelines and remove the redundant pipelines to prevent bypassing discharge, and re-examine the wastewater treatment process, and reapply for wastewater operation license.
2. Replace the MBR of biological treatment to reduce COD.

D. Item 4: Continue to replace the MBR of biological treatment to reduce COD.

(2) Estimated environmental capital expenditures in the next three years:

Item \ Year	2021	2022	2023
The proposed purchase of pollution prevention equipment for scenery or expenditure content	1. Renew MBR 2. Domestic biological strains 3. Install automatic monitoring equipment 4. No pipeline modification 5. License changes	Renew MBR	Renew MBR
The situation is expected to improve	1. Reduce the COD of flowing water 2. Can produce sludge 3. Eliminate abnormal circumfluence discharge 4. Eliminate abnormal circumfluence discharge 5. Waste water operation conforms to the permit	Reduce the COD of flowing water	Reduce the COD of flowing water
Amount	NT\$ 5,000,000	NT\$ 600,000	NT\$ 600,000

(3) Impact after improvement: Reduce the risk of COD exceeding the Regulation's standard.

1. Reduce the risk that the COD of the discharged water exceeds the legal standard.
2. The domestication of biological strains is successful, and the sludge can be produced normally.
3. Through automatic monitoring, the risk of abnormal circumfluence discharge can be effectively eliminated.
4. Waste water operation meets the requirements of the permit, reducing the risk of non-compliance with laws and regulations.

2. The part that has not adopted national countermeasures: Strengthen education and training.

Labor Relations

(1) Present the availability and execution of employee welfare, continue education, training and retirement policies, the agreements between employers and employees, and protection measures of employees' rights:

1. Employee welfare

- (1) In addition to handling labor insurance and health insurance in accordance with the law, the Company provides employees with group insurance, including life insurance, accident insurance, medical insurance, cancer insurance, etc.
- (2) In order to fully take care of employees, in addition to providing basic protection in accordance with the law, the company established an employee welfare committee organization in May 1989 to allocate welfare funds in accordance with the law. The committee coordinates the promotion of various employee welfare plans and is responsible for each The planning and implementation of the employee welfare matters.

2. Employee training and development and performance management

- (1) In response to the needs of colleagues, organize new personnel training, professional technical training and management training, etc., to provide employees with complete professional skills development and self-growth inspiration.
- (2) Establish a professional certification system to regularly inspect the knowledge and skills of employees to ensure the stability and improvement of quality.
- (3) Regularly send relevant industry development and technology e-news to expand employees' horizons and horizons and keep abreast of industry trends.
- (4) In order to effectively improve personal and organizational performance, establish an employee performance appraisal platform to strengthen supervisors and departments. It is a two-way communication, jointly setting goals and development plans, reviewing differences and formulating improvement plans and effectively implementing performance management.
- (5) Grasp the functions and potential of employees, combine the performance management system, plan the development of employee management and professional positions, and rotate with cross-functions, so as to enhance the abilities and advantages of employees and cultivate outstanding talents.

3. Employee rewards and care

- (1) Promote and reward outstanding colleagues, and establish positive work attitudes and values.
- (2) Through the proposal to improve the system and reward and punishment system, reward outstanding performance and achievements to enhance the creativity and problem-solving ability of employees, and regulate employee behavior to maintain good discipline.
- (3) The company has a health center, combined with medical institutions, provides health consultation, handles health promotion activities, and organizes various employee party activities so that employees can receive proper care and assistance in terms of physical and mental health and quality of life.

4. Employee communication

- (1) The company has set up online and written employee suggestion boxes to provide immediate complaints and response channels, and regularly hold labor-management meetings to correctly convey company messages, maintain smooth communication and interaction with employees, and establish harmonious labor-management relations. In addition, it regulates sexual harassment prevention measures, complaints and punishment methods to effectively promote and prevent.

5. Retirement system

- (1) The company has a labor retirement method for officially hired employees. According to the provisions of the method, the payment of employee retirement pensions is calculated based on the years of service at retirement and the average monthly salary.
- (2) The Labor Retirement Reserve Fund Supervision Committee was established in August of 1999, and two percent of the employees' salary is transferred to the Labor Retirement Reserve Fund Supervision Committee for safekeeping and deposited in the Bank of Taiwan in the name of the committee.
- (3) Since July 1994, in response to the new labor retirement system, the pension funds will be transferred to the personal accounts of the employees of the Labor Insurance Bureau in accordance with the law.

6. Other important agreements

The company has written and online employee suggestion boxes, and regular labor-management meetings are held to maintain smooth communication and positive interaction, so no major labor disputes occurred.

(2) Losses due to labor disputes in the most recent year as of the date of publication of the annual report: None.

Important contract

(1)The important contract signed by the company as of the date of printing of the annual report

Contract type	Party	Date of contract	Main content	Restrictions
Lease contract	Sixing (Suzhou) Integrated Circuit Technology Co., Ltd.	2019/10/1~2031/9/30	Suzhou Plant	None
Long term loan	Taiwan Cooperative Bank	1999/8/10~2027/8/10	Land, plant, machinery equipment	None
Joint Credit Agreement	Taiwan Cooperative Bank, etc. (including 5 banks)	2003/6/10~2021/10/27	Loans for plant expansion, machinery and equipment, and operating turnover	Note 1
Long term loan	Shin Kong Commercial Bank	2005/7/27~2021/5/27	Operating turnover	None
Joint Credit Agreement	Taiwan Cooperative Bank, etc. (including 5 banks)	2006/9/20~2023/10/26	Operating turnover	Note 1

Note 1: The company applied for debt negotiation on April 10, 2020, and obtained the written consent of the creditor bank on November 17, 2020: The short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year.

Financial Information

(1) Condensed balance sheet and consolidated income statement for the past five years

1. Condensed balance sheet: International Financial Reporting Standards - Consolidated Financial Statements

Unit: NT\$ thousand

Year		Financial information for the current 5 years				
		2016	2017	2018	2019	2020
Item						
Current Assets		2,969,583	2,455,157	2,140,163	2,291,165	5,267,402
Properties		2,718,673	2,574,120	2,457,303	2,331,737	2,213,910
Intangible Assets		—	—	—	—	—
Other Assets		4,399,067	4,118,840	4,031,320	4,343,643	1,326,654
Total Assets		10,087,323	9,148,117	8,628,786	8,966,545	8,807,966
Current liabilities	Before distribution	2,380,038	1,217,259	1,912,806	2,056,577	1,452,729
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Non- current liabilities		5,974,106	6,408,293	5,306,659	5,675,363	6,109,874
Total liabilities	Before distribution	8,354,144	7,625,552	7,219,465	7,731,940	7,562,603
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
The right attributable to the owner of the parent company		4,130,968	1,733,179	1,522,565	1,409,321	1,234,605
Share capital		3,253,324	3,253,324	3,253,324	3,253,324	3,253,324
Capital reserve		—	—	—	—	—
Retained surplus	Before distribution	(1,514,856)	(1,733,244)	(1,842,660)	(2,017,576)	(2,005,321)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Other rights		(5,289)	2,485	(1,343)	(1,143)	(2,640)
Treasury stocks		—	—	—	—	—
Non-controlling rights		—	—	—	—	—
Total equity	Before distribution	1,733,179	1,522,565	1,409,321	1,234,605	1,245,363
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: Due to the accumulated deficit in 2020, so there is no remuneration for distribution.

2. International Financial Reporting Standards-Individual Financial Statements

Unit: NT\$ thousand

Year		Financial information for the current 5 years				
		2016	2017	2018	2019	2020
Item						
Current Assets		3,328,497	2,792,702	2,485,178	2,558,251	5,384,337
Properties		2,665,431	2,536,227	2,435,040	2,326,928	2,210,231
Intangible Assets		—	—	—	—	—
Other Assets		4,143,932	3,883,780	3,782,907	4,142,771	1,156,466
Total Assets		10,137,860	9,212,709	8,703,125	9,027,950	8,751,034
Current liabilities	Before distribution	2,350,152	1,210,254	1,908,479	2,040,632	1,434,480
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Non-current liabilities		6,054,529	6,479,890	5,385,325	5,752,713	6,071,191
Total liabilities	Before distribution	8,404,681	7,690,144	7,293,804	7,793,345	7,505,671
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
The right attributable to the owner of the parent company		—	—	—	—	—
Share capital		(1,514,856)	(1,733,244)	(1,842,660)	(2,017,576)	(2,005,321)
Capital reserve		(註 2)	(註 2)	(註 2)	(註 2)	(註 2)
Retained surplus	Before distribution	(1,514,856)	(1,733,244)	(1,842,660)	(2,017,576)	(2,005,321)
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Other rights		(5,289)	2,485	(1,343)	(1,143)	(2,640)
Treasury stocks		—	—	—	—	—
Non-controlling rights		—	—	—	—	—
Total equity	Before distribution	1,733,179	1,522,565	1,409,321	1,234,605	1,245,363
	After distribution	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: Due to the accumulated deficit in 2020, so there is no remuneration for distribution.

3. Condensed income statement: International Financial Reporting Standards-Consolidated Financial Statements

Unit: NT\$ thousand

Item \ Year	Financial information for the current 5 years				
	2016	2017	2018	2019	2020
Operating income	2,660,104	2,332,805	2,453,837	2,514,724	2,417,836
Operating margin	430,052	579,529	479,921	488,908	445,622
Operating net profit (loss)	101,239	272,561	155,074	145,686	118,443
Non-operating income and (expense)	(228,657)	(359,185)	(198,753)	(272,415)	(87,245)
Net before tax (loss)	(127,418)	(86,624)	(43,679)	(126,729)	31,198
Business unit Net (loss) in the current period	(274,274)	(213,439)	(104,133)	(169,313)	16,464
Loss of closed business	—	—	—	—	—
Net (loss) in the current period	(274,274)	(213,439)	(104,133)	(169,313)	16,464
Other comprehensive (loss) in the current period (Net after tax)	(6,817)	2,825	(9,111)	(5,403)	(5,706)
Comprehensive (loss) total	(281,091)	(210,614)	(113,244)	(174,716)	10,758
Net belongs to the owner of the parent company	(274,274)	(213,439)	(104,133)	(169,313)	16,464
Net belongs to non-controlling right	—	—	—	—	—
The total profit and loss is attributed to the owner of the parent company	(281,091)	(210,614)	(113,244)	(174,716)	10,758
Comprehensive profit and loss total attribution from non-controlling right	—	—	—	—	—
Earning per share (loss)	(0.84)	(0.66)	(0.32)	(0.52)	0.05

Note 1: All the financial information listed above have been checked and verified by accountants.

4. International Financial Reporting Standards-Individual Financial Statements

Unit: NT\$ thousand

Item \ Year	Financial information for the current 5 years				
	2016	2017	2018	2019	2020
Operating income	2,641,391	2,323,148	2,445,203	2,508,959	2,416,667
Operating margin	411,475	567,879	470,897	481,332	444,518
Operating net profit (loss)	101,164	275,336	161,926	157,963	131,665
Non-operating income and (expense)	(228,582)	(361,960)	(205,605)	(284,692)	(100,467)
Net before tax (loss)	(127,418)	(86,624)	(43,679)	(126,729)	31,198
Business unit Net (loss) in the current period	(274,274)	(213,439)	(104,133)	(169,313)	16,464
Loss of closed business	—	—	—	—	—
Net (loss) in the current period	(274,274)	(213,439)	(104,133)	(169,313)	16,464
Other comprehensive (loss) in the current period (Net after tax)	(6,817)	2,825	(9,111)	(5,403)	(5,706)
Comprehensive (loss) total	(281,091)	(210,614)	(113,244)	(174,716)	10,758
Net belongs to the owner of the parent company	—	—	—	—	—
Net belongs to non-controlling right	—	—	—	—	—
The total profit and loss is attributed to the owner of the parent company	—	—	—	—	—
Comprehensive profit and loss total attribution from non-controlling right	—	—	—	—	—
Earning per share (loss)	(0.84)	(0.66)	(0.32)	(0.52)	0.05

Note 1: All the financial information listed above have been checked and verified by accountants.

5. Audit name and audit opinions

Year	2016	2017	2018	2019	2020
Auditor Name	Yung-Chi, Lai	Yung-Chi, Lai	Yung-Chi, Lai	Yung-Chi, Lai	Yung-Chi, Lai
	Li-Chen, Peng	Li-Chen, Peng	Li-Chen, Peng	Li-Chen, Peng	Li-Chen, Peng
Accounting Firm	Baker Tilly	Baker Tilly	Baker Tilly	Baker Tilly	Baker Tilly
Audit Opinions	No reserve	No reserve	No reserve	No reserve	No reserve

(2) Financial analysis in current five years

1. International Financial Reporting Standards-Consolidated Financial Statements

Analysis item \ Year		Financial information for the current 5 years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt-to-asset ratio	82.81	83.35	83.66	86.23	85.86
	Long-term funds as a percentage of real estate, plant and equipment	283.49	308.09	273.30	296.34	332.22
Solvency (%)	Current ratio	124.77	201.69	111.88	111.40	362.58
	Quick ratio	95.91	126.50	61.55	63.84	296.22
	Interest coverage ratio	0.13	0.35	0.64	0.06	1.24
Management capacity	Receivable turnover ratio (times)	2.65	3.20	3.73	3.51	3.21
	Average cash collection days (days)	137.73	114.06	97.85	103.98	113.70
	Inventory turnover rate (times)	1.94	1.64	1.65	1.64	1.62
	Payable turnover ratio (times)	20.08	14.55	15.59	14.52	11.35
	Average sales days	188.14	222.56	221.21	222.56	225.30
	Turnover rate of real estate, plant and equipment (times)	0.95	0.88	0.97	1.05	1.06
	Turnover of total assets (times)	0.25	0.24	0.27	0.28	0.27
Profitability	Return on assets (%)	(1.42)	(1.06)	(0.05)	(0.69)	1.32
	Return on shareholders' equity (%)	(14.63)	(13.11)	(7.10)	(12.80)	1.32
	Ratio of net profit before tax to paid-in capital (%)	(3.91)	(2.66)	(1.34)	(3.89)	0.95
	Net profit rate (%)	(10.31)	(9.14)	(4.24)	(6.73)	0.68
	Earnings (loss) per share	(0.84)	(0.66)	(0.32)	(0.52)	0.05
Cash flow	Cash flow ratio (%)	35.61	32.77	5.73	10.47	13.92
	Cash flow allowance ratio (%)	1,599.41	763.00	488.13	826.02	552.59
	Cash reinvestment ratio (%)	8.28	3.66	1.11	2.29	1.67
Leverage	Operation leverage	6.52	2.71	4.06	4.13	4.58
	Financial leverage	(2.17)	1.96	5.08	14.07	(14.55)

The reasons for the changes in various financial ratios in the last two years of 20% are explained as follows:

(1) Increase in solvency ratio:

Mainly due to increase in current assets, decrease in current liabilities and increase in pre-tax benefits.

(2) Operating capacity ratio [decrease in turnover rate of payables (times)]:

Mainly due to the decrease in cost of goods sold and the increase in average payables,

(3) Increase in profitability ratio: Mainly due to an increase in pre-tax (after-tax) benefits.

(4) Increase or decrease in cash flow ratio [increased cash flow ratio, allowable cash flow and reduction in reinvestment ratio]:

Mainly due to the decrease in the current liabilities, real estate, gross value of plant and equipment and the increase in working capital.

.(5) Leverage ratio [decrease in financial leverage]:

Mainly due to the decrease in operating profit exceeding the decrease in interest expenses.

Note: All the financial information listed above have been checked and verified by accountants.

2. International Financial Reporting Standards-Individual Financial Statements

Analysis item \ Year		Financial information for the current 5 years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt-to-asset ratio	82.90	83.47	83.80	86.32	85.76
	Long-term funds as a percentage of real estate, plant and equipment	292.17	315.52	279.03	300.28	331.03
Solvency (%)	Current ratio	141.62	230.75	130.21	125.36	375.35
	Quick ratio	112.43	155.13	79.78	77.43	308.18
	Interest coverage ratio	0.13	0.34	0.64	0.06	1.24
Management capacity	Receivable turnover ratio (times)	2.38	3.05	3.47	3.32	3.17
	Average cash collection days (days)	153.36	119.67	105.18	109.93	115.14
	Inventory turnover rate (times)	1.94	1.64	1.65	1.64	1.62
	Payable turnover ratio (times)	20.33	14.75	15.72	14.76	11.55
	Average sales days	188.14	222.56	221.21	222.56	225.30
	Turnover rate of real estate, plant and equipment (times)	0.96	0.89	0.98	1.05	1.06
	Turnover of total assets (times)	0.24	0.24	0.27	0.28	0.27
Profitability	Return on assets (%)	(1.43)	(1.06)	(0.05)	(0.68)	1.32
	Return on shareholders' equity (%)	(14.63)	(13.11)	(7.10)	(12.80)	1.32
	Ratio of net profit before tax to paid-in capital (%)	(3.91)	(2.66)	(1.34)	(3.89)	0.95
	Net profit rate (%)	(10.38)	(9.18)	(4.25)	(6.74)	0.68
	Earnings (loss) per share	(0.84)	(0.66)	(0.32)	(0.52)	0.05
Cash flow	Cash flow ratio (%)	36.94	34.03	4.93	10.55	12.33
	Cash flow allowance ratio (%)	1,649.59	769.29	495.08	837.70	551.60
	Cash reinvestment ratio (%)	8.35	3.74	0.95	2.23	1.45
Leverage	Operation leverage	6.14	2.59	3.76	3.72	4.12
	Financial leverage	(2.22)	1.93	4.33	6.95	25.90

Note 1: All the financial information listed above have been checked and verified by accountants.

Note 2: The calculation formula of the analysis item is as follow:

1. Financial structure

- (1) Ratio of liabilities to assets = total liabilities / total assets.
- (2) The ratio of long-term funds to real estate, plant and equipment = (net shareholders' equity + long-term liabilities) / net real estate, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets-inventory-prepaid expenses) / current liabilities.
- (3) Interest protection multiple = net income before income tax and interest expense / interest expense for the current period.

3. Operating capacity

- (1) Receivables (including accounts receivable and notes receivable) turnover ratio = net sales / average receivables (including accounts receivable and notes receivable due to business) in each period .
- (2) Average cash collection days = 365 / receivables turnover ratio
- (3) Inventory turnover ratio = cost of goods sold / average inventory amount.
- (4) Turnover rate of payables (including accounts payable and bills payable) = cost of goods sold / balance of average payables (including accounts payable and bills payable due to business) in each period.
- (5) Average sales days = 365 / inventory turnover rate.
- (6) Real estate, plant and equipment turnover ratio = net sales / net of real estate, plant and equipment.
- (7) Total asset turnover ratio = net sales / total assets.

4. Profitability

- (1) Return on assets = [after-tax profit and loss + interest expense × (1-tax rate)] / average total assets.
- (2) Return on shareholders' equity = profit or loss after tax / average net shareholders' equity.
- (3) Net profit margin = after-tax profit / loss / net sales.
- (4) Earnings per share = (net profit after tax-dividends on special shares) / weighted average number of issued shares.

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
- (2) Net cash flow allowance ratio = net cash flow from operating activities in the last five years / capital expenditure + increase in inventory + cash dividends in the last five years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends) / (gross property, plant and equipment gross + long-term investment + other assets + working capital).

6. Leverage

- (1) Operating leverage = (net operating income-variable operating costs and expenses) / operating profit.
- (2) Financial leverage = operating profit / (operating profit-interest expense).

(3) Audit Committee Check Report

The Board of Directors has made and reported the Company's 2020 financial statement, the business report, and the Proposal of Deficit Compensation. The Audit Committee found no discrepancy between the reported documents and facts after verifying. The Audit Committee hereby produced and sent forth the report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: Optimax Technology Corporation 2021 Annual General Meeting.

Chairman of the Audit Committee

Nai-tu, Zheng

March 25, 2021

- (4) The latest annual consolidated financial report and accountant verification report: please refer to Appendix 1 (pages 78 to 158) for details.**
- (5) The latest annual individual financial report and accountant verification report: please refer to Appendix 2 (pages 159 ~ 234)**
- (6) The company and its affiliates have experienced financial difficulties in the most recent year and up to the date of publication of the annual report: None.**

Review of Financial Conditions, Operating Results, and Risk Management

Evaluation and analysis of financial position

Unit: NT\$ thousand

Item \ Year	2020	2019	Differences	
			Amount	%
Current assets	5,267,402	2,291,165	2,976,237	129.9
Non-current assets	3,540,564	6,675,380	(3,134,816)	(47.0)
Total assets	8,807,966	8,966,545	(158,579)	(1.8)
Current liabilities	1,452,729	2,056,577	(603,848)	(29.4)
Non-current liabilities	6,109,874	5,675,363	434,511	7.7
Total liabilities	7,562,603	7,731,940	(169,337)	(2.2)
Share capital	3,253,324	3,253,324	-	-
Capital reserve	-	-	-	-
Cumulative profit (loss)	(2,005,321)	(2,017,576)	12,255	0.6
Other components of equity	(2,640)	(1,143)	(1,497)	(131.0)
Equity attributable to owners of parent	1,245,363	1,234,605	10,758	0.9
Total shareholders' equity	1,245,363	1,234,605	10,758	0.9

1. Analysis of changes in the ratio of increase or decrease over 20%:

- (1) Current assets: Mainly due to the increase in non-current assets to be sold.
- (2) Non-current assets: Mainly due to the decrease in investment real estate.
- (3) Current liabilities: Mainly due to the decrease in long-term loans due within one year..
- (4) Other components of equity: Mainly due to the impact of the exchange difference in the conversion of the financial statements of foreign operating institutions in the current period.

2. Impact of changes in financial status in the last two years: No significant impact on financial status.

3. Future response plan: Not applicable.

Evaluation and analysis of operation results

Unit: NT\$ thousand

Item \ Year	2020	2019	Difference ratio	
			Profit (loss) amount	%
Net operating income	2,417,836	2,514,724	(96,888)	(3.9)
Operating cost	1,972,214	2,025,816	(53,602)	(2.6)
Operating margin	445,622	488,908	(43,286)	(8.9)
Operating expense	327,179	343,222	(16,043)	(4.7)
Operating net profit (loss)	118,443	145,686	(27,243)	(18.7)
Non-operating income and (expense)	(87,245)	(272,415)	185,170	68.0
Net profit before tax (loss)	31,198	(126,729)	157,927	124.6
Income tax benefit (fee)	(14,734)	(42,584)	27,850	65.4
Net profit (loss)	16,464	(169,313)	185,777	109.7
Other comprehensive income, net	(5,706)	(5,403)	(303)	(5.6)
Total comprehensive income	10,758	(174,716)	185,474	106.2
Net income attributable to : Shareholders of the Company	16,464	(169,313)	185,777	109.7
Total comprehensive income attributable to : Shareholders of the Company	10,758	(174,716)	185,474	106.2

1. Analysis of changes in the increase or decrease ratio exceeding 20%:

(1) Non-operating income and expenses:

Mainly due to the benefits increase in rental income, reversal of impairment loss recognized in investment real estate, disposal non-current assets to be sold and the decrease in depreciation of investment real estate.

(2) Net profit (loss) before tax: Mainly due to increase in non-operating income and decrease in expenditure.

(3) Income tax (expense) benefit:

Mainly due to the increase in pre-tax net profit and the impact of temporary differences in fiscal and taxation.

(4) Net profit (loss) for the current period: Mainly due to the increase in net profit before tax.

(5) Total comprehensive income: Mainly due to the increase in net profit for the current period.

(6) Net income attributable to Shareholders of the Company:

Mainly due to the increase in net profit for the current period.

(7) Total comprehensive income attributable to Shareholders of the Company:

Mainly due to the increase in net profit for the current period.

2. Expected sales volume in the next year and its basis: Please refer to "1. Report to Shareholders".

3. The impact of changes in financial performance in the last two years: No significant impact on financial performance.

4. Future response plan: Not applicable.

Evaluation and analysis of cash flow

(1) Changes in consolidated cash flow in the year 2020:

Unit: NT\$ thousand

Cash -beginning Balance(1)	Projected net cash flow from operating activities for the year(2)	Projected Cash outflow for the year(3)	Projected cash balance (1)+(2)-(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
337,148	220,246	366,990	172,404	-	-
Analysis of changes in cash flow in the year 2020: (1) Annual net cash flow from operating activities: mainly because the net loss plus inventory falling prices, impairment loss, depreciation and amortization which did not affect the cash flow of current year. (2) Annual cash outflow: mainly due to cash outflows such as repayment of bank loans.					

(2) Liquidity analysis for the coming year (2020)

Unit: NT\$ thousand

Cash -beginning Balance(1)	Projected net cash flow from operating activities for the year(2) (estimated)	Projected Cash outflow for the year(3) (estimated)	Projected cash balance (1)+(2)-(3) (estimated)	Countermeasures against cash insufficiency (estimated)	
				Investment plan	Wealth management plan
172,404	311,000	340,000	143,404	-	-
Analysis of changes in cash flow in the coming year: (1) Estimated annual net cash flow from operating activities: mainly due to estimate cash inflows generated by operations. (2) Estimated annual cash flow: mainly cash outflows such as repayment of bank loans.					

Effect upon financial operations of any major capital expenditures during the most recent year:

Not applicable.

Annual reinvestment policy, the main reason for its profit or loss, the improvement plan and the investment plan for the coming year:

(1) Investment plans for the coming year:

1. With the approval of the Investment Review Committee of the Ministry of Economic Affairs, the third-region investment enterprise indirectly invested in the establishment of Optimax Technology (Suzhou) Co., Ltd. in the mainland China to engage in the manufacture and sales of polarizers. As of the year in 2020, the company has invested USD 2419,000,000.
2. On June 29, 2017, the company was approved by the Investment Review Committee of the Ministry of Economic Affairs with the approval letter No. 10620714740 to invest in Hong Kong Yute Optoelectronics Technology Co., Ltd. (hereinafter referred to as Yute) for HKD 1,700 and acquired 17% equity of Yute.
3. The company's related company, Optimax Technology (Suzhou) Co., Ltd., invested RMB 2 million in Chongqing Yunhe Bafang on December 25, 2017, and obtained 2% of the equity. Increased investment in Chongqing Yunhe Bafang on June 19, 2019 acquired 4% of the equity of RMB 4 million and acquired a total of 6% equity of Chongqing Yunhe Bafang.

(2) Main causes of profits or losses incurred on investments in the most recent year (2020):

The company's investment loss recognized by the equity method of the investee company in the recent year was NT\$21,624,000.

(3) Investment plans for the coming year:

In the next year, the company's related company, Optimax Technology (Suzhou) Co., Ltd., plans to invest RMB 8 million in Shenzhen Hualisheng Photoelectric Technology Co., Ltd..

The section on risks shall analyze and assess the following matters in the most recent year and until the date of publication of the annual report:

(1) The effect upon the Company's profits (losses) of interest, foreign exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future:

1. Interest rate changes: The long-term and short-term borrowing rates for the most recent years have all fallen within a reasonable range, and the company obtained the debt negotiation from the creditor bank on November 17, 2020, and will not impose additional penalties on the interest rate that does not reach the financial ratio.
2. Exchange rate changes: The company controls foreign currency positions at any time to control exchange rate trends, and appropriately undertakes forward foreign exchange transactions to avoid exchange rate risks in foreign currency positions. The exchange loss in 2020 was NT\$48,691 thousand.
3. Inflation: The company's material costs are showing a slight downward trend, and inflation has no significant impact on the company.

(2) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions, the main reasons for the profits/losses generated thereby, and the plan for improving re-investment profitability:

The company's derivative commodity transactions are mainly forward foreign exchange transactions, the purpose of which is to avoid the exchange rate fluctuation risk of the net part denominated in foreign currencies, and is a transaction activity that is not for transaction purposes. In addition to the above transactions, the company has no transactions involving high-risk and high-leverage investments.

(3) Research and development plans to be carried out in the future, and further expenditures expected for research and development work:

1. Development of vehicle-mounted polarizers: reliability enhancement and new compensation film evaluation.
2. VR/AR product development.
3. Cost reduction: evaluation of new vendors.
4. Process improvement.
5. Sunglasses product development.

(4) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response:

The company pays close attention to and pragmatically improves important domestic policies and legal changes, and develops synchronously with international systems, technologies, and talents to enhance industrial competitiveness, and seek to integrate with the world, actively engage in economic and trade exchanges with countries, and cooperate with governments Promote economic liberalization, internationalization, and institutionalization policies to effectively increase and improve the company's operating efficiency and systems; in addition, to cooperate with the infectious disease prevention and control law and formulate special regulations for the prevention and control of severe and special infectious pneumonia and the government's epidemic prevention policies. Qualified personnel strictly implement the epidemic prevention procedures to maintain normal operational effectiveness.

(5) Effect on the Company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response:

The Company is an important member of relevant industry associations, and has a close relationship with the market and technical personnel of upstream and downstream customers. It can truly grasp the dynamics of upstream raw materials in the industry, the development trend of new display technologies, and the needs of end customers. In response to the drastic changes in the LCD market, in addition to continuing to localize materials and reduce costs, the company is also actively developing niche products ultra-thin polarizers, dye-based polarizers for PMVA, and polarizers for TFT vehicles. , Polarizing plates for PMAM-OLED, polarizing plates for wearable products (VR/AR, etc.), polarizing lenses for sunglasses, materials related to flexible products, optical materials for touch control, and high-hardness protective film products, etc.) Continue to increase revenue and profit. Therefore, although the LCD industry is changing rapidly, the company can adjust with the pulsating flexibility of the industry and continue to create value on the client side.

(6) Effect on the Company's crisis management of changes in the Company's corporate image, and measures to be taken in response:

Since the company went public in October 2002, it has established spokespersons and published information operations, and held Institutional Investor Conference in a timely which will improve the transparency of business information.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and measures to be taken in response:

The company did not engage in mergers and acquisitions plans in 2019 and as of the publication date of the annual report, so there is no such possible risk.

(8) Expected benefits and possible risks associated with any plant expansion, and measures to be taken in response:

The company has no plans to expand domestic plants in the short term, and its main goal is to increase the utilization rate of existing capacity and increase production efficiency, and improve production efficiency through the improvement of existing equipment.

(9) Risks associated with any consolidation of sales or purchasing operations, and measures to be taken in response:

1. The company's main customers are concentrated in domestic and foreign panel manufacturers, in order to diversify the credit risk of customers, the company reviews the customer's credit limit carefully, and it also signs a non-claimed account receivable sales contract with the bank group to reduce the possible impact of the customer's credit risk.
2. In order to reduce the risk of overdue or debiting of accounts receivable, the company actively diversifies the concentration of customers, and decentralize the source of raw materials to reduce dependence on a few suppliers such as Japan.

(10)Effect upon and risk to the Company in the event a major quantity of shares belonging to a director (including independent director), or a major shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and measures to be taken in response: Not applicable.

The directors, supervisors, or major shareholders holding more than 10% of the company's shares do not have a large number of transfers or exchanges of equity, so they have no significant impact on the company's operations.

(11)Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response: None.

The management of the company focuses on company operations, supplemented by coordination with an audit committee composed of independent directors, assistance and support, there is no operational right to change the possible risks to the company.

(12)Litigious and non-litigious matters:

List major litigious, non-litigious or administrative disputes that involve the Company and/or any of the Company's directors (including independent directors), presidents, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still pending. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None.

(13)Other important risks, and measures to be taken in response: None.

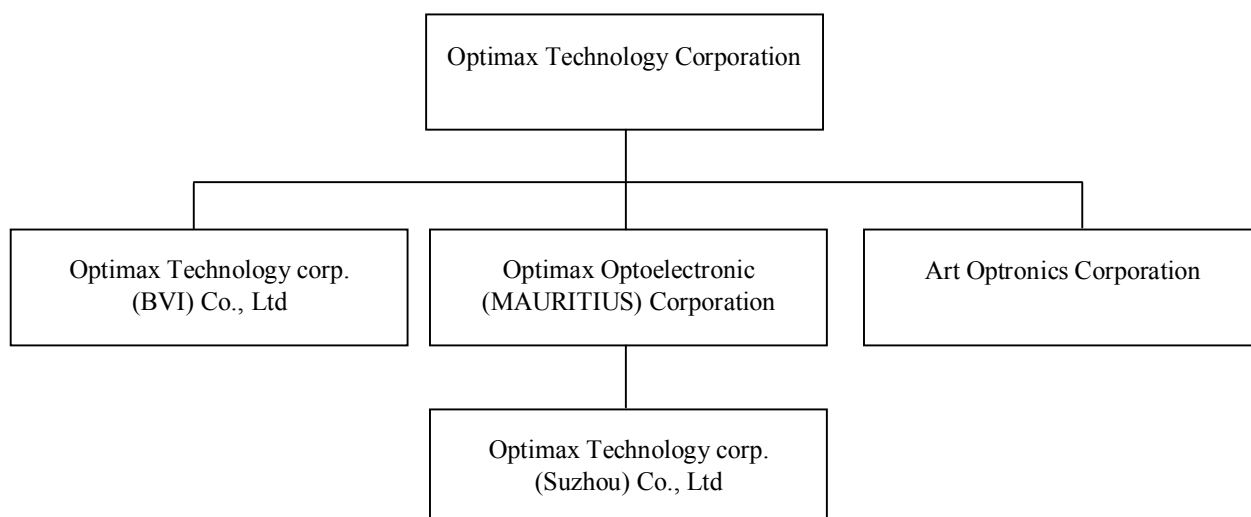
Other important matters

In accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2021 and the mid and long-term loan repayment period was extended for one year.

Special Disclosure

Affiliated Company Related Information

(1) Organization chart



(2) Basic information of related companies

2020-12-31; Unit: NT\$ thousand

Company name	Establishment Date	Address	Paid-in Capital	Main business or production project
Optimax Technology corp. (BVI) Co., Ltd	2001/03	British Virgin Islands (BVI)	1,748	Manufacturing
Optimax Optoelectronic (MAURITIUS) Corporation	2005/09	Republic of Mauritius (MAURITIUS)	614,524	Investment
Optimax Technology corp. (Suzhou) Co., Ltd	2005/10	Suzhou National New & Hi-Tech Industrial Development Zone	614,524	Manufacturing
Art Optronics Corporation	2010/04	Republic of China (Taiwan)	2,250	Trading

(3) Presumed to have the same shareholder information as those with control and affiliation: None.

(4) Overall relationship with the industries covered by the company's operations:

The overall business of the affiliated company is the trading of polarizers.

(5) Information of directors, supervisors and general managers of related companies

2020-12-31; Unit: share; %

Company Name	Title	Name or Representative	Holding shares	
			Shares	Ratio
Optimax Technology corp. (BVI) Co., Ltd	Director	Optimax Technology Corporation Representative: Peter Chao	50,000	100%
Optimax Optoelectronic (MAURITIUS) Corporation	Director	Optimax (MAURITIUS) CO., LTD Representative: Peter Chao	19,000,000	100%
Optimax Technology corp. (Suzhou) Co., Ltd	Director	Optimax Optoelectronic (MAURITIUS) Corporation Representative: Peter Chao	Note	100%
Art Optronics Corporation	Director	Optimax Technology Corporation Representative: Peter Chao	225,000	100%

Note: It is not a company limited by shares, so there are no shares.

(6) Financial status and operating results of related companies

2020-12-31; Unit: NT\$ thousand

Company Name	Capital	Operating income	Operating profit and loss	Current profit and loss (after tax)	Earning per shares(NT\$) (after tax)
Optimax Technology corp. (BVI) Co., Ltd	1,748	33,455	648	646	12.92
Optimax Optoelectronic (MAURITIUS) Corporation	614,524	0	20,977	20,977	1.10
Optimax Technology corp. (Suzhou) Co., Ltd	614,524	0	(16,294)	20,977	NA
Art Optronics Corporation	2,250	9,607	0	1	0

In the most recent year and as of the date of publication of the annual report, the handling of private equity securities:

Not applicable.

In the most recent year and up to the date of publication of the annual report, the situation of subsidiaries holding or disposing of the company's stock:

None.

Other necessary supplementary notes:

None.

In the most recent year and up to the date of publication of the annual report, if there is an event that has a significant impact on shareholders' equity or the price of securities specified in Article 36, paragraph 3, of this law, it shall also be stated item by item:

None.

【Appendix I】

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements Independent Auditors' Review Report December 31, 2020 and 2019

Address: No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan
Telephone: 886-3-460-6677

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. NOT AUDITED OR REVIEWED BY AUDITORS. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and the consolidated financial statements, the Chinese version shall prevail.

Representation Letter

In connection with the Consolidated Financial Statement of Affiliated Enterprises of OPTIMAX TECHNOLOGY CORPORATION (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2020 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of OPTIMAX TECHNOLOGY CORPORATION and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10. Additionally, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, OPTIMAX TECHNOLOGY CORPORATION does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

OPTIMAX TECHNOLOGY CORPORATION

By

Peter Chao, Chairman

March 25, 2021

Independent Auditors' Report

To the Board of Directors of Optimax Technology Corporation:

Opinion

We have audited the accompanying consolidated balance sheets of Optimax Technology Corporation and its subsidiaries (the "Group") as at December 31, 2020, and 2019, and the related consolidated statements of comprehensive income, of changes in equity and cash flows for the years, then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and others explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Optimax Technology Corporation and its subsidiaries as at December 31, 2020, and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended by following the "Regulations Governing the Preparation of Financial Reports by Securities issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretation as endorsed by the Financial Supervisory Commission.

Basis for Opinion

We conducted our audits by following the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

1. Expression and disclosure of non-current assets held for sale

For the accounting policy of the non-current assets held for sale, please refer to Note 4 (7) of the consolidated financial report; for the accounting items of non-current assets held for sale, please refer to the Note 6 (7) of the consolidated financial report.

In order to activate assets and reduce operating expenses, Optimax Technology Corporation and its subsidiaries sold the branch in Southern Taiwan Science Park and related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd. on August 12, 2020 through a resolution of the board of directors and signed a real estate purchase contract on October 19, 2020 with a total price of NT\$3,832,500,000 (tax included). The above asset disposal is assessed by the management to be completed within one year.

In accordance with International Financial Reporting Standards No. 5, the book value and the public value minus the cost of sale will be used to reduce the amount of assets, and the non-current assets for sale will be transferred. The amount of other assets is significant, and the classification and expression of the consolidated financial report involves management's assessment of the possibility of asset sales, so non-current assets held for sale is listed as one of the key audit matters.

The concern of audit procedure:

- (1) Understand the procedures and internal control of the acquisition or disposal of assets by Optimax Technology Corporation and its subsidiaries, and evaluate the design and implementation of the internal control of major asset transactions effective.
- (2) Review the proceedings of the board of directors' resolutions to dispose of assets, the written consent of the creditor bank, and the signed asset disposal contract, to confirm that the management has obtained the purchase commitment and meets the general conditions and business practices, and has been approved by the creditor bank for evaluation. Whether the timing of the transfer of non-current assets to be sold is appropriate or not.
- (3) When the classification is confirmed as a non-current asset for sale, the management obtains the fair value evaluation information of the asset, evaluates the reasonableness of the fair market value, and recalculates the amount of impairment loss (recovery benefit).
- (4) Assess whether the management's expression and disclosure of non-current assets held for sale meets the requirements to determine the adequacy of the financial report expression.

2. Asset impairment assessment

For the accounting policy of asset impairment, please refer to Note 4 (10) of the consolidated financial report; for the uncertainty of the accounting estimates and assumptions of the asset impairment assessment, please refer to Note 5 of the consolidated financial report.; for the accounting items of asset impairment, please refer to the Note 6 (8) and Note 6 (11) of the consolidated financial report.

Optimax Technology Corporation and its subsidiaries (the "Group") is a highly capitalized industry and is facing interference from many factors such as the economic environment and industry competition; because the assessment of asset impairment requires the process of predicting and discounting future cash flows to estimate the recoverable amount, and this process is inherently highly uncertain, therefore the asset impairment assessment is listed as one of the key audit matters.

The concern of audit procedure:

- (1) Understand the relevant policies and processing procedures of Optimax Technology Corporation and its subsidiaries for impairment assessment, and assess the cash-generating units recognized by the management for impairment and the signs of internal and external impairment.
- (2) Consider whether all assets that require annual impairment testing have been fully included in the management evaluation procedure.
- (3) Assess the rationality of the evaluation method used by management to measure the recoverable amount.
- (4) For the recoverable amount determined by the independent evaluation report issued by the third party appointed by Optimax Technology Corporation and its subsidiaries, review the reasonableness of the relevant assumptions, and evaluate the qualification and independence of the appraiser to confirm the Fair value of investment real estate.

- (5) Assess the uncertainties and related assumptions involved in the process of asset impairment loss, and consider whether the relevant disclosures of Optimax Technology Corporation and its subsidiaries are sufficient.

Emphasis on matters-extension of the joint loan case

As stated in Notes 6 (12) and 6 (16) of the consolidated financial statement, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2021 and the mid- and long-term loan repayment period was extended for one year. All operating procedures were completed on December 30, 2020. Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2020 and the mid- and long-term loan repayment period was extended for one year. All operating procedures were completed on March 3, 2020. The accountant did not amend the review results.

Other Matters—Parent company only financial l reports

Optimax Technology Corporation has edited the individual financial report in year 2020 and 2019, and the accountant and issued by this audit report expressed an unqualified opinion and an opinion of emphasis on matters paragraph on file for reference.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of Optimax Technology Corporation. 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 Optimax Technology Corporation or to cease operations, or has no realistic alternative but to do so. Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of Optimax Technology Corporation.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole area free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identifying and assess the risks of material misstatement of the separate 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 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 internal control of Optimax Technology Corporation.
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 ability of Optimax Technology Corporation. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may cause Optimax Technology Corporation. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Optimax Technology Corporation. to express an opinion on the separate 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 separate financial statements of the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BAKERK TILLY CLOCK & CO.

Taiwan (Republic of China)

March 25th., 2021

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China. The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Assets				
Current assets				
Cash and cash equivalents	\$ 172,404	2	337,14	4
Current financial assets at amortized cost	64,577	1	42,309	1
Accounts receivable, net	770,909	9	734,820	8
Other receivables	148,586	2	38,072	—
Current inventories	957,134	11	976,182	11
Prepayments	45,674	—	11,593	—
Non-current assets classified as held for sale	3,106,341	35	148,382	2
Other current financial assets	79	—	78	—
Other current assets	1,698	—	2,581	—
Total current assets	5,267,402	60	2,291,165	26
Non-current assets				
Non-current financial assets at fair value through other comprehensive income	26,262	—	25,830	—
Property, plant and equipment	2,213,910	25	2,331,737	26
Right-of-use assets	6,586	—	9,698	—
Investment property, net	943,994	11	3,996,375	45
Deferred tax assets	161,976	2	175,076	2
Other non-current financial assets	180,393	2	129,750	1
Other non-current assets	7,443	—	6,914	—
Total non-current assets	3,540,564	40	6,675,380	74
Total Assets	\$ 8,807,966	100	8,966,545	100
Liabilities and equity				
Current liabilities				
Short-term loans	711,044	8	750,20	9
Accounts payable	181,170	2	165,625	2
Other payables	282,448	3	141,427	2
Current provisions	13,906	—	13,906	—
Current lease liabilities	18,753	—	17,750	—
Current Portion of Long-term Debt	111,957	1	920,347	10
Current refund liabilities	7,775	—	19,311	—
Other current liabilities	125,676	2	28,011	—
Total current liabilities	1,452,729	16	2,056,577	23
Non-current liabilities				
Long-term borrowings	5,366,681	61	4,937,227	55
Deferred tax liabilities	147	—	438	—
Non-current lease liabilities	693,008	8	682,624	8
Non-current net defined benefit liability	11,355	—	11,428	—
Other non-current liabilities	38,683	1	43,646	—
Total non-current liabilities	6,109,874	70	5,675,363	63
Total liabilities	\$ 7,562,603	86	7,731,940	86
Equity				
Common stock	3,253,324	37	3,253,324	36
Retained earnings				
Accumulated deficit	(2,005,321)	(23)	(2,017,576)	(22)
Other components of equity	(2,640)	—	(1,143)	—
Equity attributable to owners of parent	1,245,363	14	1,234,605	14
Total equity	1,245,363	14	1,234,605	14
Total liabilities and equity	\$ 8,807,966	100	8,966,545	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2020		2019	
	Amount	%	Amount	%
Total operating revenue	\$ 2,417,836	100	2,514,724	100
Total operating costs	(1,972,214)	(82)	(2,025,816)	(81)
Gross profit from operations	445,622	18	488,908	19
Operating expenses				
Selling expenses	(119,305)	(5)	(123,554)	(5)
Administrative expenses	(147,370)	(6)	(158,901)	(6)
Research and development expenses	(51,788)	(2)	(54,147)	(2)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(8,716)	—	(6,620)	—
Total operating expenses	(327,179)	(13)	(343,222)	(13)
Net operating income	118,443	5	145,686	6
Non-operating income and loss				
Interest income	557	—	1,080	—
Other income	117,536	5	71,412	3
Other gains and losses	(57,548)	(2)	(209,574)	(9)
Finance costs	(126,583)	(5)	(135,333)	(5)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(21,207)	(1)	—	—
Total non-operating income and expenses	(87,245)	(3)	(272,415)	(11)
Profit (loss) from continuing operations before tax	31,198	2	(126,729)	(5)
Total tax expense (income)	(14,734)	(1)	(42,584)	(2)
Net Income	16,464	1	(169,313)	(7)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit plan	(4,209)	—	(5,603)	—
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	—	—	(7)	—
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(1,872)	—	259	—
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	375	—	(52)	—
Other comprehensive income, net of tax	(5,706)	—	(5,403)	—
Total comprehensive income	\$ 10,758	1	(174,716)	(7)
Profit (loss), attributable to:				
Profit (loss), attributable to owners of parent	\$ 16,464	1	(169,313)	(7)
Total comprehensive income attributable to :				
Profit (loss), attributable to owners of parent	\$ 10,758	1	(174,716)	(7)
Earnings per share				
Basic earnings per share	\$ 0.05		(0.52)	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity For the
years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to owners of the parent

Accounting Title			Accumulated deficit	Other components of equity		Total equity
				Foreign Currency Translation differences	Unrealized gains(losses) from financial assets at fair value through other comprehensive income	
For the year ended January 1, 2019	\$	3,253,324	\$ (1,842,660)	\$ (1,343)	\$ —	\$ 1,409,321
Consolidated net price (loss))		—	(169,313)	—	—	(169,313)
Other comprehensive income (loss)		—	(5,603)	207	(7)	(5,403)
Total comprehensive income (loss)		—	(174,916)	207	(7)	(174,716)
For the year ended December 31, 2019	\$	3,253,324	\$ (2,017,576)	\$ (1,136)	\$ (7)	\$ 1,234,605
For the year ended January 1, 2020	\$	3,253,324	\$ (2,017,576)	\$ (1,136)	\$ (7)	\$ 1,234,605
Net Income		—	16,464	—	—	16,464
Other comprehensive income(loss)		—	(4,209)	(1,497)	—	(5,706)
Total comprehensive income (loss)		—	12,255	(1,497)	—	10,758
Balance at December 31, 2020	\$	3,253,324	\$ (2,005,321)	\$ (2,633)	\$ (7)	\$ 1,245,363

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities :		
Income before income tax	\$ 31,198	(126,729)
Adjustments to reconcile profit (loss) :		
Depreciation expense	248,438	316,747
Amortization expense	989	3,439
Expected credit loss	29,923	6,620
Interest expense	126,583	135,333
Interest income	(557)	(1,080)
Loss (gain) on disposal of property, plan and equipment	15,180	14,941
Property, plan and equipment transferred to expenses	—	6
Loss (gain) on disposal of investment properties	94	(1,095)
Loss (gain) on disposal of non-current assets classified as held for sale	(50,607)	—
Reversal of impairment loss on non-financial assets	(153,385)	(10,054)
Unrealized foreign exchange loss (gain)	15,435	3,832
Deferred income transferred to income	(2,589)	(2,713)
Lease liabilities transferred to other income	(2,806)	—
Accumulated exchange differences classified to exchange loss (gain) on disposal of foreign operation	(2,735)	—
Changes in operating assets and liabilities :		
Decrease (increase) in accounts receivable	(39,426)	(60,864)
Decrease (increase) in other receivable	(136,100)	(19,418)
Decrease (increase) in inventories	19,048	(14,651)
Decrease (increase) in prepayments	(33,984)	14,633
Decrease (increase) in other current assets	6,133	(733)
Increase (decrease) in accounts payable	39,595	57,282
Increase (decrease) in other payable	139,237	6,091
Increase (decrease) in Provisions	—	417
Increase (decrease) in other current liabilities	83,379	30,381
Increase (decrease) in net defined benefit liability	(4,282)	(2,613)
Cash generated from operation	328,761	349,772
Cash received from interest income	566	1,079
Cash paid for interest	(127,099)	(135,381)
Income taxes (paid) refunded	18	(41)
Net cash provided by operating activities	\$ 202,246	215,429
Cash flows from investing activities :		
Acquisition of financial assets at fair value through other comprehensive income	—	(17,220)
Acquisition of financial assets at amortised cost	(39,592)	(49,635)
Proceeds from disposal of financial assets at amortised cost	17,324	18,770
Proceeds from disposal of non-current assets classified as held for sale	55,905	—
Acquisition of property, plant and equipment	(7,556)	(10,439)
Proceeds from disposal of property, plant and equipment	5,061	8,318
Acquisition of investment properties	(5,185)	(1,798)
Proceeds of investment properties	—	3,000
Decrease (Increase) in other financial assets	(50,644)	25,200
Increase in other non-current assets	(3,142)	(6,837)
Net cash used in investing activities	\$ (27,829)	(30,641)
Cash flows from financing activities :		
Increase in short-term loans	46,725	69,870
Repayments of long-term debt	(350,434)	(332,530)
Increase in guarantee deposits received	192	5,216
Decrease in guarantee deposits received	(438)	(3,035)
Payments of lease liabilities	(15,753)	(17,115)
Net cash flows from (used in) financing activities	\$ (319,708)	(277,594)
Effect of change rate changes on cash and cash equivalents	(19,453)	8,545
Net decrease (increase) in cash and cash equivalents	(164,744)	(84,261)
Cash and cash equivalents at beginning of period	337,148	421,409
Cash and cash equivalents at end of period	\$ 172,404	337,148

OPTIMAX TECHNOLOGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the year ended December 31, 2020 and 2019

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

1. Organization and business

- (1) Optimax Technology Corporation was incorporated in March 1998 and registered under the Ministry of Economic Affairs, R.O.C. The registered address is No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan. The company and subsidiaries (collectively as “the Company”) are primarily engaged in the manufacturing and selling of polarizers.
- (2) In October 2002, Optimax Technology Corporation’s shares were listed on the Taiwan Stock Exchange (TWSE).

2. Approval of financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors of Optimax Technology Corporation on March 25, 2021.

3. Application of New, Amended and Revised Standards, and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020(Note)
Note: Earlier application from January 1, 2020 is allowed by FSC.	

The consolidated company has assessed that the adoption of the above standards has not had a material impact on the consolidated financial statements.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2020

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

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

The consolidated company has assessed that the adoption of the above standards has not had a material impact on the consolidated financial statements.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Compliance statement

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

Basis of preparation

Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial instruments at fair value through profit or loss.
- (b) Net defined benefit liability at defined benefit obligation deducted plan assets through fair value.

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

Basis of consolidation

A. Basis for preparation of consolidated financial statements:

This consolidated financial report includes the company and the entities (subsidiaries) controlled by the company.

The consolidated comprehensive income statement has been included the operating profit and loss from the acquired or executed subsidiary company in the current period since the acquisition date or to the date of disposition.

The financial report of the subsidiary has been adjusted so that its accounting policy is consistent with the consolidated company's accounting policy.

When preparing the consolidated financial report, the transactions, account balances, income and expenses and losses have been completely eliminated.

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are accounted for as equity transactions. The book amount of the consolidated company and non-controlling interests has been adjusted to reflect changes in its relative equity in subsidiaries. Adjustment of non-controlling interests of the difference between the amount and the fair value of the consideration paid or received is directly recognized as a right and the benefits belong to the owners of the company.

When the consolidated company loses control of the subsidiary, the disposition profit and loss is one of the following two difference: (1) the fair value of the consideration received and the remaining investment in the former subsidiary are counted at the fair value at the date of loss of control, and (2) the assets of the former subsidiary (including goodwill), together with liabilities and non-controlling interests, they are counted based on the book amount on the day when control is lost. For all the amounts recognized in other comprehensive income and losses related to the subsidiary, the consolidated company accounting treatment must be followed by the direct disposal of related assets or liabilities with the consolidated company and the basis is the same.

B. Subsidiaries included in the consolidated financial statements:

Investor	The name of subsidiaries	Business activities	Percentage of Ownership (%)		Description
			December 31, 2020	December 31, 2019	
Optimax	Optimax Technology (BVI) CO., LTD. (OPTIMAX BVI)	Trading Business	-	100.00	(Note 1)
Optimax	ART OPTRONICS CORP..	Trading Business	100.00	100.00	-
Optimax	Optimax Optoelectronic (MAURITIUS) CORP. (OOMC)	Investment Company	100.00	100.00	-
OOMC	Optimax Technology (Suzhou) CO., LTD. (OPTIMAX SUZHOU)	Polarizers manufacturing and selling	100.00	100.00	-

(Note 1): Optimax Technology (BVI) CO., LTD. was liquidated in March, 2020.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets: otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (b) Assets held mainly for trading purposes.
 - (c) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities: otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle.
 - (b) Liabilities arising mainly from trading activities.
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date.
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Foreign currency

When each entity prepares financial reports, transactions in currencies other than the individual's functional currency (foreign currency) are converted into functional currency records based on the exchange rate on the transaction day.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. The exchange difference arising from the currency items of delivery or the conversion of currency items is recognized in the current period profit and loss.

The fair value of foreign currency non-monetary items is used to determine the exchange rate on the day of fair value rate conversion, the resulting exchange difference is listed in the current profit and loss, but if the change in fair value is recognized in other comprehensive gains and losses, the resulting conversion difference is listed in other comprehensive gains and losses.

Non-monetary items in foreign currencies as measured by historical cost are converted at the exchange rate on the transaction date and will not be converted again.

When preparing the consolidated financial report, the assets and liabilities of foreign operating organizations (including subsidiaries in the country where they operate or whose currency is different from that of the company) are converted into New Taiwan dollars at the exchange rate on each balance sheet date. The income and expense items are converted at the average exchange rate of the current period. The resulting exchange difference is listed in other comprehensive profit and loss, and accumulated under the equity of the conversion difference of the foreign operation's financial statements.

If the consolidated company disposes of all the rights and interests of the foreign operation, the accumulated exchange difference related to the foreign operations will be reclassified to profit or loss. If the partial disposal of the subsidiaries of the foreign operation does not result in the loss of control, the accumulated exchange difference is re-attributed to the subsidiary's non-controlling interests and is not recognized as a profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Non-current assets classified as held for sale

The carrying amount of non-current assets is expected to be mainly through sales transactions rather than continued use. When closed, it is classified as pending sale. Non-current assets that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to start from the classification date when completed within one year, it will meet the sale as highly likely.

Non-current assets classified as pending for sale are measured at the lower of the book value and fair value less the cost of sale, and depreciation is stopped for such assets.

Property, plant and equipment

Real estate, plant and equipment are recognized at cost, and subsequently cost minus accumulated depreciation and the amount after the accumulated impairment loss is measured.

The real property, plant and equipment under construction are the cost minus the accumulated impairment loss and the amount is recognized. Cost includes professional service fees and borrowing costs that meet the capitalization conditions. When these assets are completed and reach the expected state of use, they are classified into real estate, plant and equipment of the appropriate categories of equipment and start depreciation.

Except for self-owned land, which is not depreciated, the rest of the real estate, plant and equipment will be depreciated on a straight-line basis within the service life of each significant part. The consolidated company is at least to review the estimated service life, residual value and depreciation method at the end of each year, and postpone the impact of changes in applicable accounting estimates.

When real estate, plant and equipment are delisted, the difference between the net disposal price and the book value of the asset is recognized in profit and loss.

Investment real estate

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation or both (including right-of-use assets that meet the definition of investment real estate). Investment real estate also includes land that has not yet been determined for future use.

Self-owned investment real estate is initially measured at cost (including transaction costs), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses.

The investment real estate acquired by the lease is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease start date), and subsequently measured at the amount after the cost minus the accumulated depreciation and accumulated impairment losses, and the lease liability is adjusted again. All investment real estate is depreciated on a straight-line basis. Real estate, plant and equipment are transferred to investment real estate on the book amount at the end of self-use.

When investment real estate is delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

Impairment of non-financial assets

The consolidated company assesses on each balance sheet date whether there are any indications that real property, plant and equipment, right-of-use assets, and intangible assets may have been impaired. If there is any sign of impairment, estimate the recoverable amount of the asset. If the recoverable amount of an individual asset cannot be estimated, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the cost of sale and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than its book value, the book value of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the asset or cash-generating unit if the impairment is not recognized in the previous year which the book value determined at the time of the loss (minus amortization or depreciation). The reversal of the impairment loss is recognized in the profit and loss.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet of the consolidated company which becomes one of the contractual terms of the instrument.

When financial assets and financial liabilities are initially recognized, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value plus the transaction cost measurement. Directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss is immediately recognized as profit and loss.

1. Financial assets

Conventional transactions of financial assets are recognized and delisted by accounting on the transaction date.

(1) Type of measurement

The types of financial assets held by the consolidated company are financial assets measured at amortized cost and equity instruments measured at fair value through other comprehensive gains and losses.

A. Financial assets measured at amortized cost

If the financial assets invested by the consolidated company meet the following two conditions, they are classified as financial assets measured at amortized cost:

- (a) It is held under a certain business model, the purpose of which is to hold financial assets
- (b) The contract terms generate cash flows on a specific date, and these cash flows are completely to collect contractual cash flows; and to pay the principal and interest on the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets) are determined by the effective interest method after initial recognition. The total book value is measured after deducting any impairment loss after amortization, and any foreign currency exchange gains and losses are recognized in profit and loss.

Except for the following two cases, interest income is the effective interest rate multiplied by the financial asset of total book amount:

- (a) For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.

- (b) For financial assets that are not purchased or original credit impairment, but subsequently become credit impairment, you should be confident to calculate interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Equivalent cash includes fixed deposits that are highly liquid and can be converted into fixed cash at any time within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

- B. Through other comprehensive profit and loss equity instruments measured at fair value to invest in a merged company, at the time of initial recognition, an irrevocable choice may be made, which is not to hold for trading and is not recognized by the purchaser of the business merger or has the consideration. Instrument investment is designated to be measured at fair value through other comprehensive gains and losses.

Equity instrument investments measured at fair value through other comprehensive gains and losses are measured at fair value, and subsequent changes in fair value are reported in other comprehensive gains and losses and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

The dividends of equity instrument investments measured at fair value through other comprehensive gains and losses are recognized in the profit and loss when the rights of the consolidated company to receive payments are established, unless the dividend clearly represents the recovery of part of the investment cost.

(2) Impairment of financial assets

- A. The consolidated company assesses the impairment losses of financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.
- B. Accounts receivable shall be recognized as an allowance loss based on the expected credit loss during the duration. For other financial assets, first assess whether the credit risk has increased significantly since the initial recognition. If there is no significant increase, the allowance loss is recognized based on the 12-month expected credit loss, and if it has increased significantly, it is recognized based on the lifetime expected credit loss Allowance for losses.
- C. Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible default events during the expected lifetime of the financial instrument. The impairment loss of all financial assets is reduced by the allowance account.

(3) Delisting of financial assets

The consolidated company only lapses in the contractual rights from the cash flow of financial assets. It has transferred the financial assets and almost all risks and reports of the ownership of the assets.

When transferring to other enterprises, the financial assets are only delisted. When the financial assets measured at the amortized cost are delisted as a whole, their book amount is the difference between the consideration received is recognized in profit and loss. When the equity instrument investment measured at fair value through other comprehensive gains and losses is declassified as a whole, the accumulated gains and losses are directly transferred to the retained earnings are not reclassified as profit or loss.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debt and equity instruments issued by the amalgamating company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

An equity instrument refers to any contract that recognizes the remaining equity of the consolidated company after deducting all its liabilities from its assets. The equity instruments issued are recognized by the consolidated company after the acquired price deducting the cost of direct issuance.

(2) Financial liabilities

Financial liabilities are not held for trading and are not designated as those measured at fair value through profit or loss (including payables). The initial recognition is based on fair value plus direct attributable transaction cost measurement; follow-up evaluation adopts effective interest rate method to amortize this measure.

(3) Delisting of financial liabilities

The consolidated company delists financial liabilities when contractual obligations have been fulfilled, cancelled, or expired debt.

When excluding financial liabilities, the difference between its book value and the total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) is recognized as profit and loss.

Liability provision

When the consolidated company has current obligations (statutory or constructive obligations) due to past events, and is likely to be required to pay off the obligations, and the amount of the obligations can be reliably estimated, the liability provision shall be recognized. The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The liability reserve is measured by discounting the estimated cash flow of the settlement obligation.

Income recognition

After the consolidated company recognizes the performance obligations in the customer contract, it allocates the transaction price to each performance obligations, and recognize income when each performance obligation is met.

Commodity sales revenue

1. Commodity sales revenue comes from the manufacture and sale of polarizers. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the combined company has no outstanding performance obligations that may affect the customer's acceptance of the product. Because when the goods arrive at the customer's designated location, the customer has the right to set the price and use of the goods and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the goods, the merged company recognizes revenue and receivables at that point in time Accounts. The advance receipts received before the arrival of the goods are recognized as contract liabilities.
2. Commodity sales revenue is measured by the fair value of the consideration received or receivable, and deducted estimated customer returns, discounts and other similar discounts. The combined company estimates possible sales returns and discounts based on historical experience and other known reasons, and recognizes them accordingly refund liabilities and related rights to return products.

Rent

The consolidated company assesses whether the contract belongs to (or contains) a lease on the date of contract establishment.

1. The merged company is the lessor

When the lease term is to transfer almost all the risks and rewards attached to the ownership of the asset to the lessee classifies it as a finance lease. All other leases are classified as operating lease.

When the consolidated company subleases the right-of-use asset, the right-of-use asset (not the underlying asset) is used to determine the classification of the sublease. However, if the main lease is a short-term when leasing, the sublease is classified as an operating lease.

Under operating leases, lease payments after deduction of lease incentives are recognized as income on a straight-line basis during the relevant lease period. The lease negotiation with the lessee is related to lease repair from the effective date of the change, it will be treated as a new lease.

2. The consolidated company is the lessee

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses during the lease period on a straight-line basis, and all other leases are opened in the lease. The right-of-use assets and lease liabilities are recognized on the inception date.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs needed to dismantle, remove and restore the underlying assets and the subsequent measures are measured at the cost after deducting the accumulated depreciation and accumulated impairment losses, and the remeasurement amount of the lease liability is adjusted.

Except for those that meet the definition of investment real estate, right-of-use assets are separately expressed in the consolidated balance sheet, and the recognition and balance of right-of-use assets that meet the definition of investment real estate, please refer to Note 4 (9) Accounting Policy for Investment Real Estate.

The right-of-use asset adopts a straight-line basis from the lease start date to the end of its useful life or the lease period expires, the earlier of the two shall be depreciated.

The lease liability was originally measured at the present value of the lease payment. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee to increase the borrowing interest rate.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. If the lease period or the index or rate used to determine the lease payment changes resulting in a change in the future lease payment, the consolidated company will continue measure the lease liability and relatively adjust the right-of-use asset. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in the profit and loss. For lease modifications that are not treated as separate leases, the scope of the lease is reduced The remeasurement of the lease liability is to reduce the right-of-use asset and recognize the profit and loss of the partial or full termination of the lease; the remeasurement of the lease liability for other modifications is to adjust the right-of-use asset, and the lease liability is separately expressed in the consolidated balance sheet.

The consolidated company and the lessor negotiated rents directly related to the COVID-19, adjusted the rents due before June 30, 2021, resulting in a decrease in rents. These negotiations did not materially change other lease terms. The consolidated company chooses to adopt practical expedients to handle all rental negotiations that meet the aforementioned conditions, and does not assess whether the negotiation is a lease modification, but recognizes the reduction of lease payments in the profit and loss when the concession event or situation occurs, and relatively reduces the lease debt.

Employee benefits

Short-term employee benefits are measured by the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

For the definite allocation plan, the amount of the retirement fund that should be allocated is recognized as the current pension expense on the basis of accrual. The advance payment is recognized as an asset within the scope of refundable cash or reduced future payments.

The net obligation under the definite benefit plan is calculated by discounting the amount of future benefits earned by the employee for the current or past services, and the current value of the definite benefit obligation on the balance sheet date minus the fair value of the plan assets. The net obligation to determine benefits is calculated by the actuary every year using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds that are consistent with the currency and period of the determined benefit plan on the balance sheet date; in high-quality corporate bonds For countries with no deep market, the market yield rate of government bonds (at the balance sheet date) is used. The remeasurement amount generated by the determined benefit plan is recognized in other comprehensive profit and loss in the current period and included in the retained surplus. The related expenses of the previous service cost are immediately recognized as a loss.

Resignation benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare invitation in exchange for termination of employment. The consolidated company recognizes expenses when the offer for resignation benefits can no longer be revoked or when the relevant reorganization costs are recognized earlier, and it is not expected that the benefits that are fully paid off within 12 months after the balance sheet date should be granted discount.

Income taxes

1. Current income tax

The consolidated company determines the current income (loss), based on which to calculate the payable (recoverable) income tax.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, recognized by the resolution of the Shareholders' annual meeting.

The adjustment of income tax payable in previous years is included in current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when there is likely to be taxable income for deduction of temporary differences or loss deductions.

Taxable temporary differences related to investment in subsidiaries are recognized as deferred income tax liabilities, but if the consolidated company can control the timing of the reversal of the temporary difference, and the temporary difference is likely to not revert in the foreseeable future except. The deductible temporary differences related to this type of investment are recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary difference, and within the scope of expected return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that are no longer likely to have sufficient taxable income to recover all or part of their assets. Those that were not previously recognized as deferred income tax assets are also reviewed on each balance sheet date and are likely to generate taxable income for the recovery of all or part of their assets in the future, increase the carrying amount.

Deferred income tax assets and liabilities are measured by the tax rate for the current period of expected debt settlement or asset realization. The tax rate is based on the tax rate and tax law that has been legislated or substantively legislated on the balance sheet date, and the deferred tax liabilities and assets are measured. It reflects the tax consequences arising from the manner in which the consolidated company expects to recover or settle the book value of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive profit or loss may be directly included in equity.

5. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

When the consolidated company adopts the accounting policies described in Note 4, for those who cannot easily obtain information about the carrying amounts of assets and liabilities from other sources, the management must base on historical experience and other relevant factors to make relevant judgments, estimates and assumptions. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from estimates. Estimates and basic assumptions are continuously reviewed. If the revision of the estimate only affects the current period, it shall be recognized in the current period of the revision of the accounting estimate. If the revision of the accounting estimate affects both the current period and the future period, it shall be recognized in the current period and the future period of the estimate revision. The main sources of uncertainties in major accounting judgments, estimates and assumptions of the consolidated company are as follows:

(1) Evaluation of inventories

Since inventory must be priced at the lower of cost and net realizable value, the merging company must use judgment and estimation to determine the net realizable value of the inventory at the end of the financial reporting period. Due to the rapid changes in the industry, the consolidated company assesses the amount of inventory at the end of the financial reporting period due to normal depletion, obsolescence, or no market sales value, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future, which may cause major changes.

(2) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumption of default rate and expected loss rate of the consolidated company. The consolidated company considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessment. For important assumptions and input values used, please refer to Note 6 (4). If the actual future cash flow is less than expected, it may be incurred significant impairment losses.

(3) Assessment of impairment of non-financial assets

In the process of asset impairment assessment, the consolidated company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the possible future income and expenses of a specific asset group based on the use of assets and industrial characteristics. Changes or estimated changes brought about by the company's strategy may cause significant impairment or reversal of recognized impairment losses in the future.

The assets of the consolidated company were recognized NT\$153,385,000 and NT\$10,054,000 in 2020 and 2019 respectively.

(4) Calculation of net definite benefit liabilities

When calculating and determining the present value of welfare obligations, the merging company must use judgments and estimates to determine relevant actuarial assumptions on the balance sheet date, including the discount rate and future salary growth rate, etc. Any change in actuarial assumptions may materially affect the determined benefit obligation of the consolidated company.

(5) The realizability of deferred income tax assets

Deferred income tax assets are recognized when there is likely to be sufficient taxable income in the future to deduct temporary differences. When assessing the feasibility of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including the expected future sales revenue growth and profit rate, tax exemption period, applicable income tax deductions and tax regulations and cost-effective assumption. Any changes in the global economic environment, industrial environment and laws and regulations may cause major adjustments to deferred income tax assets.

6. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 485	\$ 984
Demand deposits and checking account	171,919	336,164
Total	\$ 172,404	\$ 337,148

(2) Financial assets measured at fair value through other comprehensive income

Equity instrument investment

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Foreign stock company shares		
Non-listed stock of company	<u>\$ 26,262</u>	<u>\$ 25,830</u>

The consolidated company's investment in foreign unlisted companies is for the purpose of medium and long-term holding, and it is expected profit through long-term investment. The management believes that if the fair value fluctuations of these investments are included in the profit and loss, it is inconsistent with the aforementioned investment plan, so they choose to designate the investment through other comprehensive gains and losses measured at fair value.

The main management of the company promised to purchase the capital contribution of Chongqing Yunhe Bafang Enterprise Management Consulting Co., Ltd. held by the consolidated company. The sale price was NT\$26,262,000 (RMB 6,000,000) for the investment cost obtained by the consolidated company. As of the December 31, 2020, it has received NT\$15,175,000 which recognized on other current liabilities.

(3) Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity more than three months	<u>\$ 64,577</u>	<u>\$ 42,309</u>

1. As of December 31, 2020 and December 31, 2019, the annual interest rate range of fixed deposits with original maturity more than three months is 0.120% ~1.30% and 0.220%~1.065% separately.
2. For information on providing guarantees for the current financial assets measured at amortized cost, please refer to Note 8.

(4) Net notes and accounts receivable

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
<u>(Listed on other current assets)</u>		
Occurs due to business	\$ 3,527	\$ 107
Less: loss allowance	(3,413)	—
	<u>\$ 114</u>	<u>\$ 107</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total book amount	\$ 792,863	\$ 760,645
Less: loss allowance	(21,954)	(25,825)
	<u>\$ 770,909</u>	<u>\$ 734,820</u>

1. In principle, the credit investment period of the consolidated company to customers is 30 to 120 days after the invoice date. In order to reduce credit risk, the management of the consolidated company assigns a dedicated team to credit limit determination, credit approval and other monitoring procedures to ensure overdue accounts receivable appropriate actions have been taken for the recovery. In addition, the consolidated company will gradually review the recoverable amount of accounts receivable to ensure that the accounts receivable that cannot be recovered have been properly deducted.
2. The consolidated company recognizes the allowance loss of accounts receivable based on the expected credit loss during the duration. The expected credit loss during the existence period takes into account the past default records of customers and the current financial situation, industrial economic situation, and also considers the overall economic and industrial outlook. Separate individual customers into different risk groups and recognize allowance losses based on the expected loss rate of each group lost.
3. If there is evidence that the counterparty of the transaction is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount, the consolidated company directly writes off the relevant accounts receivable, but will continue to pursue recourse activities. The amount recovered due to recourse is recognized in profit and loss.
4. The allowance loss for accounts receivable of the combined company was as follows:

	December 31, 2020					
	Not past due	Past due 1~30 days	Past due 31~60 days	Past due 61~120 day	Past due over 121 days	Total
Expected credit loss rate	0.52 % ~ 0.59%	0.59%~ 0.68%	0.66%~ 0.76%	0.73%~ 0.92%	0.87%~ 100%	
Carrying amount	\$587,271	\$127,289	\$ 30,231	\$ 6,784	\$ 41,288	\$792,863
Loss allowance for lifetime expected credit losses	(8,518)	(1,576)	(234)	(1,054)	(10,572)	(21,954)
Amortized cost	<u>\$578,753</u>	<u>\$125,713</u>	<u>\$ 29,997</u>	<u>\$ 5,730</u>	<u>\$ 30,716</u>	<u>\$770,909</u>

	December 31, 2019					Total
	Not past due	Past due 1~30 days	Past due 31~60 days	Past due 61~120 day	Past due over 121 days	
Expected credit loss rate	0.57 % ~ 1.28%	0.70%~ 1.57%	0.84%~ 1.87%	0.97%~ 2.47%	1.24%~ 100%	
Carrying amount	\$557,166	\$ 80,314	\$ 59,207	\$ 2,440	\$ 61,518	\$760,645
Loss allowance for lifetime expected credit losses	(3,734)	(563)	(498)	(32)	(20,998)	(25,825)
Amortized cost	\$553,432	\$ 79,751	\$ 58,709	\$ 2,408	\$ 40,520	\$734,820

5. The movement of the loss allowance for notes and accounts receivable was as follows:

	2020	
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ —	\$ 25,825
Impairment Loss in the current period	3,413	8,716
Actual write-off for the period	—	(12,590)
Exchange rate effects	—	3
Balance at the end of the period	\$ 3,413	\$ 21,954

	2019	
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ —	\$ 19,220
Impairment Loss in the current period	—	6,620
Exchange rate effects	—	(15)
Balance at the end of the period	\$ —	\$ 25,825

(5) Other accounts receivable

	December 31, 2020	December 31, 2019
Operating lease receivable	\$ 15,645	\$ 4,615
Refundable business tax	—	17,866
Equipment receivable	1,150	2,975
Other accounts receivable-other	149,585	12,616
Sub-total	166,380	38,072
Less: loss allowance	(17,794)	—
Total	\$ 148,586	\$ 38,072

The movement of the loss allowance for other accounts receivable was as follows:

	2020	2019
Balance at the beginning of the period	\$ —	\$ —
Impairment Loss in the current period	17,794	—
Balance at the end of the period	\$ 17,794	\$ —

(6) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 418,556	\$ 375,022
Work in process	298,255	340,484
Raw materials	232,206	232,669
Inventory in transit	8,117	28,007
Total	\$ 957,134	\$ 976,182

The amounts recognized as cost of sales in relation to inventories were as follows:

	2020	2019
Inventories sold	\$ 2,015,387	\$ 2,015,631
Gain from price recovery of inventory	(29,690)	(5,147)
Unapplied manufacturing expenses	18,108	39,364
Income from Sale of Scrap and Wastes	(31,591)	(23,768)
Others	—	(264)
Total	\$ 1,972,214	\$ 2,025,816

The gain from price recovery in the net realizable value of the inventories of the consolidated company in 2020 and 2019, was mainly due to the sale of the inventory that had been assessed for loss in previous years.

(7) Non-current assets to be sold

	December 31, 2020	December 31, 2019
Land	\$ —	\$ 36,600
Houses and Buildings	6,685,469	207,535
Mechanical Equipment	495,716	83,405
Transportation Equipment	17,576	3,115
Office Equipment	310	92
Other Devices	4,518	5,885
Less: Accumulated depreciation	(4,090,394)	(181,801)
Less: Accumulated impairment	(6,854)	(6,449)
Total	<u>\$ 3,106,341</u>	<u>\$ 148,382</u>

1. In order to revitalize assets and reduce operating expenses, the Board of Directors resolved to sell the branch in Southern Taiwan Science Park and its related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and sign the real estate selling and purchasing contract on October 19, 2020, and the total price is NT\$ 3,832,500,000 (tax included), which shall be collected in installments as agreed and remitted to the designated bank trust account. As of December 31, 2020, the bank trust account had received NT\$2,572,500,000 and allocated NT\$75,000,000 to the company (listed other current liabilities of NT\$71,429,000 on December 31, 2020), and the remaining amount was NT\$1,260,000,000 which the bank trust account was fully recovered on January 5, 2021, and after deducting the related costs of the sale and repayment of bank loans, the remaining amount of NT\$168,820,000 was appropriated to the company on January 29, 2021. The transfer of ownership was completed on January 6, 2021. The company assessed that its related equipment has met the pending sale and related conditions, so it will be estimated to be classified as non-current assets for sale. Since the selling price has exceeded the carrying amount of the relevant net assets, there is no impairment loss that should be recognized, when these assets are classified as non-current assets for sale.
2. In order to revitalize assets and reduce operating costs, the Board of Directors resolved to sell the No.5 Factory in Pingzhen on August 8, 2019, and signed the real estate selling and purchasing contract on November 21, 2019, with a total price of NT\$201,523,000 (tax not included). The transfer of the ownership of the land and buildings was completed on January 8, 2020, and the disposal benefit of non-current assets held for sale was NT\$50,607,000 and the gain of reversal of impairment loss of non-current assets held for sale was NT\$1,185,000.
3. Please refer to Note 8 for information on guarantees for non-current assets held for sale.

(8) Property, plant and equipment

	December 31, 2020	December 31, 2019
Self-use	\$ 2,212,680	\$ 2,329,948
Operating lease rental	1,230	1,789
Total	<u>\$ 2,213,910</u>	<u>\$ 2,331,737</u>

1. Self-use

Item	2020					Balance at December 31, 2020
	Balance at January 1, 2020	Additions	Disposals	Reclassification	Effect of exchange rate changes	
<u>Cost</u>						
Land	\$ 479,697	\$ —	\$ —	\$ —	\$ —	\$ 479,697
Buildings	3,236,994	1,141	(1,440)	(173)	—	3,236,522
Machinery	4,863,940	7,549	(424,808)	(413,572)	417	4,033,526
Transportation equipment	157,928	88	(31,705)	(14,411)	45	111,945
Office equipment	261,016	417	(16,824)	(217)	204	244,596
Other	92,032	330	(33,962)	(898)	23	57,525
Sub-total	<u>9,091,607</u>	<u>9,525</u>	<u>(508,739)</u>	<u>(429,271)</u>	<u>689</u>	<u>8,163,811</u>
<u>Accumulated depreciation</u>						
Buildings	1,594,609	57,237	(1,308)	(170)	—	1,650,368
Machinery	4,652,705	29,192	(408,122)	(383,834)	390	3,890,331
Transportation equipment	147,611	1,815	(29,863)	(13,570)	38	106,031
Office equipment	246,177	2,194	(15,849)	(49)	181	232,654
Other	84,737	832	(31,140)	(838)	21	53,612
Sub-total	<u>6,725,839</u>	<u>91,270</u>	<u>(486,282)</u>	<u>(398,461)</u>	<u>630</u>	<u>5,932,996</u>
<u>Accumulated impairment</u>						
Machinery	28,246	—	(14,683)	(117)	(2)	13,444
Transportation equipment	2,427	—	(1,228)	—	—	1,199
Office equipment	3,368	—	(348)	—	—	3,020
Other	1,779	—	(1,307)	—	—	472
Sub-total	<u>35,820</u>	<u>—</u>	<u>(17,566)</u>	<u>(117)</u>	<u>(2)</u>	<u>18,135</u>
Total	<u>\$ 2,329,948</u>	<u>\$ (81,745)</u>	<u>\$ (4,891)</u>	<u>\$ (30,693)</u>	<u>\$ 61</u>	<u>\$ 2,212,680</u>

2019

Item	Balance at January 1, 2019 (restatement)	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2019
<u>Cost</u>						
Land	\$ 479,697	\$ —	\$ —	\$ —	\$ —	\$ 479,697
Buildings	3,264,752	1,062	(24,320)	(4,500)	—	3,236,994
Machinery	4,997,185	5,019	(167,303)	29,092	(53)	4,863,940
Transportation equipment	157,217	570	(1,194)	1,400	(65)	157,928
Office equipment	338,343	54	(87,015)	11,448	(1,814)	261,016
Other	97,162	444	(3,274)	(2,210)	(90)	92,032
Sub-total	9,334,356	7,149	(283,106)	35,230	(2,022)	9,091,607
<u>Accumulated depreciation</u>						
Buildings	1,555,635	61,261	(19,100)	(3,187)	—	1,594,609
Machinery	4,751,627	37,262	(162,387)	26,279	(76)	4,652,705
Transportation equipment	145,583	1,926	(1,115)	1,264	(47)	147,611
Office equipment	315,015	2,504	(79,945)	10,233	(1,630)	246,177
Other	88,922	1,069	(3,078)	(2,095)	(81)	84,737
Sub-total	6,856,782	104,022	(265,625)	32,494	(1,834)	6,725,839
<u>Accumulated impairment</u>						
Machinery	28,249	—	(5,254)	5,058	193	28,246
Transportation equipment	2,434	—	(7)	—	—	2,427
Office equipment	4,453	—	(1,085)	—	—	3,368
Other	1,800	—	—	(21)	—	1,779
Sub-total	36,936	—	(6,346)	5,037	193	35,820
Total	\$2,440,638	\$ (96,873)	\$ (11,135)	\$ (2,301)	\$ (381)	\$2,329,948

- (a) The real property, plant and equipment of the consolidated company are depreciated based on the following durability years:
- | | |
|------------------------------------|----------------|
| Housing and construction | |
| Plant main building | 9 to 50 years |
| Electro mechanical power equipment | 14 to 16 years |
| Other | 2 to 18 years |
| Mechanical equipment | 1 to 24 years |
| Other equipment | 2 to 17 years |
- (b) The recoverable amount of machinery and equipment held by the consolidated company is evaluated by independent experts. The recoverable amount is the fair value deducting the disposal cost (decreasing amount method) to assess the fair value, which belongs to the third level of fair value measurement. Based on the evaluation results of independent evaluation experts to evaluate the recoverable amount of machinery and equipment, the impairment loss of real property, plant and equipment was recognized as NT\$5,645,000 in 2020.
- (c) Details of property, plant and equipment were pledged as collateral of long-term borrowings and loans, please refer to Note 8.

2. Operating lease rental

		2020				
Item	Balance at January 1, 2020	Additions	Disposals	Effect of exchange rate changes	Balance at December 31, 2020	
<u>Cost</u>						
Machinery	\$ 56,953	\$ —	\$ —	\$ 952	\$ 57,905	
Other	19	—	—	—	19	
Sub-total	56,972	—	—	952	57,924	
<u>Accumulated depreciation</u>						
Machinery	52,742	576	—	895	54,213	
Other	17	—	—	—	17	
Sub-total	52,759	576	—	895	54,230	
<u>Accumulated impairment</u>						
Machinery	2,424	—	—	40	2,464	
Total	\$ 1,789	\$ (576)	\$ —	\$ 17	\$ 1,230	

		2019				
Item	Balance at January 1, 2019 (restatement)	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2019
<u>Cost</u>						
Machinery	\$ 199,304	\$ —	\$ (22,411)	\$(112,497)	\$ (7,443)	\$ 56,953
Transportation equipment	6,489	—	(1,732)	(4,515)	(242)	—
Office equipment	13,610	—	(1,562)	(11,540)	(508)	—
Other	7,918	—	(3,929)	(3,675)	(295)	19
Sub-total	227,321	—	(29,634)	(132,227)	(8,488)	56,972
<u>Accumulated depreciation</u>						
Machinery	169,302	11,479	(17,623)	(103,631)	(6,785)	52,742
Transportation equipment	5,840	—	(1,558)	(4,063)	(219)	—
Office equipment	12,177	—	(1,406)	(10,316)	(455)	—
Other	7,126	21	(3,535)	(3,329)	(266)	17
Sub-total	194,445	11,500	(24,122)	(121,339)	(7,725)	52,759
<u>Accumulated impairment</u>						
Machinery	16,211	—	(2,807)	(10,487)	(493)	2,424
Total	\$ 16,665	\$ (11,500)	\$ (2,705)	\$ (401)	\$ (270)	\$ 1,789

The real property, plant and equipment of the consolidated company are depreciated based on the following durability years:

Mechanical equipment	1 to 24 years
Other equipment	2 to 17 years

(9) Leasing arrangements- lessee

1. Right-of-use assets

(a) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use asset		
Land	\$ 3,336	\$ 5,004
Transportation equipment	1,988	2,973
Office equipment	1,262	1,721
Total	<u>\$ 6,586</u>	<u>\$ 9,698</u>

	2020	2019
Carrying amount of right-of-use asset		
Land	\$ 1,668	\$ 1,668
Transportation equipment	1,608	1,082
Office equipment	459	459
Total	<u>\$ 3,735</u>	<u>\$ 3,209</u>

The consolidated company leases the land located in the Southern Science Industrial Park and acquires the land use right contract in the Suzhou High-tech Zone of the People's Republic of China is sub-leased in the form of operating leases, and the relevant use right assets are listed as investment real estate. Please refer to Note 6 (11). The above-mentioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment real estate.

- (b) The additions of the right-of-use assets of the consolidated company in 2020 and 2019 were respectively NT\$623,000 and NT\$2,423,000.
- (c) Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or depreciation of the right-of-use assets of the combined company in 2020 and 2019.

2. Leasing liabilities

	December 31, 2020	December 31, 2019
Carrying amount of leasing liabilities		
Current	\$ 18,753	\$ 17,750
Non-current	<u>\$ 693,008</u>	<u>\$ 682,624</u>

The discount rate ranges for lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Land	1.8513%	1.8513%
Transportation Equipment	1.8513%	1.8513%
Office Equipment	1.8513%	1.8513%

3. Important rental activities and terms

The assets leased by the consolidated company include land, official vehicles and photocopiers. The contract period usually ranges from 3 to 5.5 years. The lease is based on individual editors, with various terms and conditions, except that the tribute of the leased goods cannot be used for lending and holding. No other restrictions are imposed.

The consolidated company leased land to the Southern Science and Technology Industrial Park Administration Bureau from August 7, 2008 to December 31, 2044, and agreed to adjust the lease payment every 2 years. The lease can be renewed when the lease term ends.

The consolidated company was to activate assets and reduce operating expenses, on August 12, 2020, the board of directors decided to sell the branch in Southern Taiwan Science Park and its related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and signed a real estate purchase contract on October 19, 2020. The transfer of ownership was completed on January 6, 2021, and the land use right contract with the Southern Science Industrial Park was terminated ahead of schedule on January 5, 2021.

In 2020, due to the COVID-19 severely affecting the market economy, the consolidated company applied to the Southern Science Industrial Park Administration for the land lease fee extinction plan, and the Science Industrial Park Administration agreed to reduce the rent amount from January 1 to June 30, 2020. The consolidated company recognized the profit of NT\$2,806,000 from the change in lease payment caused by the rent reduction as other income.

The consolidated company signed a land use right contract in the Suzhou High-tech Zone of the People's Republic of China in 2011. The lease term was 50 years, and the lease was paid in full when the lease was signed. Have land use rights, income rights and transfers within the land use period.

4. Other rental information

	2020	2019
Short-term rental expenses	\$ 74	\$ 521
Low-value asset lease expenses	\$ 166	\$ 187
Total cash outflow from lease	\$ 29,358	\$ 30,947

The consolidated company chooses to pay for transportation equipment that meets short-term leases and low-value asset leases. The recognition exemption is applicable to certain office equipment leases under lease, and the recognition of such leases is not relevant. Related right-of-use assets and lease liabilities.

(10) Leasing arrangements- lessor

1. The assets leased by the consolidated company include land, buildings, machinery and equipment, etc., and the contract period ranges from 1 to 12 years. The lease contract is negotiated individually and contains various terms and conditions. In order to preserve the use of leased assets, the lessor shall not sublet or pledge all or part of the leased object and agreed matters.
2. The benefits recognized by the consolidated company based on the operating lease contract are as follows:

	2020	2019
Rental income	\$ 132,336	\$ 101,718

3. The period ranges recognized by the consolidated company based on the operating lease contract are as follows:

	December 31, 2020	December 31, 2019
The 1 st year	\$ 34,510	\$ 131,699
The 2 nd year	34,137	46,233
The 3 th year	35,285	46,750
The 4 th year	35,241	45,847
The 5 th year	35,592	34,961
Over 5 years	215,852	247,323
Total	\$ 390,617	\$ 552,813

(11) Investment property

Item	2020						
	Balance at January 1, 2020	Lease liabilities remeasurement	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2020
<u>Cost</u>							
Buildings	\$ 7,087,230	\$ —	\$ 5,410	\$ (315)	\$ (6,683,619)	\$ 6,820	\$ 415,526
Right-of-use assets	723,499	29,323	—	—	—	316	753,138
Sub-total	7,810,729	29,323	5,410	(315)	(6,683,619)	7,136	1,168,664
<u>Accumulated depreciation</u>							
Buildings	3,658,148	—	131,848	(219)	(3,609,412)	3,064	183,429
<u>Accumulated impairment</u>	20,169	—	21,009	—	—	20	41,198
Sub-total	3,678,317	—	152,857	(219)	(3,609,412)	3,084	224,627
<u>Accumulated impairment</u>							
Buildings	136,037	—	—	(135,994)	—	—	43
Total	\$ 3,996,375	\$ 29,323	\$ (147,447)	\$ 135,898	\$ (3,074,207)	\$ 4,052	\$ 943,994

2019						
Item	Balance at January 1, 2019 (restatement)	Additions	Disposals	Reclassification	Effect of exchange rate changes	Balance at December 31, 2019
<u>Cost</u>						
Land	\$ 199,304	\$ —	\$ (22,411)	\$ (112,497)	\$ (7,443)	\$ 56,953
Buildings	6,489	—	(1,732)	(4,515)	(242)	—
Right-of-use assets	13,610	—	(1,562)	(11,540)	(508)	—
Sub-total	227,321	—	(29,634)	(132,227)	(8,488)	56,972
<u>Accumulated depreciation</u>						
Buildings	169,302	11,479	(17,623)	(103,631)	(6,785)	52,742
Right-of-use assets	5,840	—	(1,558)	(4,063)	(219)	—
Sub-total	194,445	11,500	(24,122)	(121,339)	(7,725)	52,759
<u>Accumulated impairment</u>						
Buildings	16,211	—	(2,807)	(10,487)	(493)	2,424
Total	\$ 16,665	\$ (11,500)	\$ (2,705)	\$ (401)	\$ (270)	\$ 1,789

1. The investment real property is depreciated based on the following durability years:

Buildings	
Plant main building	9 to 50 years
Electro mechanical power equipment	14 to 16 years
Other	2 to 18 years
Right-of-use assets	35 to 37 years

2. The fair value of investment real estate held by the consolidated company is evaluated by independent experts on the date of each balance sheet using the third-level input value. The aforementioned evaluation of the main building of the plant and the auxiliary facilities of the building were evaluated using the cost method and the fixed rate method (declining balance method) as of December 31, 2020 and 2019. The evaluation of the land use right assets in the Southern Science Industrial Park on December 31, 2020 and 2019, was based on the bonus period and the rent of each contract, and considering the rent range adjusted according to the announced land price, the discount rate obtained by the risk premium method is used as the implicit interest rate of the lease, and finally discounted appraisal of the value of the right to use assets. The evaluation of the land use right assets in the Suzhou High-tech Zone of the People's Republic of China adopted the comparative method on December 31, 2020 and 2019 for the consolidated company.

The fair value of investment real estate of the consolidated company on December 31, 2020 and 2019 was as follows:

	December 31, 2020	December 31, 2019
Fair value	\$ 1,007,119	\$ 4,322,393

3. Rental income and direct operating expenses of the investment real estate of the consolidated company:

	2020	2019
Rental income from investment real estate	\$ 131,470	\$ 96,484
Direct operating expenses incurred by investment real estate that generates rental income in the current period	\$ 32,085	\$ 31,849
Direct operating expenses incurred by investment real estate that does not generate rental income during the current period	\$ 149,514	\$ 206,400

4. In order to activate assets and reduce operating expenses, the Board of directors resolved to sell the branch in Southern Science Industrial Park and related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and signed a real estate purchase agreement on October 19, 2020, and the total price is NT\$3,832,500,000 (tax included). Since the sale price deducted the disposal cost is higher than the book value, the real estate plant and equipment impaired the reversal benefits and investment real estate impaired the reversal benefits of NT\$10,980,000 and NT\$135,987,000 has been included in the other profit and loss in the consolidated income statement. The combined company determines the recoverable amount based on the selling price of the plant deducted the cost of disposal, and the relevant fair value belongs to the first level of fair value measurement.

5. Please refer to Note 8 for information on guarantees provided by investment real estate.

(12) Short-term borrowings

	December 31, 2020	December 31, 2019
Borrowings without collateral	\$ 529,453	\$ 511,945
Collateral borrowings	172,837	229,645
Non-financial institution borrowing	8,754	8,610
Total	\$ 711,044	\$ 750,200
Interest rate	0.6612%~1.84%	0.6612%~3%

1. In accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent.
 - (1) Short-term credit extension (including account receivable undertaking): Renew or extend the contract according to the original conditions (until December 7, 2021) based on the current credit limit approved by the banks.
 - (2) Short-term credit application method: until December 7, 2021, within the application period using this quota cyclically.
2. Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent.
 - (1) Short-term credit extension (including account receivable undertaking): Renew or extend the contract according to the original conditions (until December 7, 2020) based on the current credit limit approved by the banks.
 - (2) Short-term credit application method: until December 7, 2020, within the application period using this quota cyclically.
3. Non-financial institution borrowing is borrowing from the main management.
4. Please refer to Note 8 for the provision of assets as guarantees for short-term loans.

(13) Accounts payable

	December 31, 2020	December 31, 2019
Account payable	\$ 181,170	\$ 165,625

1. The average de-account period of payables is 30 to 180 days. The consolidated company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.
2. The accounts payable and other accounts payable of the consolidated company exposed to exchange rate and liquidity risks for disclosure, please refer to Note 6 (28).

(14) Other payables

	December 31, 2020	December 31, 2019
Payable salary and bonus	\$ 52,391	\$ 51,517
Rent payable	156	163
Payable labor fees	840	905
Payable insurance premium	5,665	5,872
Pension payable	2,479	2,593
Interest payable	4,525	5,057
Equipment payment payable	3,749	1,385
Commission payable	18,132	14,156
Business tax payable	100,051	—
Compensation payable	35,000	—
Others	59,460	59,779
Total	\$ 282,448	\$ 141,427

1. The company and Hongju Precision Technology Co., Ltd. (hereinafter abbreviated as Hongju Company) signed a plant and factory equipment lease contract for a lease period of 5 years. Because the company planned to sell the branch in Southern Science Industrial Park and related auxiliary equipment, it signed a terminate agreement of the plant and factory equipment with Hongju Company on October 15, 2020. The two parties agreed that the lease contract was terminated on September 30, 2020. The company agreed to pay NT\$75,000,000 to Hongju Company for the damage caused by the early termination of the contract as compensation. The company has estimated the related losses in the accounts in September 2020, and paid NT\$40,000,000 in November 2020, and on December 31, 2020, the other payables-compensation payables are listed in the table of NT\$35,000,000.
2. Other main accounts payable are consist of house tax, water, electricity and gas, freight, import fees, export fees and repair fees.

(15) Liability reserve-current

	December 31, 2020	December 31, 2019
Employee benefit liability provision	\$ 13,906	\$ 13,906

1. Employee benefit liability provision is an assessment of employees' vested leave rights. It is reversed at the time of international vacation or cash payment.
2. The aforesaid reserves are not discounted because they are short-term or have little impact on discounting.

(16) Long-term borrowings

	December 31, 2020	December 31, 2019
Long-term bank loan	\$ 5,285,480	\$ 5,612,187
Medium and long-term bank mortgage loans	112,957	160,890
Bank mid-term working capital loan	80,201	84,497
Sub-total	5,478,638	5,857,574
Less: part due within one year	(111,957)	(920,347)
Long-term borrowings	\$ 5,366,681	\$ 4,937,227
Interest rate	1.8182%~1.8337%	1.9281%

1. The financial ratios, important restrictions, defaults and delays in the payment of principal and interest, extensions and reductions in the amount of principal repayment in each period are explained as follows:

- (1) The company promises to maintain the following financial ratios during the credit extension period:

Financing project	Minimum current ratio	Minimum interest guarantee multiple	Highest debt ratio	Minimum tangible net worth
Taiwan Cooperative Bank 3.5 billion joint loans	100%	2.5	200%	\$ 3,000,000
Mega International Commercial Bank Co., Ltd. 12 billion joint loan	100%	2.5	150%	7,000,000
Taiwan Cooperative Bank 2.6 billion joint loan	100%	2.5	200%	11,000,000

- (1) In accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the mid- and long-term loan repayment period was extended for one year. In addition, until December 31, 2020, the financial ratio will not be calculated and the overweight penalty for non-compliance with the promised financial ratio will be cancelled. The company has completed the process with banks in accordance with the conclusions of the debt and debt negotiation meeting and the principal extension of the credit extension for one year. The company and its subsidiaries should be performance normally within the time limit for debt (As of December 7, 2021), the main amendments are as follows:

- A. Within one year from January 2021, withdraw NT\$20,000,000 per month to repay the principal fund and deposit it in the special account of the cooperative vault commercial bank. On July 15, 2021 and January 15, 2022 (delayed on holidays), the repayment of the principal funds deposited in the previous 6 months will be executed, and the repayment ratio will be based on the outstanding balance of the debt.
- B. On July 15, 2021 and January 15, 2022 (posted on holidays), each deposit of NT\$50,000,000 for the principal repayment fund will be deposited in the special account of the Taiwan Cooperative Bank, and the repayment ratio will be distributed according to the proportion of the outstanding debt balance.
- C. The monthly rent income by the branch in Tainan Science Park and Pingzhen Factory for one year since 2021 (including income from idle factories that have been rented out and may be rented out in the future) is preferred responsible for all interest expenses on bank loans, land rental costs, factory house tax, factory water and electricity fee, security service fee and management fee of the branch in Tainan Science Park, then the rest is for the company's operating turnover.
- D. The company promises to review the section of the cash bank account on July 31, 2021, and unconditionally agree to deposit the entire amount in the special account of the Taiwan Cooperative Bank as the principal repayment fund for the cash (including New Taiwan dollar and foreign currency) totaling more than NT\$450,000,000.

(2) Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent that the mid- and long-term loan repayment period was extended for one year. In addition, until December 31, 2020, the financial ratio will not be calculated and the overweight penalty for non-compliance with the promised financial ratio will be cancelled. The company has completed the process with banks in accordance with the conclusions of the debt and debt negotiation meeting and the principal extension of the credit extension for one year. The company and its subsidiaries should be performance normally within the time limit for debt (As of December 7, 2020), the main amendments are as follows:

- A. Within one year from January 2020, withdraw NT\$20,000,000 per month to repay the principal fund and deposit it in the special account of the cooperative vault commercial bank. On July 15 and January 15, 2020 (delayed on holidays), the repayment of the principal funds deposited in the previous 6 months will be executed, and the repayment ratio will be based on the outstanding balance of the debt.
- B. On July 15, 2020 and January 15, 2021 (posted on holidays), each deposit of NT\$50,000,000 for the principal repayment fund will be deposited in the special account of the Taiwan Cooperative Bank, and the repayment ratio will be distributed according to the proportion of the outstanding debt balance.
- C. The monthly rent income by the branch in Tainan Science Park and Pingzhen Factory for one year since 2020 (including income from idle factories that have been rented out and may be rented out in the future) is preferred responsible for all interest expenses on bank loans, land rental costs, factory house tax, factory water and electricity fee, security service fee and management fee of the branch in Tainan Science Park, then the rest is for the company's operating turnover.

2. On June 10, 2003, the company signed a five-year joint credit contract with five financial institutions including Taiwan Cooperative Bank, with a total amount of NT\$3.5billion. (Taiwan Cooperative Bank NT\$3.5billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019, were NT\$26,563,000 and NT\$30,360,000, respectively.
3. In response to the expansion needs of the branch in Tainan Science Park, the company signed a five-year joint credit contract with thirteen financial institutions including Mega International Commercial Bank Co., Ltd. and Taiwan Cooperative Bank on July 20, 2004, with a total amount of NT\$12 billion. (Mega International Commercial Bank Co., Ltd. NT\$12 billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019 were NT\$3,530,681,000 and NT\$3,753,104,000, respectively.
4. In response to turnover needs, the company signed a five-year joint credit agreement with five financial institutions including Taiwan Cooperative Bank on September 20, 2006, with a total amount of NT\$2,600,000,000. (Taiwan Cooperative Bank NT\$2.6 billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019 were NT\$1,728,236,000 and NT\$1,828,723,000, respectively.
5. Due to the needs of operating turnover, the company submitted a payment to Taiwan Cooperative Bank on August 10, 1999. The bank applied for 18-year mortgage loans with a total amount of NT\$300,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$106,790,000 and NT\$106,790,000, respectively.
6. Due to the needs of operating turnover, the company submitted a payment to Taiwan Cooperative Bank on April 20, 2001. The bank applied for 13-year mortgage loans with a total amount of NT\$250,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$6,167,000 and NT\$54,100,000, respectively.
7. Due to the needs of operating turnover, the company submitted a payment to Shin Kong Commercial Bank Co., Ltd. on July 19, 2005. The bank applied for 3-year mortgage loans with a total amount of NT\$500,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$80,201,000 and NT\$84,497,000, respectively.
8. Expired within one year on December 31, 2020 and December 31, 2019, the loans were NT\$111,957,000 and NT\$920,347,000 respectively. Please refer to Note 12 for the improvement of the operating conditions of the consolidated company.
9. Please refer to Note 8 for the provision of assets as guarantees for long-term loans.

(17) Pension

1. Defined contribution plan

Since July 1, 2005, the company has established Retirement method with defined contribution plan which is applicable to employees of this nationality. Our company and domestic Subsidiaries choose to apply the labor pensions stipulated in the "Labor Pensions Ordinance" for employees. In the system, labor pension is paid to employees of the Labor Insurance Bureau at 6% of the salary monthly. The payment of the employee's pension is based on the employee's individual pension account and the amount of accumulated income. The labor pension in Optimax Suzhou is according to the endowment insurance system stipulated by the government of the People's Republic of China, contributing a certain percentage of the pension insurance fund monthly. The pension of each employee is contributed monthly by the local government without further obligations. The pensions recognized in the consolidated income statement on December 31, 2020 and December 31, 2019 were NT\$15,472,000 and NT\$16,374,000, respectively.

2. Defined benefit plan

In accordance with the regulation of the Labor Standards Law, the company has established a retirement method that defined benefits plan which is applicable of service years to all regular employees before the implementation of the Labor Pension Regulations on July 1, 2005, and the employees who choice to continue after the implementation of the Labor Pension Regulations. Employees who meet the retirement conditions, the pension payment is calculated based on the years of service and the average salary in the 6 months before retirement. The service years within 15 years (inclusive) will be given 2 bases for every full year, more than 15 years of service will be given 1 base for each full year, but the cumulative maximum is 45 bases limited. The company allocates a retirement fund of 2% of the total salary on a monthly basis, and deposits it in a special account in the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee. In addition, the company estimates the balance of the labor retirement reserve in the preceding paragraph before the end of each year. If the balance is not enough to pay the next year, the estimated amount of retirement pension for the employees who meet the retirement conditions in the next year will be calculated based on the foregoing calculation. This special account is managed by the Labor Fund Utilization Bureau of the Ministry of Labor, and the company has no right to influence investment management strategies.

The confirmed benefit plan amounts recognized in the consolidated balance sheet were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ (66,397)	\$ (64,145)
Fair value of planned assets	55,042	52,717
Net defined benefit liabilities	\$ (11,355)	\$ (11,428)

The changes in net defined benefit liabilities were as follows:

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit liabilities
Balance at January 1, 2020	\$ (64,145)	\$ 52,717	\$ (11,428)
Service cost			
Current service cost	(173)	—	(173)
Interest (expense) income	(561)	474	(87)
Recognized in profit and loss	(734)	474	(260)
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	1,610	1,610
Impact of changes in demographic assumptions	(2,020)	—	(2,020)
Impact of changes in financial assumptions	(3,223)	—	(3,223)
Experience adjustment	(576)	—	(576)
Recognized in other comprehensive income	(5,819)	1,610	(4,209)
Contributed Retirement Fund	—	4,542	4,542
Pay pension	4,301	(4,301)	—
Balance at December 31, 2020	\$ (66,397)	\$ 55,042	\$ (11,355)

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit liabilities
Balance at January 1, 2019	\$ (56,502)	\$ 48,064	\$ (8,438)
Service cost			
Current service cost	(171)	—	(171)
Interest (expense) income	(706)	620	(86)
Recognized in profit and loss	(877)	620	(257)
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	1,522	1,522
Impact of changes in demographic assumptions	(3,253)	—	(3,253)
Impact of changes in financial assumptions	(3,039)	—	(3,039)
Experience adjustment	(833)	—	(833)
Recognized in other comprehensive income	(7,125)	1,522	(5,603)
Contributed Retirement Fund	—	2,870	2,870
Pay pension	359	(359)	—
Balance at December 31, 2019	\$ (64,145)	\$ 52,717	\$ (11,428)

The consolidated company is exposed to the following risks due to the pension system of the Labor Standards Law:

- (1) Investment risk: The Labor Fund Utilization Bureau of the Ministry of Labor invests labor retirement funds in domestic (foreign) equity securities through its own use and entrusted operations. Subject to debt securities and bank deposits, but in accordance with the provisions of the Labor Standards Law, the overall return on assets shall not be lower than the local bank's 2-year fixed deposit interest rate: if the interest rate is lower than that, the state treasury shall make up for it.
- (2) Interest rate risk: The decline in the interest rate of government bonds will increase the present value of the determined welfare obligation, but the debt investment return of the planned asset will also increase. The two are in conflict and the impact of fixed benefit liabilities has a partial offset effect.
- (3) Salary risk: The calculation of the present value of the defined benefit obligation is based on the future salary of the plan members. Therefore, the increase in the salary of the plan members will increase the present value of the defined benefit obligation.

The main assumptions of actuarial evaluation are listed as follows:

	December 31, 2020	December 31, 2019
Discount Rate	0.500%	0.8750%
Expected salary increase rate	2.0000%	2.0000%

The changes in the main actuarial assumptions that were adopted on December 31, 2020 and 2019, will increase (decrease) the present value of defined benefit obligations by the following amounts:

December 31, 2020	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (2,209)	\$ 2,310
Expected salary increase rate	\$ 2,239	\$ (2,154)

December 31, 2019	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (2,130)	\$ 2,227
Expected salary increase rate	\$ 2,167	\$ (2,083)

The sensitivity analysis above is based on the analysis of a single hypothesis while other assumptions remain unchanged the impact of changes. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The methods and assumptions used in the preparation of the sensitivity analysis in this period are the same as those in the previous period.

As of December 31, 2020, the weighted average duration of the retirement plan was 13.5 years. In addition, the consolidated company expects to allocate NT\$5,294,000 to the defined benefit plan within one year after the reporting date on December 31, 2020.

(18) Equity

1. Common stock

	December 31, 2020	December 31, 2019
Rated equity	\$ 10,000,000	\$ 10,000,000
Issued share capital	\$ 3,253,324	\$ 3,253,324

As of December 31, 2020 and 2019, the company's authorized number of shares is 1,000,000,000 shares, each with a denomination of NT\$10. The issued shares are 325,332,000 shares.

2. Retained earnings and Dividend policy

- (1) According to the regulation of the company's articles of incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for the accumulated losses, and 10% of the second allocation is the statutory surplus reserve, but the accumulated amount has reached the paid-in capital, it may no longer be listed, and the rest may be approved by shareholders when necessary. The board of directors plans to allocate or revert the special surplus reserve according to the resolution of the meeting or according to the law; if there is a surplus and the undistributed surplus accumulated in the previous year, the board of directors plans to allocate the surplus, the proposal is submitted to the shareholders meeting for a resolution to distribute dividends to shareholders.

- (2) The company's earnings distribution depends on the company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 50% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 30% of paid-in capital, the Company may choose not to distribute dividends. The board of directors drafts the surplus based on the operating results and capital planning situation. At the time, dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.
- (3) The legal reserve shall not be used except for making up the company's losses and issuing new shares or cash in proportion to the shareholders' original shares. The public reserve is limited to 25% of the paid-in capital.
- (4) When the company distributes surplus, it must be based on the balance sheet date of the current year. The debit balance of other equity items is drawn to the special surplus reserve before the distribution is distributed, and thereafter the debit balance of other equity items is reverted, the reverted amount may be included in the distributable surplus.
- (5) On March 25, 2021, the company passed the resolution of the board of directors to make up for the loss of public information in the year 2020. For related information, please check Market Observation Post System (MOPS) for more information.
- (6) On June 9, 2020, the company passed a resolution of the general meeting of shareholders and passed the loss proposal for the year of 2019. Regarding the resolutions of the regular shareholders' meeting, please check Market Observation Post System (MOPS) for more information.
- (7) On June 20, 2019, the company passed a resolution of the general meeting of shareholders and passed the loss proposal for the year of 2018. Regarding the resolutions of the regular shareholders' meeting, please check Market Observation Post System (MOPS) for more information.

3. Other equity

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	\$ (1,136)	\$ (7)	\$ (1,143)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	863	—	863
Reclassification adjustment			
Disposal of Foreign Operation	(2,735)	—	(2,735)
Tax effects	375	—	375
Balance at December 31, 2020	<u>\$ (2,633)</u>	<u>\$ (7)</u>	<u>\$ (2,640)</u>

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2019	\$ (1,343)	\$ —	\$ (1,343)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	259	—	259
Evaluation adjustment	—	(7)	(7)
Tax effects	(52)	—	(52)
Balance at December 31, 2019	<u>\$ (1,136)</u>	<u>\$ (7)</u>	<u>\$ (1,143)</u>

(19) Earnings (loss) per share

	2020	2019
The basic earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.52)</u>

The basic earnings (loss) per share and the weighted average number of ordinary shares were used to calculate the following:

	2020	2019
Net profit attributable to owners of the parent company (thousand yuan)	<u>\$ 16,464</u>	<u>\$ (169,313)</u>
The weighted average number of ordinary shares to calculate the basic earnings (loss) per share (thousand shares)	<u>325,332</u>	<u>325,332</u>
Basic earnings (loss) per share (yuan)	<u>\$ 0.05</u>	<u>\$ (0.52)</u>

(20) Operating income

	2020	2019
Customer contract revenue		
Commodity sales revenue	<u>\$ 2,417,836</u>	<u>\$ 2,514,724</u>

1. Please refer to Note 4(13) for the explanation of the income of the consolidated company.
2. Please refer to Note 14 for income breakdown information.

3. Contract balance

	December 31, 2020	December 31, 2019
Accounts receivable (Note 6 (4))	\$ 770,909	\$ 734,820
Contract liabilities-current (list other current liabilities)		
Commodity sales	\$ 300	\$ 8,773

4. Refund liabilities

The consolidated company is based on historical experience and other known reasons, it is estimated that the possible refund liabilities for sales returns and discounts are NT\$10,231,000 and NT\$20,992,000 in 2020 and 2019, respectively. The balance of refund liabilities was NT\$7,775,000 and NT\$19,311,000 on December 31, 2020 and 2019, respectively.

(21) Other income

	2020	2019
Rental income	\$ 132,336	\$ 101,718
Less: depreciation	(32,662)	(43,270)
Other income-other	17,862	12,964
Total	\$ 117,536	\$ 71,412

(22) Other gains and losses

	2020	2019
Losses on disposal of real estate, plant and equipment	\$ (15,180)	\$ (14,941)
Gains (losses) on disposal of investment real estate	(94)	1,095
Gains on disposal of interest in non-current assets held for sell	50,607	—
Foreign exchange losses	(37,372)	(21,949)
Impairment losses in non-current assets held for sell	(175)	—
Reversal of Impairment profit -real estate, plant and equipment	17,566	9,153
Reversal of Impairment profit - investment real estate	135,994	901
Depreciation expense	(127,747)	(180,276)
Miscellaneous Disbursements	(81,147)	(3,557)
Total	\$ (57,548)	\$ (209,574)

(23) Financial costs

	2020	2019
Interest expense		
Bank loan	\$ 113,179	\$ 122,087
Non-financial institution borrowing	—	83
Lease liability	13,365	13,124
Others	39	39
Total	<u>\$ 126,583</u>	<u>\$ 135,333</u>

(24) Income Tax

1. The income tax expenses of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 7,159	\$ (11,946)
Expenses disallowed by tax regulation	(28,107)	9,187
Sale of land profit exempt from income tax	(10,852)	—
Income tax impact of loss deduction	206,592	45,705
Temporary differences in the current period	(161,608)	(362)
Land appreciation tax	1,550	—
Income tax expense	<u>\$ 14,734</u>	<u>\$ 42,584</u>

The main components of income tax expense recognized in profit and loss were as follows:

	2020	2019
Current tax:		
Current tax on profit in current period	\$ 1,550	\$ —
Deferred tax:		
Origination and reversal of temporary differences	13,184	42,584
Income tax expense recognized in profit and loss	<u>\$ 14,734</u>	<u>\$ 42,584</u>

2. The income tax details recognized in other comprehensive profits and losses of the consolidated company on December 31, 2020 and 2019 were as follows:

	2020	2019
Deferred income tax benefits (expense)		
Exchange differences on translation of foreign operations	\$ (375)	\$ 52

3. Current income tax assets (listed other current assets)

	December 31, 2020	December 31, 2019
Tax refund receivable	\$ 108	\$ 126

4. Deferred income tax assets and liabilities

(1) The analysis of deferred income tax assets was as follows:

2020				
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Unrealized exchange loss	\$ —	\$ 28,235	\$ —	\$ 28,235
Unrealized inventory decline loss	—	47,216	—	47,216
Allowance for excess of bad debts	—	7,046	—	7,046
Investment using the equity method	—	72,181	—	72,181
Unrealized employees paid	—	2,781	—	2,781
Unallocated manufacturing expenses	—	123	—	123
Unrealized sales discount	—	1,574	—	1,574
Pension listed excess of pension contributed	—	2,161	—	2,161
Exchange differences on translation of foreign operations	284	—	375	659
Loss deduction	174,792	(174,792)	—	—
	<u>\$ 175,076</u>	<u>\$ (13,475)</u>	<u>\$ 375</u>	<u>\$ 161,976</u>
2019				
	Balance at January 1, 2019	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2019
Temporary differences				
Exchange differences on translation of foreign operations	\$ 336	\$ —	\$ (52)	\$ 284
Loss deduction	217,738	(42,946)	—	174,792
	<u>\$ 218,074</u>	<u>\$ (42,946)</u>	<u>\$ (52)</u>	<u>\$ 175,076</u>

(2) The analysis of deferred income tax liabilities was as follows:

	2020			
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Sales in transit	\$ 19	\$ 128	\$ —	\$ 147
Unrealized rental income	419	(419)	—	—
	<u>\$ 438</u>	<u>\$ (291)</u>	<u>\$ —</u>	<u>\$ 147</u>
	2019			
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Sales in transit	\$ —	\$ 19	\$ —	\$ 19
Unrealized rental income	800	(381)	—	419
	<u>\$ 800</u>	<u>\$ (362)</u>	<u>\$ —</u>	<u>\$ 438</u>

5. Items not recognized as deferred income tax assets

	December 31, 2020	December 31, 2019
Loss deduction amount	<u>\$ 2,292,013</u>	<u>\$ 3,066,262</u>
Temporary difference amount	<u>\$ 263,301</u>	<u>\$ 1,438,313</u>

The loss of the consolidated company is deducted, and the final deduction year is 2030.

6. As of December 31, 2020, the consolidated company's undeducted loss and the deduction exclusion period was as follows:

Year incurred	Amount filed/ assessed	Expiry year	Loss deduction
2011	Amount assessed	2021	1,185,127
2012	Amount assessed	2022	583,123
2017	Amount assessed	2027	172,271
2018	Amount assessed	2028	9,171
2019	Expected filed amount	2029	69,643
2020	Amount estimated	2030	185,220
2016	Expected filed amount	2021	40,453
2017	Expected filed amount	2022	28,285
2018	Expected filed amount	2023	18,720
			<u>\$ 2,292,013</u>

7. The company's and domestic subsidiaries' profit-making business income tax assessment status was as follows:

Company name	Assessed year
Optimax Technology Corporation	2018
ART Optronics Corporation	2018

(25) Expense by nature

1. Functional aggregation of employee benefits, depreciation, depletion and amortization:

Function Nature	2020			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 233,333	\$ 112,895	\$ —	\$ 346,228
Labor and health insurances	25,496	9,479	—	34,975
Pension	14,000	1,732	—	15,732
Other employee benefits	14,653	4,359	—	19,012
Depreciation	73,619	14,410	160,409	248,438
Amortization	743	246	—	989

Function Nature	2019			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 246,563	\$ 109,980	\$ —	\$ 356,543
Labor and health insurances	27,317	10,124	—	37,441
Pension	13,436	3,195	—	16,631
Other employee benefits	15,529	4,609	—	20,138
Depreciation	77,136	16,065	223,546	316,747
Amortization	763	2,676	—	3,439

2. Employee benefits expenses

- (1) According to the regulation of the company's articles of incorporation, when the Company allocates the profit of the current year, if any, 5%~10% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation shall be approved by a majority of total Directors and then reported on the Shareholders' meeting.
- (2) The employees' remuneration is not estimated remuneration for labor and directors due to the accumulated loss of the company on December 31, 2020.
The employees' remuneration is not estimated remuneration for labor and directors due to the loss of the company in 2019.
- (3) Please check Market Observation Post System (MOPS) for more information of employee remuneration and director remuneration approved by the board of directors.

(26) Cash flow information

1. Investing activities with cash and non-cash flow effects

(1) Non-current assets held for sell

	2020	2019
Current increase	\$ 1,677	\$ —
Less: Equipment payment due at the end of the period	(1,677)	—
Cash paid in this period	\$ —	\$ —

(2) Real estate, plant and equipment

	2020	2019
Current increase	\$ 9,525	\$ 7,149
Plus: Equipment payment due at the beginning of the period	1,385	5,218
Less: Equipment payment due at the end of the period	(2,072)	(1,385)
Less: the number of prepaid equipment transfers	(1,282)	(543)
Cash paid in this period	\$ 7,556	\$ 10,439

(3) Investment real estate

	2020	2019
Current increase	\$ 5,410	\$ 170
Plus: Equipment payment due at the beginning of the period	—	1,628
Less: the number of prepaid equipment transfers	(225)	—
Cash paid in this period	\$ 5,185	\$ 1,798

2. Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 750,200	\$5,857,574	\$ 15,285	\$ 700,374	\$ 7,323,433
Changes in cash flow from financing activities	46,725	(350,434)	(246)	(15,753)	(319,708)
Changes in lease liabilities	—	—	—	29,946	29,946
Changes in other non-cash items	(86,025)	(28,502)	—	(2,806)	(117,333)
Effect of foreign exchange	144	—	86	—	230
At December 31, 2020	\$ 711,044	\$5,478,638	\$ 15,125	\$ 711,761	\$ 6,916,568

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019 (restatement)	\$ 690,301	\$6,190,104	\$ 13,222	\$ 715,066	\$ 7,608,693
Changes in cash flow from financing activities	69,870	(332,530)	2,181	(17,115)	(277,594)
Changes in lease liabilities	—	—	—	2,423	2,423
Changes in other non-cash items	(9,971)	—	—	—	(9,971)
Effect of foreign exchange	—	—	(118)	—	(118)
At December 31, 2019	\$ 750,200	\$5,857,574	\$ 15,285	\$ 700,374	\$ 7,323,433

(27) Capital management

Based on the characteristics of the current operating industry and the future development of the company, the consolidated company plans the need for working capital (including research and development expenses and debt repayment, etc.) required by the consolidated company in the future, taking into account changes in the external environment, to ensure the sustainability of the consolidated company operation can give back to shareholders while taking into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholder value. On the whole, the consolidated company adopts a prudent risk management strategy.

(28) Financial instruments

1. Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 172,404	\$ 337,148
Financial assets measured at amortized cost-current	64,577	42,309
Notes receivable	114	107
Accounts receivable	770,909	734,820
Other receivable	148,586	38,072
Other financial assets- non-current	180,472	129,828
Financial assets at fair value through other comprehensive income-non-current	26,262	25,830
Refundable Deposits (including current)	2,008	2,044
<u>Financial liabilities</u>		
Short-term borrowings	711,044	750,200
Notes payable	237	254
Accounts payable	181,170	165,625
Other payable	282,448	141,427
Long-term debt (including current portion)	5,478,638	5,857,574
Guarantee deposit received (including current)	15,125	15,285

2. Financial risk management

The financial risk management objective of the consolidated company is to manage exchange rates related to operating activities risk, interest rate risk, credit risk and liquidity risk. In order to reduce related financial risks, the consolidated company is committed to identifying, evaluating and avoiding market uncertainty in order to reduce market potential adverse impact on the company's financial performance. Important financial matters of the consolidated company are reviewed by the board of directors in accordance with relevant regulations and internal control systems. During the execution of the financial plan, the consolidated company must strictly comply with the overall financial risk management and related financial operation procedures for the division of authority and responsibilities.

3. Market risk

The consolidated company is mainly exposed to market risks such as changes in foreign currency exchange rates and changes in interest rates.

(1) Foreign currency exchange rate risk

The operating activities of the consolidated company and the net investment of foreign operating institutions are mainly in foreign currencies transaction, therefore, foreign currency exchange rate risk arises. To avoid foreign currency caused by exchange rate changes as asset value decreases and future cash flows fluctuate, the consolidated company uses currency conversion of short-term borrowings to avoid exchange rate risk. Since the net investment of foreign operating organizations is a strategic investment, it has not been hedged.

A. Information about the consolidated company's significant foreign currency financial assets and liabilities is as follows:

Unit: Foreign currency yuan /NT\$ thousand						
December 31, 2020						
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	89,614,352	0.2763	24,760	+10%	2,476	1,981
USD	32,110,365	28.48	914,469	+10%	91,447	73,157
EUR	14,954	35.02	524	+10%	52	42
KRW	40,000	0.0264	1	+10%	—	—
RMB	2,237,452	4.377	9,793	+10%	979	783
<u>Non-Monetary items</u>						
JPY	125,817,497	0.2742	34,497			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
JPY	2,239,024,090	0.2763	618,644	+10%	(61,864)	(49,492)
USD	1,156,255	28.48	32,930	+10%	(3,293)	(2,634)
RMB	103,071	4.377	451	+10%	(45)	(36)
<u>Non-Monetary items</u>						
USD	276,492	28.48	7,874			
RMB	1,930,825	4.2216	8,151			
December 31, 2019						
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	407,701,967	0.276	112,526	+10%	11,253	9,002
USD	29,906,232	29.98	836,508	+10%	83,651	66,921
EUR	14,954	33.59	502	+10%	50	40
KRW	40,000	0.0262	1	+10%	—	—
RMB	22,154	4.305	95	+10%	10	8
<u>Non-Monetary items</u>						
JPY	25,571,510	0.2845	7,276			
<u>Financial liabilities</u>						
	34,578	30.302	1,048			
<u>Monetary items</u>						
JPY						
USD	2,198,980,877	0.276	606,919	+10%	(60,692)	(48,553)
RMB	391,955	29.98	11,751	+10%	(1,175)	(940)
<u>Non-Monetary items</u>						
USD	114,436	4.305	493	+10%	(49)	(39)
RMB	925,766	30.28	28,034			

B. Monetary items of the consolidated company have a significant impact due to exchange rate fluctuations and all exchange loss recognized was NT\$37,372,000 and NT\$21,949,000 (including realized and unrealized) on December 31, 2020 and 2019, respectively.

(2) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments due to changes in market interest rates. The interest rate risk of the consolidated company is mainly income investment and fixed and floating interest rate of borrowings, and the current market interest rate is low, it is expected that there is no major interest rate change risk, so the consolidated company did not hedge against it. The sensitivity analysis of interest rate risk is fixed based on the end of the financial reporting period and changes in the fair value of floating-rate borrowings are the calculation basis. If the interest rate rises by ten basis points, the net profit after tax of the consolidated company will decrease by NT\$6,322,000 and NT\$6,647,000 on December 31, 2020 and 2019, respectively.

4. Credit risk management

Credit risk refers to the risk of a counterparty breaching contractual obligations and causing financial loss to the consolidated company. The credit risk of the consolidated company mainly comes from the accounts receivable of operating activities. Operation-related credit risks and financial credit risks are managed separately.

(1) Credit risk related to operations

In order to maintain the quality of accounts receivable, the consolidated company has established operating-related credit risks management procedures.

The risk assessment of an individual customer is based on the consideration of the customer's financial status, credit rating factors that may affect customers' ability to make payments, such as structural ratings, internal credit ratings of the consolidated company, historical transaction records and current economic conditions. The consolidated company will also use certain credit enhancement tools at the right time, such as advance payment and credit insurance, etc., to reduce the credit risk of specific customers.

As of December 31, 2020 and 2019, the balance of accounts receivable of the top ten customers accounted for the balance of accounts receivable of the consolidated company, the percentages are 82% and 71%, respectively. The credit risk of the remaining accounts receivable is insignificant.

(2) Financial credit risk

The credit risks of bank deposits, fixed income investments and other financial instruments are measured and monitored by the financial department of the consolidated company. The performing parties are all creditworthy banks and financial institutions with investment grade and above Institutions, company organizations and government agencies, there are no major performance concerns, so there is no major credit risk.

5. Liquidity risk management

The objective of the liquidity risk management of the consolidated company is to maintain the cash and equivalent cash and ensure that the consolidated company has sufficient and flexible financial resources.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

December 31, 2020					
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 181,407	\$ —	\$ —	\$ —	\$ 181,407
Other payables	282,448	—	—	—	282,448
Lease liabilities	31,773	59,233	56,119	809,045	956,170
Loan	830,110	5,485,769	38,291	33,723	6,387,893
Guarantee deposit received	9,873	—	—	5,252	15,125
Total	<u>\$ 1,335,611</u>	<u>\$ 5,545,002</u>	<u>\$ 94,410</u>	<u>\$ 848,020</u>	<u>\$ 7,823,043</u>

December 31, 2019					
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 165,879	\$ —	\$ —	\$ —	\$ 165,879
Other payables	141,427	—	—	—	141,427
Lease liabilities	30,568	59,873	54,193	803,009	947,643
Loan	1,792,900	4,926,914	39,407	33,886	6,793,107
Guarantee deposit received	8,119	—	2,000	5,166	15,285
Total	<u>\$ 2,138,893</u>	<u>\$ 4,986,787</u>	<u>\$ 95,600</u>	<u>\$ 842,061</u>	<u>\$ 8,063,341</u>

6. Fair value of financial instruments

- (1) Financial instruments measured by amortized cost (including cash and cash equivalents, financial assets measured by amortized cost, notes receivable, accounts receivable, other accounts receivable, other financial assets, guarantee deposit receivable, short-term loans, notes payable, accounts payable, other payables, long-term loans and deposit deposits) is a reasonable approximation of the fair value.
- (2) When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:
 - a. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
 - b. Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - c. Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).
- (3) For financial instruments measured at fair value on December 31, 2020, and 2019, the consolidated company depends on the nature, characteristics, risks and fair value levels of assets and liabilities. The relevant information is as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<u>Repeatability of fair value:</u>				
Financial assets measured at fair value through other comprehensive gains and losses	\$ —	\$ —	\$ 26,262	\$ 26,262

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<u>Repeatability of fair value:</u>				
Financial assets measured at fair value through other comprehensive gains and losses	\$ —	\$ —	\$ 25,830	\$ 25,830

(4) Valuation techniques and assumptions applied in fair value measurement

The fair value of financial assets is determined in the following way:

Since the investee company's original investment date, the performance and operation of the investee company has not undergone any major changes, so the consolidated company uses the investment cost as the fair value estimated value.

(5) There was no change in the fair value of financial assets in 2020 and 2019.

(6) The following chart is the movement of Level 3:

	January 1 ~ December 31, 2020					At December 31
	At January 1	Additions in the period	Recognized in other comprehensive income	Disposals in the period	Effect of exchange rate changes	
Financial assets measured at fair value through other comprehensive gains and losses	\$ 25,830	\$ —	\$ —	\$ —	\$ 432	\$ 26,262

	January 1 ~ December 31, 2019					At December 31
	At January 1	Additions in the period	Recognized in other comprehensive income	Disposals in the period	Effect of exchange rate changes	
Financial assets measured at fair value through other comprehensive gains and losses	\$ 8,951	\$ 17,220	\$ (7)	\$ —	\$ (334)	\$ 25,830

7. Related-party Transactions

The transaction amount and balance between the company and its subsidiary (a related person of the company) shall be compiled in and it has been eliminated at the time of the financial report and has not been disclosed in this note.

(1) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Peter Chao	Main management

(2) The Company's significant related party transactions

(a) Short-term loans

<u>Name of related party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Main management	\$ 8,754	\$ 8,610

(b) Temporary receipts (listed other current liabilities)

<u>Name of related party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Peter Chao	\$ 15,175	\$ —

(3) Rewards for the main management

The remuneration information for directors and other key management members was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Salary and other short-term benefits	\$ 9,320	\$ 11,518
Resignation benefits	108	173
Total	\$ 9,428	\$ 11,691

8. Pledged assets

Item	Content	Carry amount	
		December 31, 2020	December 31, 2019
Financial assets measured by cost after allocation-current	Fixed deposits, margins of the customs bureau and financial institutions set up pledges of the branch in Southern Taiwan Science Park Leasing and joint guarantees	\$ 35,800	\$ 38,300
Non-current assets held for sell	Provided to financial institutions as collateral for long- and short-term loans	2,909,293	140,535
Other financial assets-current	Provided to financial institutions as collateral for long- and short-term loans	79	78
Real estate, plant and equipment	Provided to financial institutions as collateral for long- and short-term loans	2,074,486	2,151,110
Investment real estate	Provided to financial institutions as collateral for long- and short-term loans	—	2,999,823
Other financial assets-non-current	Withdraw bank deposits and repay loans according to loan contract	180,393	129,750
Total		\$ 5,200,051	\$ 5,459,596

9. Significant commitments and contingencies

Except as mentioned in other notes, the major commitments of the consolidated company at the balance sheet date and contingencies are as follows:

- (1) The balance of the unused letter of credit for imported raw materials from the consolidated company is listed below:

Currency	December 31, 2020	December 31, 2019
JPY	\$ 771,376	\$ 446,382
USD	\$ 861	\$ 255
NTD	\$ 15,919	\$ 39,548

- (2) List of the amount of deposit guarantee notes issued by the merged company as a result of applying for a loan line from the bank as follows:

December 31, 2020	December 31, 2019
\$ 8,434,741	\$ 8,676,574

10. Significant loss from disaster: None.

11. Significant subsequent events: None.

12. Others

The consolidated company began to turn losses into profits in 2012, but since 2016, due to the continuous mass production of the polarizing plate factory in mainland China and the economic cycle, the revenue and the gross profit decreased. In addition, the Tainan earthquake caused the disaster loss of the branch in Southern Taiwan Science Park and the lessee of the branch in Southern Taiwan Science Park terminated the lease and the Taiwan dollar have a negative impact on the appreciation of the U.S. dollar, resulting in losses. Face difficulties business environment, the consolidated company adopts the following measures to improve operating conditions and strengthen financial structure:

(1)Funding:

The Company applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2020 and the mid- and long-term loan repayment period was extended for one year. (Please refer to Note 6 (12), and 6 (16) description)

(2) Operation:

At present, the gross profit margin of TV products is low and the number of orders is small. The main customers have better gross profit of polarizers for commercial displays and a higher proportion of estimated revenue, plus the contribution of high-margin polarizers for vehicles, so gross profit can still maintain 20 % Level. The company's policy is still to reduce the number of orders for low-margin products and to win orders from customers with high-margin products such as high weather resistant vehicle-mounted products to increase profitability, and to continue to develop new customers in the VR market.

(3) Activate assets:

The consolidated company intends to dispose of the branch in Southern Taiwan Science Park, Pingzhen No. 2 Factory, Pingzhen R&D Building and Pingzhen No. 5 Factory. The resolution was approved by the board of directors on August 8, 2019 and September 12, 2019. The above-mentioned real estate has been obtained the written consent of the creditor banks. Among them, the sale of the Pingzhen No. 5 Factory was signed on November 21, 2019, and the sale was completed on January 15, 2020. The sale and purchase contract of the branch in Southern Taiwan Science Park was signed on October 19, 2020, and the sale was completed on January 5, 2021. Please refer to Note 6 (7) for the explanation.

At present, the Chinese market still accounts for about 90% of the consolidated company's revenue. In addition to aggressively expanding customers, it also makes every effort to develop new products such as VR products. It is expected to increase revenue and gross profit. In terms of financial structure improvement, in addition to the NT\$20 million allocated for the sinking fund monthly and NT\$50 million allocated every six months, the activation of assets such as the disposal of the Pingzhen No. 2 Factory and the idle equipment is also the goal of the consolidated company at this stage. Through the above methods, we can reduce the balance of bank loans and the interest expenses, so as to improve the financial structure and sound operations.

13. Additional disclosures

When preparing the consolidated financial report, all major transactions between parent and subsidiary companies and their balances have been eliminated.

(1) Information on significant transactions:

- (a) Financing provided to other parties: Attached Table 1.
- (b) Provision of endorsements and guarantees to others: None.
- (c) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 2.
- (d) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (e) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (h) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Attached Table 3.
- (i) Provision of endorsements and guarantees to others: None.
- (j) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 4.

(2) Information on investees: Attached Table 5.

(3) Information on investments in Mainland China:

- (a) The name of the investee company in mainland China, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, book value of investment at the end of the period, repatriated investment income and investment quota for mainland China: Attached Table 6.
- (b) Significant transactions with mainland investee companies directly or indirectly via a third region transactions, including their prices, payment terms, unrealized gains and losses, and other relevant information that helps to understand the impact of mainland investment on financial reporting: Attached Table 1~6.

(4) Major shareholders information: Attached Table 7.

14. Segment information

Information provided to main operating decision makers for allocating resources and evaluating department performance, focusing on the types of products or services delivered or provided. The accounting policies between the operating department of the consolidated company and a summary of the important accounting policies described in Note 4 have no major difference. The reporting departments of the consolidated company were as follows:

TFT department:

Mainly responsible for the production and sales polarizers of digital cameras, digital photo frames, mobile phones, LCD projectors, notebook computers, LCD monitors, color TVs (Full HD) and car navigation systems, etc.

TN/STN department:

Mainly responsible for the production and sales of polarizers of electronic watches, computers, handheld game consoles, electronic dictionaries, mobile phones, stock cameras, etc.

Other department:

Mainly responsible for the production and sales of polarizers of touch panel, sunglasses, precision coating and related optical materials.

(1) Department revenue and operating results

The income and operating results of the consolidated company's continuing operations were based on the analysis of the reporting department, such as under:

Unit: Thousand New Taiwan Dollars					
2020					
	TFT	TN/STN	Others	Adjustments and Eliminations	Consolidation
Revenue from external customers	\$1,913,704	\$ 461,911	\$ 42,221	\$ —	\$2,417,836
Segment income (loss)	163,340	166,290	(27,055)	—	302,575
2019					
	TFT	TN/STN	Others	Adjustments and Eliminations	Consolidation
Revenue from external customers	\$1,932,720	\$ 545,696	\$ 36,308	\$ —	\$2,514,724
Segment income (loss)	177,076	208,506	(30,542)	—	355,040

(2) Adjustment information of departmental profit and loss

- (a) Revenue from external customers provided by the consolidated company to the main operating decision maker. The accounting policy was consistent with the operating income in the consolidated income statement.
- (b) The adjustment of the profit and loss of the operating department and the net profit (loss) before tax should be reported as follows:

	December 31, 2020	December 31, 2019
Reportable department's departmental profit and loss	\$ 302,575	\$ 355,040
Uncategorized related profit and loss	(184,132)	(209,354)
Non-operating income and expenses	(87,245)	(272,415)
Net profit (loss) before tax	\$ 31,198	\$ (126,729)

(c) Departmental profit and loss refers to the gross profit earned by each department and minus the allocated operating expenses. It does not include headquarters management costs and some operating expenses, interest income, and disposal fixed assets gains and losses, exchange gains and losses, depreciation of idle assets, interest expenses, other non-industry profit and loss and income tax, etc. This measurement amount is provided to the main operating decision. It is used to allocate resources to the department and evaluate its performance.

(3) Departmental assets and liabilities

The measurement of the assets and liabilities of the consolidated company is not the measurement index of the operating decision maker, so the measured amount of assets and liabilities that should be disclosed was zero.

(4) Geographical information

Geographical information of the consolidated company in 2020 and 2019 was as follows:

	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 270,827	\$ 2,918,029	\$ 349,495	\$ 6,081,397
Mainland China	2,073,505	253,904	2,042,020	263,327
Korean	2,011	—	21,932	—
Japan	53,213	—	80,502	—
Others	18,280	—	20,775	—
Total	\$2,417,836	\$3,171,933	\$2,514,724	\$6,344,724

(5) Major customer information

Major customers which sales amount reached 10% of the total operating income of the consolidated company in 2020 and 2019 were as follows:

	2020	2019
A Customer	\$ 452,917	\$ 368,225
B Customer	625,456	470,632
	\$ 1,078,373	\$ 838,857

【Attached Table 1】

Information on significant transactions

For the year ended December 31, 2020, the Company should disclose relevant information on significant transactions in accordance with preparation of financial reports:

(a) Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amounts of transaction with the borrower (Note 3)	Reason for short-term financing	Amounts of allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	Other receivables	Yes	\$ 272,288	\$ —	\$ —	—	1	\$9,818,097	—	\$ —	None	None	\$ 498,145	\$ 498,145
		Optimax Technology corp. (Suzhou) Co., Ltd	Other receivables	Yes	174,876	164,644	164,644	—	2	—	Business operation	—	None	None	498,145	498,145
1	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	Optimax Technology corp. (Suzhou) Co., Ltd	Other receivables	Yes	173,315 (USD 5,781,022)	—	—	—	2	—	Business operation	—	None	None	498,145	498,145

(Note 1): The aggregate financing amount to subsidiaries wholly owned by the parent and the individual financing amount of Optimax shall not exceed limited, respectively, of the most recent audited or reviewed net worth of Optimax.

(Note 2): Purpose of fund financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 3): The transactions have been eliminated when preparing the consolidated financial statements.

【Attached Table 2】

Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates)

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
				Shares	Carrying amount	Ownership (%)	Fair value	
OPTIMAX	Common Stock: Yute Optimax Technology Co., Ltd	—	Financial assets at fair value through other comprehensive profit or loss — un-current	1,700	\$ —	17%	\$ —	
Optimax Technology corp. (Suzhou) Co., Ltd	Investment Amount: Chongqing Yunhe Bafang Enterprise Management	—	Financial assets at fair value through other comprehensive profit or loss — un-current	—	26,262	6%	26,262	

【Attached Table 3】

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Company name	Counter party	Relationship with the counter party	Receivable-Related Parties Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	Subsidiary	Other Receivable \$ 164,644	—	\$ —	—	\$ —	\$ —

【Attached Table 4】

Significant inter-company transactions

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of consolidated total operating revenues or total assets (Note 3)
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	1	Sales	\$ 32,286	OA90~150	1%
0	OPTIMAX	ART OPTRONICS CORP.	1	Purchase	9,607	T/T after 7 days	—
0	OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	1	Operation expense	2,424		—
				Other receivable	164,644		2%

【Attached Table 4-1】

Significant inter-company transactions

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of consolidated total operating revenues or total assets (Note 3)
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	1	Sales	\$ 216,570	OA90~150	9%
				Accounts receivable	105,903	OA90~150	1%
				Other accounts receivable- Overdue accounts receivable- Related Parties	242,592		3%
				Other accounts receivable - Financing provided to other parties	29,696		—
0	OPTIMAX	ART OPTRONICS CORP.	1	Purchase	6,357	T/T after 7 days	—
0	OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	1	Operation expense	3,894		—

(Note 1): The number is filled in as follows:

- 1) Number 0 represents the parent.
- 2) Subsidiaries are numbered in order from number 1.

(Note 2): The transaction relationships with the counterparties are as follows:

- 1) The parent to the subsidiary.
- 2) The subsidiary to the parent.
- 3) The subsidiary to another subsidiary.

(Note 3): The calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset-liability account, it is calculated as the ending balance in the consolidated total assets; if it is a profit and loss account, the cumulative amount is calculated by the method of consolidated management.

【Attached Table 5】

Information on investees

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Owner ship (%)	Carrying amount			
OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	BVI	Manufacture and sales	\$ —	\$ 1,748 (USD 50,000)	—	—	\$ —	\$ 646	\$ 646	Subsidiary (Note 2)
	ART OPTRONICS CORP.	Taiwan	Manufacture and sales	2,011	2,011	225,000	100%	1,028	1	1	Subsidiary
	OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. (OOMC)	MAURITIUS	Investment	614,524 (USD 19,000,000)	614,524 (USD 19,000,000)	19,000,000	100%	105,271	20,977	20,977	Subsidiary

(Note 1): If a public issuing company has a foreign holding company and uses consolidated statements as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign investment company may only disclose the relevant assets of the holding company.

(Note 2): OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD. was liquidated on March 24, 2020.

【Attached Table 6】

Information on investments in China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 31, 2020	Ownership held by Optimax (direct or indirect)	Investment income (loss) recognized for the current period (Note 2)	Carrying amount of investments as of June 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan					
Optimax Technology corp. (Suzhou) Co., Ltd	Manufacturing and selling of polarizers	\$ 614,524 (USD19,000,000)	(Note 1)	\$ 614,524 (USD19,000,000)	\$ -	\$ -	\$ 614,524 (USD19,000,000)	100%	\$ 20,977	\$ 105,271	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 5)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment by Investment Commission, MOEA (Note 3)
\$ 614,524 (USD19,000,000)	\$ 629,408 (USD22,100,000)	\$ 747,218

(Note 1): Invest and establish a company through OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP to reinvest in mainland companies.

(Note 2): Obtained based on the investee company's own financial report without an accountant's visa during the same period.

(Note 3): According to the "Principles for the Review of Investment or Technical Cooperation in Mainland China" by the Investment Review Committee of the Ministry of Economic Affairs, the upper limit of the amount of investment in the mainland is 80,000 New Taiwan dollars, or 60% of the net value or combined net value, whichever is higher.

(Note 4): For foreign currency, it is based on the spot remittance and the average exchange rate on the financial report date.

(Note 5): For foreign currency, it is converted into New Taiwan dollars based on the exchange rate on the actual investment date from Taiwan.

【Attached Table 7】Major shareholders information

Major shareholders Name	Shareholding	Shareholding ratio
Peter Chao	34,831,503	10.70%
Long-Shi Lin	18,400,000	5.65%

(Note 1): This table is calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day of every season. To compute the shareholding companies' 5% of total of the ordinary shares and special shares of non-physical securities (including treasury shares). As for the company's financial reporting, it has written down that the share and the company's completed non-physical securities' shareholding might be discrepancy due to its different ways of factorization.

(Note 2): In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed by the principal who opened the trust account by the trustee. As for the shareholder, it is handled in accordance with the Securities Exchange Law. For information on insider equity declaration, please refer to the Market Observation Post System (MOPS).

【Appendix II】

OPTIMAX TECHNOLOGY CORPORATION

Parent Company Only Financial Statements Independent Auditors' Review Report December 31, 2020 and 2019

Address: No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan
Telephone: 886-3-460-6677

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. NOT AUDITED OR REVIEWED BY AUDITORS. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and the parent company only financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of Optimax Technology Corporation:

Opinion

We have audited the parent company only financial statements of Optimax Technology Corporation (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for each of 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 by following the regulations governing auditing and attestation of financial statements by certified public accountants and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the audits report of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements for the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters. Key audit matters for the Company’s financial statements of the current period are stated as follows:

3. Expression and disclosure of non-current assets held for sale

For the accounting policy of the non-current assets held for sale, please refer to Note 4 (6) of the parent company only financial report; for the accounting items of non-current assets held for sale, please refer to the Note 6 (6) of the parent company only financial report.

In order to activate assets and reduce operating expenses, Optimax Technology Corporation sold the branch in Southern Taiwan Science Park and related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd. on August 12, 2020 through a resolution of the board of directors and signed a real estate purchase contract on October 19, 2020 with a total price of NT\$3,832,500,000 (tax included). The above asset disposal is assessed by the management to be completed within one year.

In accordance with International Financial Reporting Standards No. 5, the book value and the public value minus the cost of sale will be used to reduce the amount of assets, and the non-current assets for sale will be transferred. The amount of other assets is significant, and the classification and expression of the parent company only financial report involves management's assessment of the possibility of asset sales, so non-current assets held for sale is listed as one of the key audit matters.

The concern of audit procedure:

- (5) Understand the procedures and internal control of the acquisition or disposal of assets by Optimax Technology Corporation, and evaluate the design and implementation of the internal control of major asset transactions effective.
- (6) Review the proceedings of the board of directors' resolutions to dispose of assets, the written consent of the creditor bank, and the signed asset disposal contract, to confirm that the management has obtained the purchase commitment and meets the general conditions and business practices, and has been approved by the creditor bank for evaluation. Whether the timing of the transfer of non-current assets to be sold is appropriate or not.
- (7) When the classification is confirmed as a non-current asset for sale, the management obtains the fair value evaluation information of the asset, evaluates the reasonableness of the fair market value, and recalculates the amount of impairment loss (recovery benefit).
- (8) Assess whether the management's expression and disclosure of non-current assets held for sale meets the requirements to determine the adequacy of the financial report expression.

4. Asset impairment assessment

For the accounting policy of asset impairment, please refer to Note 4 (10) of the parent company only financial report; for the uncertainty of the accounting estimates and assumptions of the asset impairment assessment, please refer to Note 5 of the parent company only financial report; for the accounting items of asset impairment, please refer to the Note 6 (8) and Note 6 (11) of the parent company only financial report.

Optimax Technology Corporation is a highly capitalized industry and is facing interference from many factors such as the economic environment and industry competition; because the assessment of asset impairment requires the process of predicting and discounting future cash flows to estimate the recoverable amount, and this process is inherently highly uncertain, therefore the asset impairment assessment is listed as one of the key audit matters.

The concern of audit procedure:

- (1) Understand the relevant policies and processing procedures of Optimax Technology Corporation and its subsidiaries for impairment assessment, and assess the cash-generating units recognized by the management for impairment and the signs of internal and external impairment.
- (2) Consider whether all assets that require annual impairment testing have been fully included in the management evaluation procedure.
- (3) Assess the rationality of the evaluation method used by management to measure the recoverable amount.

- (4) For the recoverable amount determined by the independent evaluation report issued by the third party appointed by Optimax Technology Corporation and its subsidiaries, review the reasonableness of the relevant assumptions, and evaluate the qualification and independence of the appraiser to confirm the Fair value of investment real estate.
- (5) Assess the uncertainties and related assumptions involved in the process of asset impairment loss, and consider whether the relevant disclosures of Optimax Technology Corporation and its subsidiaries are sufficient.

Emphasis on matters-extension of the joint loan case

As stated in Notes 6 (12) and 6 (16) of the parent company only financial statement, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2021 and the mid- and long-term loan repayment period was extended for one year. All operating procedures were completed on December 30, 2020. Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2020 and the mid- and long-term loan repayment period was extended for one year. All operating procedures were completed on March 3, 2020. The accountant did not amend the review results.

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

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the ability of Optimax Technology Corporation. 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 Optimax Technology Corporation. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including Audit Committee, are responsible for overseeing the financial reporting process of Optimax Technology Corporation.

Independent auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ROC GAAS 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 separate financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identifying and assess the risks of material misstatement of the separate 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 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 internal control of Optimax Technology Corporation.
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 ability of Optimax Technology Corporation. to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 auditor's report. However, future events or conditions may cause Optimax Technology Corporation. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Optimax Technology Corporation. to express an opinion on the separate 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BAKERK TILLY CLOCK & CO.

Taiwan (Republic of China)

March 25, 2021

The accompanying financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China. The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English version and Chinese version, the Chinese-language independent auditors' review report and financial statements shall prevail.

OPTIMAX TECHNOLOGY CORPORATION**Parent Company Only Balance Sheets****December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%
Current assets				
Cash and cash equivalents	\$ 162,114	2	320,035	4
Current financial assets at amortized cost	35,800	-	42,309	-
Accounts receivable, net	770,909	9	645,405	7
Accounts receivable from related parties, net	-	-	105,903	1
Other receivables	305,274	3	307,524	3
Current inventories	957,134	11	976,182	11
Prepayments	44,988	1	10,982	-
Non-current assets or disposal groups classified as held for sale, net	3,106,341	36	147,252	2
Other current financial assets	79	-	78	-
Other current assets	1,698	-	2,581	-
Total current assets	5,384,337	62	2,558,251	43
Noncurrent assets				
Investments accounted for using equity method	106,299	1	83,476	1
Property, plant and equipment	2,210,231	25	2,326,928	26
Right-of-use assets	6,586	-	9,698	-
Investment property, net	693,783	8	3,737,871	41
Deferred tax assets	161,976	2	175,076	2
Other non-current financial assets	180,393	2	129,750	2
Other non-current assets	7,429	-	6,900	-
Total non-current assets	3,366,697	38	6,469,699	72
Total Assets	\$ 8,751,034	100	9,027,950	100
Liabilities and Stockholders' Equity				
Current liabilities				
Short-term loans	\$ 702,290	8	741,590	8
Accounts payable	178,237	2	162,514	2
Other payables	280,702	3	137,203	2
Current provisions	13,906	-	13,906	-
Current lease liabilities	18,753	-	17,750	-
Current Portion of Long-term Debt	111,957	1	920,347	10
Current refund liabilities	7,775	-	19,311	-
Other current liabilities	120,860	2	28,011	-
Total current liabilities	1,434,480	16	2,040,632	22
Noncurrent liabilities				
Long-term borrowings	5,366,681	62	4,937,227	55
Deferred tax liabilities	147	-	438	-
Non-current lease liabilities	693,008	8	682,624	8
Non-current net defined benefit liability	11,355	-	11,428	-
Guarantee deposits	-	-	2,996	-
Investments liabilities for using equity method	-	-	118,000	1
Total non-current liabilities	6,071,191	70	5,752,713	64
Total liabilities	7,505,671	86	7,793,345	86
Equity				
Common stock	3,253,324	37	3,253,324	36
Retained earnings :				
Accumulated deficit	(2,005,321)	(23)	(2,017,576)	(22)
Other components of equity	(2,640)	-	(1,143)	-
Total equity	1,245,363	14	1,234,605	14
Total liabilities and equity	\$ 8,751,034	100	9,027,950	100

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2020		2019	
	Amount	%	Amount	%
Total operating revenue	\$ 2,416,667	100	2,508,959	100
Total operating costs	(1,972,149)	(82)	(2,027,627)	(81)
Gross profit from operations	444,518	18	481,332	19
Operating expenses				
Selling expenses	(112,470)	(5)	(109,652)	(5)
Administrative expenses	(139,259)	(6)	(153,105)	(6)
Research and development expenses	(51,788)	(2)	(54,147)	(2)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(9,336)	—	(6,465)	—
Total operating expenses	(312,853)	(13)	(323,369)	(13)
Net operating income	131,665	5	157,963	6
Non-operating income and loss				
Interest income	409	—	998	—
Other income	92,727	4	66,785	3
Other gains and losses – net	(67,437)	(3)	(206,423)	(8)
Finance costs	(126,583)	(5)	(135,250)	(5)
Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	(21,207)	(1)	—	—
Share of profit (loss) of subsidiaries accounted for using equity method	21,624	1	(10,802)	(1)
Total non-operating income and expenses	(100,467)	(4)	(284,692)	(11)
Profit (loss) from continuing operations before tax	31,198	1	(126,729)	(5)
Total tax expense (income)	(14,734)	(1)	(42,584)	(2)
Net Income	16,464	—	(169,313)	(7)
Other comprehensive income				
Components of other comprehensive income that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations	(4,209)	—	(5,603)	—
Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	—	—	(7)	—
Components of other comprehensive income that will be reclassified to profit or loss				
Exchange differences on translating the financial statements of foreign operations	(1,872)	—	259	—
Income tax related to components of other comprehensive income that will be reclassified to profit or loss	375	—	(52)	—
Other comprehensive income (loss), net of tax	(5,706)	—	(5,403)	—
Total comprehensive income	\$ 10,758	—	(174,716)	(7)
Earnings per share				
Basic earnings per share	\$ 0.05		(0.52)	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

OPTIMAX TECHNOLOGY CORPORATION

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Accounting Title	Common stock	Accumulated deficit	Other components of equity		Total equity
			Foreign Currency Translation differences	Unrealized gains(losses) from financial assets at fair value through other comprehensive income	
For the year ended January 1, 2019	\$ 3,253,32	\$ (1,842,660)	\$ (1,343)	\$ —	\$ 1,409,321
Consolidated net price (loss)	—	(169,313)	—	—	(169,313)
Other comprehensive income (loss)	—	(5,603)	207	(7)	(5,403)
Total comprehensive income (loss)	—	(174,916)	207	(7)	(174,716)
For the year ended December 31, 2019	\$ 3,253,32	\$ (2,017,576)	\$ (1,136)	\$ (7)	\$ 1,234,605
For the year ended January 1, 2020	\$ 3,253,32	\$ (2,017,576)	\$ (1,136)	\$ (7)	\$ 1,234,605
Net Income	—	16,464	—	—	16,464
Other comprehensive income(loss)	—	(4,209)	(1,497)	—	(5,706)
Total comprehensive income (loss)	—	12,255	(1,497)	—	10,758
Balance at December 31, 2020	\$ 3,253,32	\$ (2,005,321)	\$ (2,633)	\$ (7)	\$ 1,245,363

OPTIMAX TECHNOLOGY CORPORATION**Parent Company Only Statements of Cash Flows****For the years ended December 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities :		
Income before income tax	\$ 31,198	(126,729)
Adjustments to reconcile profit (loss) :		
Depreciation expense	235,369	291,386
Amortization expense	989	3,439
Expected credit loss	30,543	6,465
Interest expense	126,583	135,250
Interest income	(409)	(998)
Share of loss (profit) of subsidiaries accounted for using equity method	(21,624)	10,802
Loss (gain) on disposal of property, plan and equipment	14,513	8,211
Property, plan and equipment transferred to expenses	—	6
Loss (gain) on disposal of investment properties	15	(1,095)
Loss (gain) on disposal of non-current assets classified as held for sale	(50,607)	—
Reversal of impairment loss on non-financial assets	(153,823)	(1,993)
Unrealized foreign exchange loss (gain)	17,571	21,666
Lease liabilities transferred to other income	(2,806)	—
Accumulated exchange differences classified to exchange loss (gain) on disposal of foreign operation	(2,735)	—
Changes in operating assets and liabilities :		
Decrease (increase) in accounts receivable	(143,230)	(73,919)
Decrease (increase) in other receivable	(24,166)	(10,802)
Decrease (increase) in inventories	19,048	(14,651)
Decrease (increase) in prepayments	(33,913)	14,927
Decrease (increase) in other current assets	6,133	(732)
Increase (decrease) in accounts payable	39,773	55,221
Increase (decrease) in other payable	140,950	5,144
Increase (decrease) in Provisions	—	417
Increase (decrease) in other current liabilities	78,563	30,381
Increase (decrease) in net defined benefit liability	(4,282)	(2,613)
Cash generated from operation	303,653	349,783
Cash received from interest income	418	997
Cash paid for interest	(127,099)	(135,298)
Income taxes (paid) refunded	18	(41)
Net cash provided by operating activities	176,990	215,441
Cash flows from investing activities :		
Acquisition of financial assets at amortised cost	(4,000)	(34,309)
Proceeds from disposal of financial assets at amortized cost	10,509	—
Proceeds from disposal of non-current assets as held for sale	55,905	—
Acquisition of property, plant and equipment	(7,556)	(10,403)
Proceeds from disposal of property, plant and equipment	4,655	3,512
Acquisition of investment properties	(5,185)	(1,798)
Proceeds from disposal of investment properties	—	3,000
Decrease (increase) in other financial assets	(50,644)	25,194
Increase in other non-current assets	(3,142)	(6,836)
Net cash used in investing activities	542	(21,640)
Cash flows from financing activities :		
Increase in short-term loans	46,725	61,260
Repayments of long-term debt	(350,434)	(332,530)
Increase in guarantee deposits received	192	50
Decrease in guarantee deposits received	(438)	—
Payments of lease liabilities	(15,753)	(17,115)
Net cash flows from (used in) financing activities	(319,708)	(288,335)
Effect of change rate changes on cash and cash equivalents	(15,745)	(3,067)
Net decrease (increase) in cash and cash equivalents	(157,921)	(97,601)
Cash and cash equivalents at beginning of period	320,035	417,636
Cash and cash equivalents at end of period	\$ 162,114	320,035

OPTIMAX TECHNOLOGY CORPORATION
Notes to Parent Company Only Financial Statements
For the year ended December 31, 2020 and 2019

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

15. Organization and business

- (1) Optimax Technology Corporation was incorporated In March 1998 and registered under the Ministry of Economic Affairs, R.O.C. The registered address is No. 37 Pingdong Rd., Pingzhen District, Taoyuan, Taiwan. The company and subsidiaries (collectively as “the Company”) are primarily engaged in the manufacturing and selling of polarizers.
- (2) In October 2002, Optimax Technology Corporation’s shares were listed on the Taiwan Stock Exchange (TWSE).

16. Approval of financial statements

These parent company only financial statements were approved and authorized for issue by the Board of Directors of Optimax Technology Corporation on March 25, 2021.

17. Application of New, Amended and Revised Standards, and Interpretations

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7, ‘Interest rate benchmark reform’	January 1, 2020
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 1, 2020(Note)
Note: Earlier application from January 1, 2020 is allowed by FSC.	

The company has assessed that the adoption of the above standards has not had a material impact on the parent company only financial statements.

- (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group
New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New, Amended and Revised Standards, and Interpretations	Effective date by International Accounting Standards Board
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform— Phase 2’	January 1, 2020

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

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

The company has assessed that the adoption of the above standards has not had a material impact on the parent company only financial statements.

18. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below.

Compliance statement

The parent company only financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers"

Basis of preparation

Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (c) Financial instruments at fair value through profit or loss.
- (d) Net defined benefit liability at defined benefit obligation deducted plan assets through fair value.

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

When the company prepares the individual financial report, the investment subsidiary adopts the equity method. To make the parent company only financial report's current year's profit and loss, other comprehensive gains and losses, and the company's consolidated financial report for the current year attributable to the company's owners, other comprehensive benefits and equity being the same, some accounting treatment differences adjusted based on the individual basis and the consolidated basis of "investments using the equity method", "shares of profits and losses of subsidiaries using the equity method", "shares of other comprehensive profits and losses of subsidiaries using the equity method" and related equity items.

Classification of current and non-current items

- C. Assets that meet one of the following criteria are classified as current assets: otherwise they are classified as non-current assets:
- (e) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
 - (f) Assets held mainly for trading purposes.
 - (g) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (h) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- D. Liabilities that meet one of the following criteria are classified as current liabilities: otherwise they are classified as non-current liabilities:
- (1) Liabilities that are expected to be settled within the normal operating cycle.
 - (2) Liabilities arising mainly from trading activities.
 - (3) Liabilities that are to be settled within twelve months from the balance sheet date.
 - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Foreign currency

When each entity prepares financial reports, transactions in currencies other than the functional currency (foreign currency) are converted into functional currency records based on the exchange rate on the transaction day.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. The exchange difference arising from the currency items of delivery or the conversion of currency items is recognized in the current period profit and loss.

The fair value of foreign currency non-monetary items is used to determine the exchange rate on the day of fair value rate conversion, the resulting exchange difference is listed in the current profit and loss, but if the change in fair value is recognized in other comprehensive gains and losses, the resulting conversion difference is listed in other comprehensive gains and losses.

Non-monetary items in foreign currencies as measured by historical cost are converted at the exchange rate on the transaction date and will not be converted again.

When preparing the parent company only financial report, the assets and liabilities of foreign operating organizations (including subsidiaries in the country where they operate or whose currency is different from that of the company) are converted into New Taiwan dollars at the exchange rate on each balance sheet date.

The income and expense items are converted at the average exchange rate of the current period. The resulting exchange difference is listed in other comprehensive profit and loss, and accumulated under the equity of the conversion difference of the foreign operation's financial statements.

If the company disposes of all the rights and interests of the foreign operation, the accumulated exchange difference related to the foreign operations will be reclassified to profit or loss. If the partial disposal of the subsidiaries of the foreign operation does not result in the loss of control, the accumulated exchange difference is re-attributed to the subsidiary's non-controlling interests and is not recognized as a profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Non-current assets classified as held for sale

The carrying amount of non-current assets is expected to be mainly through sales transactions rather than continued use. When closed, it is classified as pending sale. Non-current assets that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to start from the classification date when completed within one year, it will meet the sale as highly likely.

Non-current assets classified as pending for sale are measured at the lower of the book value and fair value less the cost of sale, and depreciation is stopped for such assets.

Investments accounted for using equity method

The company uses the equity method to handle investments in subsidiaries.

A subsidiary refers to an entity that the company has control over. Under the equity method, the investment is initially recognized at cost, and the book amount obtained in the future will increase or decrease according to the company's share of subsidiary profit and loss and other comprehensive profit and loss shares and profit distribution. Moreover, the changes in the company's other rights and interests of subsidiaries are recognized based on the shareholding ratio.

When the company's change in ownership and equity of the subsidiary does not result in the loss of control, it is regarded as equity transaction processing. Between the book value of the investment and the fair value of the consideration paid or received the difference is directly recognized as equity.

When the company's share of the subsidiary's loss equals or exceeds its equity in the subsidiary (including the book amount of the subsidiary under the equity method and the other long-term rights and interests as part of the company's net investment), the system continues to recognize the loss based on the shareholding ratio .

The amount of the acquisition cost exceeding the company's share of the net fair value of the identifiable assets and liabilities of the subsidiary that constitutes the business on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The amount by which the net fair value of the identifiable assets and liabilities of the subsidiary's identifiable assets and liabilities that constitute the business on the day exceeds the cost of acquisition is recorded as current income.

When assessing impairment, the company considers the cash-generating unit as a whole in the financial report and compares its recoverable amount with the book value. If the recoverable amount of the asset increases subsequently, the reversal of the impairment loss is recognized as an interest, but the book value of the asset after the reversal of the impairment loss shall not exceed the asset in the case of unrecognized impairment loss, the deduction should be withdrawn the book amount after amortization. The impairment loss attributable to goodwill shall not be reversed in subsequent periods. When the company loses control of a subsidiary, it measures its remaining investment in the former subsidiary at the fair value on the date of loss of control. The fair value of the remaining investment and the difference between any disposal price and the book value of the investment on the date of loss of control are included in Current profit and loss. In addition, all amounts recognized in other comprehensive profits and losses related to the subsidiary are accounted for on the same basis as the company's direct disposal of related assets or liabilities. The unrealized gains and losses of downstream transactions between the company and its subsidiaries are eliminated in the parent company only financial report. The profits and losses arising from the counter-current and side-current transactions between the company and its subsidiaries are only recognized in the parent company only financial reports within the scope that has nothing to do with the company's equity in the subsidiaries.

Property, plant and equipment

Real estate, plant and equipment are recognized at cost, and subsequently cost minus accumulated depreciation and the amount after the accumulated impairment loss is measured.

The real property, plant and equipment under construction are the cost minus the accumulated impairment loss and the amount is recognized. Cost includes professional service fees and borrowing costs that meet the capitalization conditions. When these assets are completed and reach the expected state of use, they are classified into real estate, plant and equipment of the appropriate categories of equipment and start depreciation.

Except for self-owned land, which is not depreciated, the rest of the real estate, plant and equipment will be depreciated on a straight-line basis within the service life of each significant part. The company is at least to review the estimated service life, residual value and depreciation method at the end of each year, and postpone the impact of changes in applicable accounting estimates.

When real estate, plant and equipment are delisted, the difference between the net disposal price and the book value of the asset is recognized in profit and loss.

Investment real estate

Investment real estate refers to real estate held for the purpose of earning rent or capital appreciation or both (including right-of-use assets that meet the definition of investment real estate). Investment real estate also includes land that has not yet been determined for future use.

Self-owned investment real estate is initially measured at cost (including transaction costs), and subsequently measured at the amount of cost minus accumulated depreciation and accumulated impairment losses.

The investment real estate acquired by the lease is initially measured at cost (including the original measurement amount of the lease liability and the lease payment paid before the lease start date), and subsequently measured at the amount after the cost minus the accumulated depreciation and accumulated impairment losses, and the lease liability is adjusted again. All investment real estate is depreciated on a straight-line basis. Real estate, plant and equipment are transferred to investment real estate on the book amount at the end of self-use.

When investment real estate is delisted, the difference between the net disposal price and the asset's book value is recognized in profit and loss.

Impairment of non-financial assets

The company assesses on each balance sheet date whether there are any indications that real property, plant and equipment, right-of-use assets, and intangible assets may have been impaired. If there is any sign of impairment, estimate the recoverable amount of the asset. If the recoverable amount of an individual asset cannot be estimated, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less the cost of sale and its use value. If the recoverable amount of an individual asset or cash-generating unit is lower than its book value, the book value of the asset or cash-generating unit is reduced to its recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised recoverable amount, but the increased carrying amount does not exceed the asset or cash-generating unit if the impairment is not recognized in the previous year which the book value determined at the time of the loss (minus amortization or depreciation). The reversal of the impairment loss is recognized in the profit and loss.

Financial instruments

Financial assets and financial liabilities are recognized on the parent company only balance sheet of the company which becomes one of the contractual terms of the instrument.

When financial assets and financial liabilities are initially recognized, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value plus the transaction cost measurement. Directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss is immediately recognized as profit and loss.

1. Financial assets

Conventional transactions of financial assets are recognized and delisted by accounting on the transaction date.

(1) Type of measurement

The types of financial assets held by the company are financial assets measured at amortized cost and equity instruments measured at fair value through other comprehensive gains and losses.

A. Financial assets measured at amortized cost

If the financial assets invested by the company meet the following two conditions, they are classified as financial assets measured at amortized cost:

- (a) It is held under a certain business model, the purpose of which is to hold financial assets
- (b) The contract terms generate cash flows on a specific date, and these cash flows are completely to collect contractual cash flows; and to pay the principal and interest on the amount of principal in circulation.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable at amortized cost, other receivables and other financial assets) are determined by the effective interest method after initial recognition. The total book value is measured after deducting any impairment loss after amortization, and any foreign currency exchange gains and losses are recognized in profit and loss.

Except for the following two cases, interest income is the effective interest rate multiplied by the financial asset of total book amount:

- (c) For purchased or created credit-impaired financial assets, interest income is calculated by multiplying the effective interest rate after credit adjustment by the amortized cost of the financial asset.
- (d) For financial assets that are not purchased or original credit impairment, but subsequently become credit impairment, you should be confident to calculate interest income by multiplying the effective interest rate by the amortized cost of the financial asset from the next reporting period after the impairment.

Equivalent cash includes fixed deposits that are highly liquid and can be converted into fixed cash at any time within 3 months from the date of acquisition, and are used to meet short-term cash commitments.

- B. Through other comprehensive profit and loss equity instruments measured at fair value to invest in a merged company, at the time of initial recognition, an irrevocable choice may be made, which is not to hold for trading and is not recognized by the purchaser of the business merger or has the consideration. Instrument investment is designated to be measured at fair value through other comprehensive gains and losses.

Equity instrument investments measured at fair value through other comprehensive gains and losses are measured at fair value, and subsequent changes in fair value are reported in other comprehensive gains and losses and accumulated in other equity. At the time of investment disposal, the accumulated profits and losses are directly transferred to retained earnings and are not reclassified as profits and losses.

The dividends of equity instrument investments measured at fair value through other comprehensive gains and losses are recognized in the profit and loss when the rights of the company to receive payments are established, unless the dividend clearly represents the recovery of part of the investment cost.

(2) Impairment of financial assets

- A. The company assesses the impairment losses of financial assets (including accounts receivable) measured at amortized cost based on expected credit losses on each balance sheet date.
- B. Accounts receivable shall be recognized as an allowance loss based on the expected credit loss during the duration. For other financial assets, first assess whether the credit risk has increased significantly since the initial recognition. If there is no significant increase, the allowance loss is recognized based on the 12-month expected credit loss, and if it has increased significantly, it is recognized based on the lifetime expected credit loss Allowance for losses.
- C. Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the lifetime expected credit loss represents the expected credit loss caused by all possible default events during the expected lifetime of the financial instrument. The impairment loss of all financial assets is reduced by the allowance account.

(3) Delisting of financial assets

The company only lapses in the contractual rights from the cash flow of financial assets. It has transferred the financial assets and almost all risks and reports of the ownership of the assets. When transferring to other enterprises, the financial assets are only delisted. When the financial assets measured at the amortized cost are delisted as a whole, their book amount is the difference between the consideration received is recognized in profit and loss. When the equity instrument investment measured at fair value through other comprehensive gains and losses is declassified as a whole, the accumulated gains and losses are directly transferred to the retained earnings are not reclassified as profit or loss.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debt and equity instruments issued by the amalgamating company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

An equity instrument refers to any contract that recognizes the remaining equity of the company after deducting all its liabilities from its assets. The equity instruments issued are recognized by the company after the acquired price deducting the cost of direct issuance.

(2) Financial liabilities

Financial liabilities are not held for trading and are not designated as those measured at fair value through profit or loss (including payables). The initial recognition is based on fair value plus direct attributable transaction cost measurement; follow-up evaluation adopts effective interest rate method to amortize this measure.

(3) Delisting of financial liabilities

The company delists financial liabilities when contractual obligations have been fulfilled, cancelled, or expired debt.

When excluding financial liabilities, the difference between its book value and the total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) is recognized as profit and loss.

Liability provision

When the company has current obligations (statutory or constructive obligations) due to past events, and is likely to be required to pay off the obligations, and the amount of the obligations can be reliably estimated, the liability provision shall be recognized. The amount recognized as a liability reserve is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The liability reserve is measured by discounting the estimated cash flow of the settlement obligation.

Income recognition

After the company recognizes the performance obligations in the customer contract, it allocates the transaction price to each performance obligations, and recognize income when each performance obligation is met.

Commodity sales revenue

3. Commodity sales revenue comes from the manufacture and sale of polarizers. Sales revenue is recognized when the control of the product is transferred to the customer, that is, when the product is delivered to the customer and the combined company has no outstanding performance obligations that may affect the customer's acceptance of the product. Because when the goods arrive at the customer's designated location, the customer has the right to set the price and use of the goods and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the goods, the merged company recognizes revenue and receivables at that point in time Accounts. The advance receipts received before the arrival of the goods are recognized as contract liabilities.
4. Commodity sales revenue is measured by the fair value of the consideration received or receivable, and deducted estimated customer returns, discounts and other similar discounts. The combined company estimates possible sales returns and discounts based on historical experience and other known reasons, and recognizes them accordingly refund liabilities and related rights to return products.

Rent

The company assesses whether the contract belongs to (or contains) a lease on the date of contract establishment.

1. The merged company is the lessor

When the lease term is to transfer almost all the risks and rewards attached to the ownership of the asset to the lessee classifies it as a finance lease. All other leases are classified as operating lease.

When the company subleases the right-of-use asset, the right-of-use asset (not the underlying asset) is used to determine the classification of the sublease. However, if the main lease is a short-term when leasing, the sublease is classified as an operating lease.

Under operating leases, lease payments after deduction of lease incentives are recognized as income on a straight-line basis during the relevant lease period. The lease negotiation with the lessee is related to lease repair from the effective date of the change, it will be treated as a new lease.

2. The company is the lessee

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition exemption, the lease payments are recognized as expenses during the lease period on a straight-line basis, and all other leases are opened in the lease. The right-of-use assets and lease liabilities are recognized on the inception date.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liabilities, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, plus any initial direct costs incurred and an estimate of costs needed to dismantle, remove and restore the underlying assets and the subsequent measures are measured at the cost after deducting the accumulated depreciation and accumulated impairment losses, and the remeasurement amount of the lease liability is adjusted.

Except for those that meet the definition of investment real estate, right-of-use assets are separately expressed in the parent company only balance sheet, and the recognition and balance of right-of-use assets that meet the definition of investment real estate, please refer to Note 4 (9) Accounting Policy for Investment Real Estate.

The right-of-use asset adopts a straight-line basis from the lease start date to the end of its useful life or the lease period expires, the earlier of the two shall be depreciated.

The lease liability was originally measured at the present value of the lease payment. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, use the lessee to increase the borrowing interest rate.

Subsequently, the lease liability is measured on the amortized cost basis using the effective interest method, and the interest expense is amortized during the lease period. If the lease period or the index or rate used to determine the lease payment changes resulting in a change in the future lease payment, the company will continue measure the lease liability and relatively adjust the right-of-use asset. However, if the book value of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in the profit and loss. For lease modifications that are not treated as separate leases, the scope of the lease is reduced The remeasurement of the lease liability is to reduce the right-of-use asset and recognize the profit and loss of the partial or full termination of the lease; the remeasurement of the lease liability for other modifications is to adjust the right-of-use asset, and the lease liability is separately expressed in the parent company only balance sheet.

The company and the lessor negotiated rents directly related to the COVID-19, adjusted the rents due before June 30, 2021, resulting in a decrease in rents. These negotiations did not materially change other lease terms. The company chooses to adopt practical expedients to handle all rental negotiations that meet the aforementioned conditions, and does not assess whether the negotiation is a lease modification, but recognizes the reduction of lease payments in the profit and loss when the concession event or situation occurs, and relatively reduces the lease debt.

Employee benefits

Short-term employee benefits are measured by the expected non-discounted amount of cash paid, and are recognized as expenses when the relevant services are provided.

For the definite allocation plan, the amount of the retirement fund that should be allocated is recognized as the current pension expense on the basis of accrual. The advance payment is recognized as an asset within the scope of refundable cash or reduced future payments.

The net obligation under the definite benefit plan is calculated by discounting the amount of future benefits earned by the employee for the current or past services, and the current value of the definite benefit obligation on the balance sheet date minus the fair value of the plan assets. The net obligation to determine benefits is calculated by the actuary every year using the projected unit benefit method, and the discount rate is determined by referring to the market yield rate of high-quality corporate bonds that are consistent with the currency and period of the determined benefit plan on the balance sheet date; in high-quality corporate bonds For countries with no deep market, the market yield rate of government bonds (at the balance sheet date) is used. The remeasurement amount generated by the determined benefit plan is recognized in other comprehensive profit and loss in the current period and included in the retained surplus. The related expenses of the previous service cost are immediately recognized as a loss.

Resignation benefits are benefits provided when the employee's employment is terminated before the normal retirement date or when the employee decides to accept the company's welfare invitation in exchange for termination of employment. The company recognizes expenses when the offer for resignation benefits can no longer be revoked or when the relevant reorganization costs are recognized earlier, and it is not expected that the benefits that are fully paid off within 12 months after the balance sheet date should be granted discount.

Income taxes

1. Current income tax

The company determines the current income (loss), based on which to calculate the payable (recoverable) income tax.

The undistributed surplus calculated in accordance with the provisions of the Income Tax Law of the Republic of China is subject to additional income tax, recognized by the resolution of the Shareholders' annual meeting.

The adjustment of income tax payable in previous years is included in current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when there is likely to be taxable income for deduction of temporary differences or loss deductions.

Taxable temporary differences related to investment in subsidiaries are recognized as deferred income tax liabilities, but if the company can control the timing of the reversal of the temporary difference, and the temporary difference is likely to not revert in the foreseeable future except. The deductible temporary differences related to this type of investment are recognized as deferred income tax only if it is likely to have sufficient taxable income to realize the temporary difference, and within the scope of expected return in the foreseeable future assets.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date, and the carrying amount is reduced for those that are no longer likely to have sufficient taxable income to recover all or part of their assets. Those that were not previously recognized as deferred income tax assets are also reviewed on each balance sheet date and are likely to generate taxable income for the recovery of all or part of their assets in the future, increase the carrying amount.

Deferred income tax assets and liabilities are measured by the tax rate for the current period of expected debt settlement or asset realization. The tax rate is based on the tax rate and tax law that has been legislated or substantively legislated on the balance sheet date, and the deferred tax liabilities and assets are measured. It reflects the tax consequences arising from the manner in which the company expects to recover or settle the book value of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss, but current and deferred income taxes related to items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive profit or loss may be directly included in equity.

19. Critical Accounting Judgments and Key Sources of Estimation and Assumption Uncertainty

When the company adopts the accounting policies described in Note 4, for those who cannot easily obtain information about the carrying amounts of assets and liabilities from other sources, the management must base on historical experience And other relevant factors to make relevant judgments, estimates and assumptions. The estimates and related assumptions are based on historical experience and other factors deemed relevant. Actual results may differ from estimates. Estimates and basic assumptions are continuously reviewed. If the revision of the estimate only affects the current period, it shall be recognized in the current period of the revision of the accounting estimate. If the revision of the accounting estimate affects both the current period and the future period, it shall be recognized in the current period and the future period of the estimate revision. The main sources of uncertainties in major accounting judgments, estimates and assumptions of the company are as follows:

(6) Evaluation of inventories

Since inventory must be priced at the lower of cost and net realizable value, the merging company must use judgment and estimation to determine the net realizable value of the inventory at the end of the financial reporting period. Due to the rapid changes in the industry, the company assesses the amount of inventory at the end of the financial reporting period due to normal depletion, obsolescence, or no market sales value, and offsets the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future, which may cause major changes.

(7) Estimated impairment of financial assets

The estimated impairment of accounts receivable is based on the assumption of default rate and expected loss rate of the company. The company considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessment. For important assumptions and input values used, please refer to Note 6 (4). If the actual future cash flow is less than expected, it may be incurred significant impairment losses.

(8) Assessment of impairment of non-financial assets

In the process of asset impairment assessment, the company must rely on subjective judgments and determine the independent cash flow of a specific asset group, the number of years of asset durability, and the possible future income and expenses of a specific asset group based on the use of assets and industrial characteristics. Changes or estimated changes brought about by the company's strategy may cause significant impairment or reversal of recognized impairment losses in the future.

The assets of the company were recognized NT\$153,385,000 and NT\$10,054,000 in 2020 and 2019 respectively.

(9) Calculation of net definite benefit liabilities

When calculating and determining the present value of welfare obligations, the merging company must use judgments and estimates to determine relevant actuarial assumptions on the balance sheet date, including the discount rate and future salary growth rate, etc. Any change in actuarial assumptions may materially affect the determined benefit obligation of the company.

(10) The realizability of deferred income tax assets

Deferred income tax assets are recognized when there is likely to be sufficient taxable income in the future to deduct temporary differences. When assessing the feasibility of deferred income tax assets, significant accounting judgments and estimates of the management must be involved, including the expected future sales revenue growth and profit rate, tax exemption period, applicable income tax deductions and tax regulations and cost-effective assumption. Any changes in the global economic environment, industrial environment and laws and regulations may cause major adjustments to deferred income tax assets.

20. Description of Significant Accounts

(1) Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 475	\$ 922
Demand deposits and checking account	161,639	319,113
Total	\$ 162,114	\$ 320,035

(2) Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity more than three months	\$ 35,800	\$ 42,309

3. As of December 31, 2020 and December 31, 2019, the annual interest rate range of fixed deposits with original maturity more than three months is 0.120% ~0.815% and 0.220%~1.065% separately.
4. For information on providing guarantees for the current financial assets measured at amortized cost, please refer to Note 8.

(3) Net notes and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
<u>(Listed on other current assets)</u>		
Occurs due to business	\$ 3,527	\$ 107
Less: loss allowance	(3,413)	—
	<u>\$ 114</u>	<u>\$ 107</u>
 <u>Accounts receivable</u>		
Measured at amortized cost		
Total book amount	\$ 792,863	\$ 670,613
Less: loss allowance	(21,954)	(25,208)
	<u>\$ 770,909</u>	<u>\$ 645,405</u>

6. In principle, the credit investment period of the company to customers is 30 to 120 days after the invoice date. In order to reduce credit risk, the management of the company assigns a dedicated team to credit limit determination, credit approval and other monitoring procedures to ensure overdue accounts receivable appropriate actions have been taken for the recovery. In addition, the company will gradually review the recoverable amount of accounts receivable to ensure that the accounts receivable that cannot be recovered have been properly deducted.
7. The company recognizes the allowance loss of accounts receivable based on the expected credit loss during the duration. The expected credit loss during the existence period takes into account the past default records of customers and the current financial situation, industrial economic situation, and also considers the overall economic and industrial outlook. Separate individual customers into different risk groups and recognize allowance losses based on the expected loss rate of each group lost.
8. If there is evidence that the counterparty of the transaction is facing serious financial difficulties and the company cannot reasonably expect the recoverable amount, the company directly writes off the relevant accounts receivable, but will continue to pursue recourse activities. The amount recovered due to recourse is recognized in profit and loss.

9. The allowance loss for accounts receivable of the company was as follows:

December 31, 2020						
	Not past due	Past due 1~30 days	Past due 31~60 days	Past due 61~120 day	Past due over 121 days	Total
Expected credit loss rate	0.52 % ~ 0.59%	0.59%~ 0.68%	0.66%~ 0.76%	0.73%~ 0.92%	0.87%~ 100%	
Carrying amount	\$587,271	\$127,289	\$ 30,231	\$ 6,784	\$ 41,288	\$792,863
Loss allowance for lifetime expected credit losses	(8,518)	(1,576)	(234)	(1,054)	(10,572)	(21,954)
Amortized cost	\$578,753	\$125,713	\$ 29,997	\$ 5,730	\$ 30,716	\$770,909

December 31, 2019						
	Not past due	Past due 1~30 days	Past due 31~60 days	Past due 61~120 day	Past due over 121 days	Total
Expected credit loss rate	0.57 % ~ 1.28%	0.70%~ 1.57%	0.84%~ 1.87%	0.97%~ 2.47%	1.24%~ 100%	
Carrying amount	\$520,091	\$ 52,749	\$ 33,815	\$ 2,440	\$ 61,518	\$670,613
Loss allowance for lifetime expected credit losses	(3,523)	(370)	(285)	(32)	(20,998)	(25,208)
Amortized cost	\$516,568	\$ 52,379	\$ 33,530	\$ 2,408	\$ 40,520	\$645,405

10. The movement of the loss allowance for notes and accounts receivable was as follows:

2020		
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ —	\$ 25,825
Impairment Loss in the current period	3,413	8,716
Actual write-off for the period	—	(12,590)
Balance at the end of the period	\$ 3,413	\$ 21,954

2019		
	Notes receivable	Accounts receivable
Balance at the beginning of the period	\$ —	\$ 18,743
Impairment Loss in the current period	—	6,465
Balance at the end of the period	\$ —	\$ 25,208

(4) Other accounts receivable

	December 31, 2020	December 31, 2019
Other accounts receivable-related parties	\$ 164,644	\$ 272,288
Other accounts receivable-non- related parties		
Operating lease receivable	\$ 7,746	\$ 2,095
Refundable business tax	—	17,866
Equipment receivable	1,150	2,975
Other accounts receivable-other	149,528	12,300
Sub-total	158,424	35,236
Less: loss allowance	(17,794)	—
	140,630	35,236
Total	\$ 305,274	\$ 307,524

The movement of the loss allowance for other accounts receivable was as follows:

	2020	2019
Balance at the beginning of the period	\$ —	\$ —
Impairment Loss in the current period	17,794	—
Balance at the end of the period	\$ 17,794	\$ —

(5) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 418,556	\$ 375,022
Work in process	298,255	340,484
Raw materials	232,206	232,669
Inventory in transit	8,117	28,007
Total	\$ 957,134	\$ 976,182

The amounts recognized as cost of sales in relation to inventories were as follows:

	2020	2019
Inventories sold	\$ 2,015,322	\$ 2,017,198
Gain from price recovery of inventory	(29,690)	(4,903)
Unapplied manufacturing expenses	18,108	39,364
Income from Sale of Scrap and Wastes	(31,591)	(23,768)
Others	—	(264)
Total	\$ 1,972,149	\$ 2,027,627

The gain from price recovery in the net realizable value of the inventories of the company in 2020 and 2019, was mainly due to the sale of the inventory that had been assessed for loss in previous years.

(6) Non-current assets to be sold

	December 31, 2020	December 31, 2019
Land	\$ —	\$ 36,600
Houses and Buildings	6,685,469	207,535
Mechanical Equipment	413,572	2,613
Transportation Equipment	14,410	—
Office Equipment	217	—
Other Devices	898	2,325
Less: Accumulated depreciation	(4,007,873)	(100,636)
Less: Accumulated impairment	(352)	(1,185)
Total	\$ 3,106,341	\$ 147,252

4. In order to revitalize assets and reduce operating expenses, the Board of Directors resolved to sell the branch in Southern Taiwan Science Park and its related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and sign the real estate selling and purchasing contract on October 19, 2020, and the total price is NT\$ 3,832,500,000 (tax included), which shall be collected in installments as agreed and remitted to the designated bank trust account. As of December 31, 2020, the bank trust account had received NT\$2,572,500,000 and allocated NT\$75,000,000 to the company (listed other current liabilities of NT\$71,429,000 on December 31, 2020), and the remaining amount was NT\$1,260,000,000 which the bank trust account was fully recovered on January 5, 2021, and after deducting the related costs of the sale and repayment of bank loans, the remaining amount of NT\$168,820,000 was appropriated to the company on January 29, 2021. The transfer of ownership was completed on January 6, 2021. The company assessed that its related equipment has met the pending sale and related conditions, so it will be estimated to be classified as non-current assets for sale. Since the selling price has exceeded the carrying amount of the relevant net assets, there is no impairment loss that should be recognized, when these assets are classified as non-current assets for sale.
5. In order to revitalize assets and reduce operating costs, the Board of Directors resolved to sell the No.5 Factory in Pingzhen on August 8, 2019, and signed the real estate selling and purchasing contract on November 21, 2019, with a total price of NT\$201,523,000 (tax not included). The transfer of the ownership of the land and buildings was completed on January 8, 2020, and the disposal benefit of non-current assets held for sale was NT\$50,607,000 and the gain of reversal of impairment loss of non-current assets held for sale was NT\$1,185,000.
6. Please refer to Note 8 for information on guarantees for non-current assets held for sale.

(7) Investments accounted for using equity method

Investment in subsidiary-company

	December 31, 2020	December 31, 2019
Non-listed company		
OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.	\$ 105,271	\$ 82,449
OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	—	(118,000)
ART OPTRONICS CORP.	1,028	1,027
Subtotal	106,299	(34,524)
Add: Investment loan balance using the equity method	—	118,000
Total	\$ 106,299	\$ 83,476

1. The company's ownership interest and percentage of voting rights in subsidiaries on the balance sheet date as follows:

Subsidiary name	The company's capital and voting rights are divided into %	
	December 31, 2020	December 31, 2019
OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.	100%	100%
OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	—	100%
ART OPTRONICS CORP.	100%	100%

OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD. was liquidated in March, 2020.

2. For the details of the investment subsidiaries indirectly held by the company, please refer to Attached Table 5.

(8) Property, plant and equipment

Item	2020				
	Balance at January 1, 2020	Additions	Disposals	Reclassification	Balance at December 31, 2020
<u>Cost</u>					
Land	\$ 479,697	\$ —	\$ —	\$ —	\$ 479,697
Buildings	3,236,994	1,141	(1,440)	(173)	3,236,522
Machinery	4,838,996	7,549	(411,896)	(413,572)	4,021,077
Transportation equipment	155,268	88	(29,879)	(14,411)	111,066
Office equipment	248,876	417	(16,627)	(217)	232,449
Other	90,655	330	(33,883)	(898)	56,204
Sub-total	9,050,486	9,525	(493,725)	(429,271)	8,137,015
<u>Accumulated depreciation</u>					
Buildings	1,594,609	57,237	(1,308)	(170)	1,650,368
Machinery	4,629,496	29,089	(396,089)	(383,834)	3,878,662
Transportation equipment	145,481	1,710	(28,219)	(13,570)	105,402
Office equipment	235,360	2,180	(15,672)	(49)	221,819
Other	83,530	825	(31,069)	(838)	52,448
Sub-total	6,688,476	91,041	(472,357)	(398,461)	5,908,699
<u>Accumulated impairment</u>					
Machinery	27,508	—	(13,997)	(117)	13,394
Transportation equipment	2,427	—	(1,228)	—	1,199
Office equipment	3,368	—	(348)	—	3,020
Other	1,779	—	(1,307)	—	472
Sub-total	35,082	—	(16,880)	(117)	18,085
Total	\$2,326,928	\$ (81,516)	\$ (4,488)	\$ (30,693)	\$2,210,231

	2019				
Item	Balance at January 1, 2019 (restatement)	Additions	Disposals	Reclassification	Balance at December 31, 2019
<u>Cost</u>					
Land	\$ 479,697	\$ —	\$ —	\$ —	\$ 479,697
Buildings	3,264,752	1,062	(24,320)	(4,500)	3,236,994
Machinery	4,995,757	5,019	(159,167)	(2,613)	4,838,996
Transportation equipment	155,485	570	(787)	—	155,268
Office equipment	289,762	54	(40,940)	—	248,876
Other	94,762	408	(2,190)	(2,325)	90,655
Sub-total	9,280,215	7,113	(227,404)	(9,438)	9,050,486
<u>Accumulated depreciation</u>					
Buildings	1,555,635	61,261	(19,100)	(3,187)	1,594,609
Machinery	4,750,652	36,365	(155,247)	(2,274)	4,629,496
Transportation equipment	144,413	1,816	(748)	—	145,481
Office equipment	271,353	2,485	(38,478)	—	235,360
Other	86,762	1,089	(2,102)	(2,219)	83,530
Sub-total	6,808,815	103,016	(215,675)	(7,680)	6,688,476
<u>Accumulated impairment</u>					
Machinery	27,673	—	—	(165)	27,508
Transportation equipment	2,434	—	(7)	—	2,427
Office equipment	4,453	—	(1,085)	—	3,368
Other	1,800	—	—	(21)	1,779
Sub-total	36,360	—	(1,092)	(186)	35,082
Total	\$ 2,435,040	\$ (95,903)	\$ (10,637)	\$ (1,572)	\$ 2,326,928

- (d) The real property, plant and equipment of the company are depreciated based on the following durability years:

Housing and construction

Plant main building 9 to 50 years

Electro mechanical power equipment 14 to 16 years

Other 2 to 18 years

Mechanical equipment 1 to 24 years

Other equipment 2 to 17 years

- (e) The recoverable amount of machinery and equipment held by the company is evaluated by independent experts. The recoverable amount is the fair value deducting the disposal cost (decreasing amount method) to assess the fair value, which belongs to the third level of fair value measurement. Based on the evaluation results of independent evaluation experts to evaluate the recoverable amount of machinery and equipment, the impairment loss of real property, plant and equipment was recognized as NT\$5,645,000 in 2020.
- (f) Details of property, plant and equipment were pledged as collateral of long-term borrowings and loans, please refer to Note 8.

(9) Leasing arrangements- lessee

1. Right-of-use assets

(d) The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use asset		
Land	\$ 3,336	\$ 5,004
Transportation equipment	1,988	2,973
Office equipment	1,262	1,721
Total	<u>\$ 6,586</u>	<u>\$ 9,698</u>

	2020	2019
Carrying amount of right-of-use asset		
Land	\$ 1,668	\$ 1,668
Transportation equipment	1,608	1,082
Office equipment	459	459
Total	<u>\$ 3,735</u>	<u>\$ 3,209</u>

The company leases the land located in the Southern Science Industrial Park is sub-leased in the form of operating leases, and the relevant use right assets are listed as investment real estate. Please refer to Note 6 (11). The above-mentioned amount of right-of-use assets does not include right-of-use assets that meet the definition of investment real estate.

(e) The additions of the right-of-use assets of the company in 2020 and 2019 were respectively NT\$623,000 and NT\$2,423,000.

(f) Except for the addition and recognition of depreciation expenses listed above, there was no significant sublease or depreciation of the right-of-use assets of the company in 2020 and 2019.

2. Leasing liabilities

	December 31, 2020	December 31, 2019
Carrying amount of leasing liabilities		
Current	<u>\$ 18,753</u>	<u>\$ 17,750</u>
Non-current	<u>\$ 693,008</u>	<u>\$ 682,624</u>

The discount rate ranges for lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Land	1.8513%	1.8513%
Transportation Equipment	1.8513%	1.8513%
Office Equipment	1.8513%	1.8513%

3. Important rental activities and terms

The assets leased by the company include land, official vehicles and photocopiers. The contract period usually ranges from 3 to 5.5 years. The lease is based on editors, with various terms and conditions, except that the tribute of the leased goods cannot be used for lending and holding. No other restrictions are imposed.

The company leased land to the Southern Science and Technology Industrial Park Administration Bureau from August 7, 2008 to December 31, 2044, and agreed to adjust the lease payment every 2 years. The lease can be renewed when the lease term ends.

The company was to activate assets and reduce operating expenses, on August 12, 2020, the board of directors decided to sell the branch in Southern Taiwan Science Park and its related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and signed a real estate purchase contract on October 19, 2020. The transfer of ownership was completed on January 6, 2021, and the land use right contract with the Southern Science Industrial Park was terminated ahead of schedule on January 5, 2021.

In 2020, due to the COVID-19 severely affecting the market economy, the company applied to the Southern Science Industrial Park Administration for the land lease fee extinction plan, and the Science Industrial Park Administration agreed to reduce the rent amount from January 1 to June 30, 2020. The company recognized the profit of NT\$2,806,000 from the change in lease payment caused by the rent reduction as other income.

4. Other rental information

	2020	2019
Short-term rental expenses	\$ 74	\$ 521
Low-value asset lease expenses	\$ 166	\$ 187
Total cash outflow from lease	\$ 29,358	\$ 30,947

The company chooses to pay for transportation equipment that meets short-term leases and low-value asset leases. The recognition exemption is applicable to certain office equipment leases under lease, and the recognition of such leases is not relevant. Related right-of-use assets and lease liabilities.

(10) Leasing arrangements- lessor

1. The assets leased by the company include land, buildings, machinery and equipment, etc., and the contract period ranges from 1 to 5 years. The lease contract is negotiated separately and contains various terms and conditions. In order to preserve the use of leased assets, the lessor shall not sublet or pledge all or part of the leased object and agreed matters.
2. The benefits recognized by the company based on the operating lease contract are as follows:

	2020	2019
Rental income	\$ 97,526	\$ 79,424

3. The period ranges recognized by the company based on the operating lease contract are as follows:

	December 31, 2020	December 31, 2019
The 1 st year	\$ 756	\$ 101,951
The 2 nd year	—	13,034
The 3 th year	—	13,174
The 4 th year	—	11,143
The 5 th year	—	300
Over 5 years	—	14
Total	\$ 756	\$ 139,616

(11) Investment property

	2020					
Item	Balance at January 1, 2020	Lease liabilities remeasurement	Additions	Disposals	Reclassification	Balance at December 31, 2020
<u>Cost</u>						
Buildings	\$ 6,679,492	\$ —	\$ 5,410	\$ (140)	\$ (6,683,619)	\$ 1,143
Right-of-use assets	704,582	29,323	—	—	—	733,905
Sub-total	7,384,074	29,323	5,410	(140)	(6,683,619)	735,048
<u>Accumulated depreciation</u>						
Buildings	3,490,503	—	120,089	(125)	(3,609,412)	1,055
<u>Accumulated impairment</u>	19,663	—	20,504	—	—	40,167
Sub-total	3,510,166	—	140,593	(125)	(3,609,412)	41,222
<u>Accumulated impairment</u>						
Buildings	136,037	—	—	(135,994)	—	43
Total	\$ 3,737,871	\$ 29,323	\$ (135,183)	\$ 135,975	\$ (3,074,200)	\$ 693,783

Item	2019				
	Balance at January 1, 2019 (restatement)	Additions	Disposals	Reclassification	Balance at December 31, 2019
<u>Cost</u>					
Land	\$ 36,600	\$ —	\$ —	\$ (36,600)	\$ —
Buildings	6,895,698	170	(13,341)	(203,035)	6,679,492
Right-of-use assets	704,582	—	—	—	704,582
Sub-total	7,636,880	170	(13,341)	(239,635)	7,384,074
<u>Accumulated depreciation</u>					
Buildings	3,429,397	165,498	(11,436)	(92,956)	3,490,503
Right-of-use assets	—	19,663	—	—	19,663
Sub-total	3,429,397	185,161	(11,436)	(92,956)	3,510,166
<u>Accumulated impairment</u>					
Buildings	137,937	—	(901)	(999)	136,037
Total	\$4,069,546	\$ (184,991)	\$ (1,004)	\$ (145,680)	\$3,737,871

1. The investment real property is depreciated based on the following durability years:

Buildings	
Plant main building	9 to 50 years
Electro mechanical power equipment	14 to 16 years
Other	2 to 18 years
Right-of-use assets	35.8 years

2. The fair value of investment real estate held by the company is evaluated by independent experts on the date of each balance sheet using the third-level input value. The aforementioned evaluation of the main building of the plant and the auxiliary facilities of the building were evaluated using the cost method and the fixed rate method (declining balance method) as of December 31, 2020 and 2019. The evaluation of the land use right assets in the Southern Science Industrial Park on December 31, 2020 and 2019, was based on the bonus period and the rent of each contract, and considering the rent range adjusted according to the announced land price, the discount rate obtained by the risk premium method is used as the implicit interest rate of the lease, and finally discounted appraisal of the value of the right to use assets. The evaluation of the land use right assets in the Suzhou High-tech Zone of the People's Republic of China adopted the comparative method on December 31, 2020 and 2019 for the company.

The fair value of investment real estate of the company on December 31, 2020 and 2019 was as follows:

	December 31, 2020	December 31, 2019
Fair value	\$ 693,798	\$ 4,009,100

3. Rental income and direct operating expenses of the investment real estate of the company:

	2020	2019
Rental income from investment real estate	\$ 96,660	\$ 78,442
Direct operating expenses incurred by investment real estate that generates rental income in the current period	\$ 19,821	\$ 18,995
Direct operating expenses incurred by investment real estate that does not generate rental income during the current period	\$ 149,514	\$ 206,400

4. In order to activate assets and reduce operating expenses, the Board of directors resolved to sell the branch in Southern Science Industrial Park and related ancillary equipment to Taiwan Semiconductor Manufacturing Co., Ltd., and signed a real estate purchase agreement on October 19, 2020, and the total price is NT\$3,832,500,000 (tax included). Since the sale price deducted the disposal cost is higher than the book value, the real estate plant and equipment impaired the reversal benefits and investment real estate impaired the reversal benefits of NT\$10,980,000 and NT\$135,987,000 has been included in the other profit and loss in the income statement. The combined company determines the recoverable amount based on the selling price of the plant deducted the cost of disposal, and the relevant fair value belongs to the first level of fair value measurement.

5. Please refer to Note 8 for information on guarantees provided by investment real estate.

(12) Short-term borrowings

	December 31, 2020	December 31, 2019
Borrowings without collateral	\$ 529,453	\$ 511,945
Collateral borrowings	172,837	229,645
Total	\$ 702,290	\$ 741,590
Interest rate	0.6612%~1.84%	0.6612%~1.93%

1. In accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent.
 - (3) Short-term credit extension (including account receivable undertaking): Renew or extend the contract according to the original conditions (until December 7, 2021) based on the current credit limit approved by the banks.
 - (4) Short-term credit application method: until December 7, 2021, within the application period using this quota cyclically.
2. Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent.
 - (3) Short-term credit extension (including account receivable undertaking): Renew or extend the contract according to the original conditions (until December 7, 2020) based on the current credit limit approved by the banks.
 - (4) Short-term credit application method: until December 7, 2020, within the application period using this quota cyclically.
3. Please refer to Note 8 for the provision of assets as guarantees for short-term loans.

(13) Accounts payable

	December 31, 2020	December 31, 2019
Account payable	\$ 178,237	\$ 162,514

1. The average de-account period of payables is 30 to 180 days. The company has a financial risk management policy to ensure that all payables are repaid within the pre-agreed credit period.
2. The accounts payable and other accounts payable of the company exposed to exchange rate and liquidity risks for disclosure, please refer to Note 6 (28).

(14) Other payables

	December 31, 2020	December 31, 2019
Payable salary and bonus	\$ 51,717	\$ 50,667
Rent payable	156	163
Payable labor fees	840	905
Payable insurance premium	5,665	5,872
Pension payable	2,479	2,593
Interest payable	4,525	5,057
Equipment payment payable	3,749	1,385
Commission payable	18,132	11,365
Business tax payable	100,051	—
Compensation payable	35,000	—
Others	58,388	59,196
Total	\$ 280,702	\$ 137,203

1. The company and Hongju Precision Technology Co., Ltd. (hereinafter abbreviated as Hongju Company) signed a plant and factory equipment lease contract for a lease period of 5 years. Because the company planned to sell the branch in Southern Science Industrial Park and related auxiliary equipment, it signed a terminate agreement of the plant and factory equipment with Hongju Company on October 15, 2020. The two parties agreed that the lease contract was terminated on September 30, 2020. The company agreed to pay NT\$75,000,000 to Hongju Company for the damage caused by the early termination of the contract as compensation. The company has estimated the related losses in the accounts in September 2020, and paid NT\$40,000,000 in November 2020, and on December 31, 2020, the other payables-compensation payables are listed in the table of NT\$35,000,000.
2. Other main accounts payable are consist of house tax, water, electricity and gas, freight, import fees, export fees and repair fees.

(15) Liability reserve-current

	December 31, 2020	December 31, 2019
Employee benefit liability provision	\$ 13,906	\$ 13,906

1. Employee benefit liability provision is an assessment of employees' vested leave rights. It is reversed at the time of international vacation or cash payment.
2. The aforesaid reserves are not discounted because they are short-term or have little impact on discounting.

(16) Long-term borrowings

	December 31, 2020	December 31, 2019
Long-term bank loan	\$ 5,285,480	\$ 5,612,187
Medium and long-term bank mortgage loans	112,957	160,890
Bank mid-term working capital loan	80,201	84,497
Sub-total	5,478,638	5,857,574
Less: part due within one year	(111,957)	(920,347)
Long-term borrowings	\$ 5,366,681	\$ 4,937,227
Interest rate	1.8182%~1.8337%	1.9281%

1. The financial ratios, important restrictions, defaults and delays in the payment of principal and interest, extensions and reductions in the amount of principal repayment in each period are explained as follows:

(2) The company promises to maintain the following financial ratios during the credit extension period:

Financing project	Minimum current ratio	Minimum interest guarantee multiple	Highest debt ratio	Minimum tangible net worth
Taiwan Cooperative Bank 3.5 billion joint loans	100%	2.5	200%	\$ 3,000,000
Mega International Commercial Bank Co., Ltd. 12 billion joint loan	100%	2.5	150%	7,000,000
Taiwan Cooperative Bank 2.6 billion joint loan	100%	2.5	200%	11,000,000

(3) In accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2020, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the mid- and long-term loan repayment period was extended for one year. In addition, until December 31, 2020, the financial ratio will not be calculated and the overweight penalty for non-compliance with the promised financial ratio will be cancelled. The company has completed the process with banks in accordance with the conclusions of the debt and debt negotiation meeting and the principal extension of the credit extension for one year. The company and its subsidiaries should be performance normally within the time limit for debt (As of December 7, 2021), the main amendments are as follows:

- A. Within one year from January 2021, withdraw NT\$20,000,000 per month to repay the principal fund and deposit it in the special account of the cooperative vault commercial bank. On July 15, 2021 and January 15, 2022 (delayed on holidays), the repayment of the principal funds deposited in the previous 6 months will be executed, and the repayment ratio will be based on the outstanding balance of the debt.
- B. On July 15, 2021 and January 15, 2022 (posted on holidays), each deposit of NT\$50,000,000 for the principal repayment fund will be deposited in the special account of the Taiwan Cooperative Bank, and the repayment ratio will be distributed according to the proportion of the outstanding debt balance.
- C. The monthly rent income by the branch in Tainan Science Park and Pingzhen Factory for one year since 2021 (including income from idle factories that have been rented out and may be rented out in the future) is preferred responsible for all interest expenses on bank loans, land rental costs, factory house tax, factory water and electricity fee, security service fee and management fee of the branch in Tainan Science Park, then the rest is for the company's operating turnover.
- D. The company promises to review the section of the cash bank account on July 31, 2021, and unconditionally agree to deposit the entire amount in the special account of the Taiwan Cooperative Bank as the principal repayment fund for the cash (including New Taiwan dollar and foreign currency) totaling more than NT\$450,000,000.

(4) Optimax Technology Corporation applied to the Industrial Bureau of the Ministry of Economic Affairs on April 25, 2019, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that medium and long-term loans extended for one year. The bank was held a delegation meeting on June 26, 2019, and on November 25, 2019, the majority of creditor banks agreed through written consent that the mid- and long-term loan repayment period was extended for one year. In addition, until December 31, 2020, the financial ratio will not be calculated and the overweight penalty for non-compliance with the promised financial ratio will be cancelled. The company has completed the process with banks in accordance with the conclusions of the debt and debt negotiation meeting and the principal extension of the credit extension for one year. The company and its subsidiaries should be performance normally within the time limit for debt (As of December 7, 2020), the main amendments are as follows:

- A. Within one year from January 2020, withdraw NT\$20,000,000 per month to repay the principal fund and deposit it in the special account of the cooperative vault commercial bank. On July 15 and January 15, 2020 (delayed on holidays), the repayment of the principal funds deposited in the previous 6 months will be executed, and the repayment ratio will be based on the outstanding balance of the debt.
- B. On July 15, 2020 and January 15, 2021 (posted on holidays), each deposit of NT\$50,000,000 for the principal repayment fund will be deposited in the special account of the Taiwan Cooperative Bank, and the repayment ratio will be distributed according to the proportion of the outstanding debt balance.
- C. The monthly rent income by the branch in Tainan Science Park and Pingzhen Factory for one year since 2020 (including income from idle factories that have been rented out and may be rented out in the future) is preferred responsible for all interest expenses on bank loans, land rental costs, factory house tax, factory water and electricity fee, security service fee and management fee of the branch in Tainan Science Park, then the rest is for the company's operating turnover.

2. On June 10, 2003, the company signed a five-year joint credit contract with five financial institutions including Taiwan Cooperative Bank, with a total amount of NT\$3.5billion. (Taiwan Cooperative Bank NT\$3.5billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019, were NT\$26,563,000 and NT\$30,360,000, respectively.
3. In response to the expansion needs of the branch in Tainan Science Park, the company signed a five-year joint credit contract with thirteen financial institutions including Mega International Commercial Bank Co., Ltd. and Taiwan Cooperative Bank on July 20, 2004, with a total amount of NT\$12 billion. (Mega International Commercial Bank Co., Ltd. NT\$12 billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019 were NT\$3,530,681,000 and NT\$3,753,104,000, respectively.
4. In response to turnover needs, the company signed a five-year joint credit agreement with five financial institutions including Taiwan Cooperative Bank on September 20, 2006, with a total amount of NT\$2,600,000,000. (Taiwan Cooperative Bank NT\$2.6 billion joint loan Case) The balance of loans on December 31, 2020 and December 31, 2019 were NT\$1,728,236,000 and NT\$1,828,723,000, respectively.
5. Due to the needs of operating turnover, the company submitted a payment to Taiwan Cooperative Bank on August 10, 1999. The bank applied for 18-year mortgage loans with a total amount of NT\$300,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$106,790,000 and NT\$106,790,000, respectively.
6. Due to the needs of operating turnover, the company submitted a payment to Taiwan Cooperative Bank on April 20, 2001. The bank applied for 13-year mortgage loans with a total amount of NT\$250,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$6,167,000 and NT\$54,100,000, respectively.
7. Due to the needs of operating turnover, the company submitted a payment to Shin Kong Commercial Bank Co., Ltd. on July 19, 2005. The bank applied for 3-year mortgage loans with a total amount of NT\$500,000,000. The balance of loans on December 31, 2020 and December 31, 2019 were NT\$80,201,000 and NT\$84,497,000, respectively.
8. Expired within one year on December 31, 2020 and December 31, 2019, the loans were NT\$111,957,000 and NT\$920,347,000 respectively. Please refer to Note 12 for the improvement of the operating conditions of the company.
9. Please refer to Note 8 for the provision of assets as guarantees for long-term loans.

(17) Pension

1. Defined contribution plan

Since July 1, 2005, the company has established Retirement method with defined contribution plan which is applicable to employees of this nationality. Our company and domestic Subsidiaries choose to apply the labor pensions stipulated in the "Labor Pensions Ordinance" for employees. In the system, labor pension is paid to employees of the Labor Insurance Bureau at 6% of the salary monthly. The payment of the employee's pension is based on the employee's pension account and the amount of accumulated income. The labor pension in Optimax Suzhou is according to the endowment insurance system stipulated by the government of the People's Republic of China, contributing a certain percentage of the pension insurance fund monthly. The pension of each employee is contributed monthly by the local government without further obligations. The pensions recognized in the income statement on December 31, 2020 and December 31, 2019 were NT\$15,472,000 and NT\$16,374,000, respectively.

2. Defined benefit plan

In accordance with the regulation of the Labor Standards Law, the company has established a retirement method that defined benefits plan which is applicable of service years to all regular employees before the implementation of the Labor Pension Regulations on July 1, 2005, and the employees who choice to continue after the implementation of the Labor Pension Regulations. Employees who meet the retirement conditions, the pension payment is calculated based on the years of service and the average salary in the 6 months before retirement. The service years within 15 years (inclusive) will be given 2 bases for every full year, more than 15 years of service will be given 1 base for each full year, but the cumulative maximum is 45 bases limited. The company allocates a retirement fund of 2% of the total salary on a monthly basis, and deposits it in a special account in the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee. In addition, the company estimates the balance of the labor retirement reserve in the preceding paragraph before the end of each year. If the balance is not enough to pay the next year, the estimated amount of retirement pension for the employees who meet the retirement conditions in the next year will be calculated based on the foregoing calculation. This special account is managed by the Labor Fund Utilization Bureau of the Ministry of Labor, and the company has no right to influence investment management strategies.

The confirmed benefit plan amounts recognized in the balance sheet were as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ (66,397)	\$ (64,145)
Fair value of planned assets	55,042	52,717
Net defined benefit liabilities	\$ (11,355)	\$ (11,428)

The changes in net defined benefit liabilities were as follows:

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit liabilities
Balance at January 1, 2020	\$ (64,145)	\$ 52,717	\$ (11,428)
Service cost			
Current service cost	(173)	—	(173)
Interest (expense) income	(561)	474	(87)
Recognized in profit and loss	(734)	474	(260)
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	1,610	1,610
Impact of changes in demographic assumptions	(2,020)	—	(2,020)
Impact of changes in financial assumptions	(3,223)	—	(3,223)
Experience adjustment	(576)	—	(576)
Recognized in other comprehensive income	(5,819)	1,610	(4,209)
Contributed Retirement Fund	—	4,542	4,542
Pay pension	4,301	(4,301)	—
Balance at December 31, 2020	\$ (66,397)	\$ 55,042	\$ (11,355)

	Present value of defined benefit obligation	Fair value of planned assets	Net defined benefit liabilities
Balance at January 1, 2019	\$ (56,502)	\$ 48,064	\$ (8,438)
Service cost			
Current service cost	(171)	—	(171)
Interest (expense) income	(706)	620	(86)
Recognized in profit and loss	(877)	620	(257)
Remeasurement			
Return on plan assets (excluded the amount included in interest income or expenses)	—	1,522	1,522
Impact of changes in demographic assumptions	(3,253)	—	(3,253)
Impact of changes in financial assumptions	(3,039)	—	(3,039)
Experience adjustment	(833)	—	(833)
Recognized in other comprehensive income	(7,125)	1,522	(5,603)
Contributed Retirement Fund	—	2,870	2,870
Pay pension	359	(359)	—
Balance at December 31, 2019	\$ (64,145)	\$ 52,717	\$ (11,428)

The y company is exposed to the following risks due to the pension system of the Labor Standards Law:

- (4) Investment risk: The Labor Fund Utilization Bureau of the Ministry of Labor invests labor retirement funds in domestic (foreign) equity securities through its own use and entrusted operations. Subject to debt securities and bank deposits, but in accordance with the provisions of the Labor Standards Law, the overall return on assets shall not be lower than the local bank's 2-year fixed deposit interest rate: if the interest rate is lower than that, the state treasury shall make up for it.
- (5) Interest rate risk: The decline in the interest rate of government bonds will increase the present value of the determined welfare obligation, but the debt investment return of the planned asset will also increase. The two are in conflict and the impact of fixed benefit liabilities has a partial offset effect.
- (6) Salary risk: The calculation of the present value of the defined benefit obligation is based on the future salary of the plan members. Therefore, the increase in the salary of the plan members will increase the present value of the defined benefit obligation.

The main assumptions of actuarial evaluation are listed as follows:

	December 31, 2020	December 31, 2019
Discount Rate	0.500%	0.8750%
Expected salary increase rate	2.0000%	2.0000%

The changes in the main actuarial assumptions that were adopted on December 31, 2020 and 2019, will increase (decrease) the present value of defined benefit obligations by the following amounts:

December 31, 2020	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (2,209)	\$ 2,310
Expected salary increase rate	\$ 2,239	\$ (2,154)

December 31, 2019	Actuarial assumptions increased by 0.25%	Actuarial assumptions reduced by 0.25%
Discount Rate	\$ (2,130)	\$ 2,227
Expected salary increase rate	\$ 2,167	\$ (2,083)

The sensitivity analysis above is based on the analysis of a single hypothesis while other assumptions remain unchanged the impact of changes. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities of the balance sheet. The methods and assumptions used in the preparation of the sensitivity analysis in this period are the same as those in the previous period.

As of December 31, 2020, the weighted average duration of the retirement plan was 13.5 years. In addition, the company expects to allocate NT\$5,294,000 to the defined benefit plan within one year after the reporting date on December 31, 2020.

(18) Equity

1. Common stock

	December 31, 2020	December 31, 2019
Rated equity	\$ 10,000,000	\$ 10,000,000
Issued share capital	\$ 3,253,324	\$ 3,253,324

As of December 31, 2020 and 2019, the company's authorized number of shares is 1,000,000,000 shares, each with a denomination of NT\$10. The issued shares are 325,332,000 shares.

2. Retained earnings and Dividend policy

- (1) According to the regulation of the company's articles of incorporation, if there is a surplus in the annual final accounts, tax should be paid first to make up for the accumulated losses, and 10% of the second allocation is the statutory surplus reserve, but the accumulated amount has reached the paid-in capital, it may no longer be listed, and the rest may be approved by shareholders when necessary. The board of directors plans to allocate or revert the special surplus reserve according to the resolution of the meeting or according to the law; if there is a surplus and the undistributed surplus accumulated in the previous year, the board of directors plans to allocate the surplus, the proposal is submitted to the shareholders meeting for a resolution to distribute dividends to shareholders.

- (2) The company's earnings distribution depends on the company's current and future development plan, investment environment, fund requirements, and domestic and international competition and the interests of shareholders, the dividend policy of the Company is to set aside no less than 50% of distributable earnings as shareholders' dividends and bonuses. However, in case the accumulated distributable earnings is less than 30% of paid-in capital, the Company may choose not to distribute dividends. The board of directors drafts the surplus based on the operating results and capital planning situation. At the time, dividends to common shareholder may be distributed by way of combination of cash dividend and stock dividend provided that the cash dividends shall not be less than 10% of the total dividends.
- (3) The legal reserve shall not be used except for making up the company's losses and issuing new shares or cash in proportion to the shareholders' original shares. The public reserve is limited to 25% of the paid-in capital.
- (4) When the company distributes surplus, it must be based on the balance sheet date of the current year. The debit balance of other equity items is drawn to the special surplus reserve before the distribution is distributed, and thereafter the debit balance of other equity items is reverted, the reverted amount may be included in the distributable surplus.
- (5) On March 25, 2021, the company passed the resolution of the board of directors to make up for the loss of public information in the year 2020. For related information, please check Market Observation Post System (MOPS) for more information.
- (6) On June 9, 2020, the company passed a resolution of the general meeting of shareholders and passed the loss proposal for the year of 2019. Regarding the resolutions of the regular shareholders' meeting, please check Market Observation Post System (MOPS) for more information.
- (7) On June 20, 2019, the company passed a resolution of the general meeting of shareholders and passed the loss proposal for the year of 2018. Regarding the resolutions of the regular shareholders' meeting, please check Market Observation Post System (MOPS) for more information.

3. Other equity

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2020	\$ (1,136)	\$ (7)	\$ (1,143)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	863	—	863
Reclassification adjustment			
Disposal of Foreign Operation	(2,735)	—	(2,735)
Tax effects	375	—	375
Balance at December 31, 2020	<u>\$ (2,633)</u>	<u>\$ (7)</u>	<u>\$ (2,640)</u>

	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gain or Loss on Financial Assets Measured at fair value through other comprehensive income	Total
Balance at January 1, 2019	\$ (1,343)	\$ —	\$ (1,343)
Generated in the period			
Exchange Differences on Translation of Foreign Financial Statements	259	—	259
Evaluation adjustment	—	(7)	(7)
Tax effects	(52)	—	(52)
Balance at December 31, 2019	<u>\$ (1,136)</u>	<u>\$ (7)</u>	<u>\$ (1,143)</u>

(19) Earnings (loss) per share

	2020	2019
The basic earnings (loss) per share	<u>\$ 0.05</u>	<u>\$ (0.52)</u>

The basic earnings (loss) per share and the weighted average number of ordinary shares were used to calculate the following:

	2020	2019
Net profit attributable to owners of the parent company (thousand yuan)	<u>\$ 16,464</u>	<u>\$ (169,313)</u>
The weighted average number of ordinary shares to calculate the basic earnings (loss) per share (thousand shares)	325,332	325,332
Basic earnings (loss) per share (yuan)	<u>\$ 0.05</u>	<u>\$ (0.52)</u>

(20) Operating income

	2020	2019
Customer contract revenue		
Commodity sales revenue	<u>\$ 2,416,667</u>	<u>\$ 2,508,959</u>

1. Please refer to Note 4(13) for the explanation of the income of the company.

2. Contract balance

	December 31, 2020	December 31, 2019
Accounts receivable (Note 6 (3))	<u>\$ 770,909</u>	<u>\$ 645,405</u>
Contract liabilities-current (list other current liabilities)		
Commodity sales	<u>\$ 300</u>	<u>\$ 8,773</u>

4. Refund liabilities

The company is based on historical experience and other known reasons, it is estimated that the possible refund liabilities for sales returns and discounts are NT\$10,231,000 and NT\$20,992,000 in 2020 and 2019, respectively. The balance of refund liabilities was NT\$7,775,000 and NT\$19,311,000 on December 31, 2020 and 2019, respectively.

(21) Other income

	2020	2019
Rental income	\$ 97,526	\$ 79,424
Less: depreciation	(19,821)	(19,051)
Other income-other	15,022	6,412
Total	<u>\$ 92,727</u>	<u>\$ 66,785</u>

(22) Other gains and losses

	2020	2019
Losses on disposal of real estate, plant and equipment	\$ (14,513)	\$ (8,211)
Gains (losses) on disposal of investment real estate	(15)	1,095
Gains on disposal of interest in non-current assets held for sell	50,607	—
Foreign exchange losses	(48,691)	(19,479)
Impairment losses in non-current assets held for sell	949	—
Reversal of Impairment profit -real estate, plant and equipment	16,880	1,092
Reversal of Impairment profit - investment real estate	135,994	901
Depreciation expense	(127,519)	(179,134)
Miscellaneous Disbursements	(81,129)	(2,687)
Total	<u>\$ (67,437)</u>	<u>\$ (206,423)</u>

(23) Financial costs

	2020	2019
Interest expense		
Bank loan	\$ 113,179	\$ 122,087
Non-financial institution borrowing	13,365	13,124
Lease liability	39	39
Others	\$ 126,583	\$ 135,250
Total	<u></u>	<u></u>

(24) Income Tax

1. The income tax expenses of the company in 2020 and 2019 were as follows:

	2020	2019
Tax calculated based on profit (loss) before tax and statutory tax rate	\$ 6,240	\$ (25,346)
Expenses disallowed by tax regulation	(32,432)	11,348
Sale of land profit exempt from income tax	(10,852)	—
Income tax impact of loss deduction	211,836	56,944
Temporary differences in the current period	(161,608)	(362)
Land appreciation tax	1,550	—
Income tax expense	<u>\$ 14,734</u>	<u>\$ 42,584</u>

The main components of income tax expense recognized in profit and loss were as follows:

	2020	2019
Current tax:		
Current tax on profit in current period	\$ 1,550	\$ —
Deferred tax:		
Origination and reversal of temporary differences	13,184	42,584
Income tax expense recognized in profit and loss	<u>\$ 14,734</u>	<u>\$ 42,584</u>

2. The income tax details recognized in other comprehensive profits and losses of the company on December 31, 2020 and 2019 were as follows:

	2020	2019
Deferred income tax benefits (expense)		
Exchange differences on translation of foreign operations	\$ (375)	\$ 52

3. Current income tax assets (listed other current assets)

	December 31, 2020	December 31, 2019
Tax refund receivable	<u>\$ 108</u>	<u>\$ 126</u>

4. Deferred income tax assets and liabilities

(1) The analysis of deferred income tax assets was as follows:

2020				
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Unrealized exchange loss	\$ —	\$ 28,235	\$ —	\$ 28,235
Unrealized inventory decline loss	—	47,216	—	47,216
Allowance for excess of bad debts	—	7,046	—	7,046
Investment using the equity method	—	72,181	—	72,181
Unrealized employees paid	—	2,781	—	2,781
Unallocated manufacturing expenses	—	123	—	123
Unrealized sales discount	—	1,574	—	1,574
Pension listed excess of pension contributed	—	2,161	—	2,161
Exchange differences on translation of foreign operations	284	—	375	659
Loss deduction	174,792	(174,792)	—	—
	<u>\$ 175,076</u>	<u>\$ (13,475)</u>	<u>\$ 375</u>	<u>\$ 161,976</u>
2019				
	Balance at January 1, 2019	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2019
Temporary differences				
Exchange differences on translation of foreign operations	\$ 336	\$ —	\$ (52)	\$ 284
Loss deduction	217,738	(42,946)	—	174,792
	<u>\$ 218,074</u>	<u>\$ (42,946)</u>	<u>\$ (52)</u>	<u>\$ 175,076</u>

(2) The analysis of deferred income tax liabilities was as follows:

2020				
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Sales in transit	\$ 19	\$ 128	\$ —	\$ 147
Unrealized rental income	419	(419)	—	—
	<u>\$ 438</u>	<u>\$ (291)</u>	<u>\$ —</u>	<u>\$ 147</u>
2019				
	Balance at January 1, 2020	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Balance at December 31, 2020
Temporary differences				
Sales in transit	\$ —	\$ 19	\$ —	\$ 19
Unrealized rental income	800	(381)	—	419
	<u>\$ 800</u>	<u>\$ (362)</u>	<u>\$ —</u>	<u>\$ 438</u>

5. Items not recognized as deferred income tax assets

	December 31, 2020	December 31, 2019
Loss deduction amount	<u>\$ 2,204,555</u>	<u>\$ 2,975,991</u>
Temporary difference amount	<u>\$ 263,301</u>	<u>\$ 1,438,313</u>

The loss of the company is deducted, and the final deduction year is 2030.

6. As of December 31, 2020, the company's undeducted loss and the deduction exclusion period was as follows:

Year incurred	Amount filed/ assessed	Expiry year	Loss deduction
2011	Amount assessed	2021	\$ 1,185,127
2012	Amount assessed	2022	583,123
2017	Amount assessed	2027	172,271
2018	Amount assessed	2028	9,171
2019	Expected filed amount	2029	69,643
2020	Amount estimated	2030	185,220
			<u>\$ 2,204,555</u>

(25) Expense by nature

1. Functional aggregation of employee benefits, depreciation, depletion and amortization:

Function Nature	2020			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 233,333	\$ 107,620	\$ —	\$ 340,953
Labor and health insurances	25,496	9,236	—	34,732
Pension	14,000	1,732	—	15,732
Other employee benefits	—	360	—	360
Depreciation	14,653	4,159	—	18,812
Amortization	73,619	14,410	147,340	235,369

Function Nature	2019			
	Recognized in cost of sales	Recognized in operating expenses	Recognized in non- operating expenses	Total
Employee benefits expenses:				
Salaries and wages	\$ 233,333	\$ 107,620	\$ —	\$ 340,953
Labor and health insurances	25,496	9,236	—	34,732
Pension	14,000	1,732	—	15,732
Other employee benefits	—	360	—	360
Depreciation	14,653	4,159	—	18,812
Amortization	73,619	14,410	147,340	235,369

- (1) The average number of employees of the company in 2020 and 2019 were 606 and 639, respectively, of which the number of directors who were not employees were 8 and 6, respectively.
- (2) The company's average employee benefits in 2020 and 2019 were NT\$686,000 and NT\$670,000, respectively, and the average employee salaries were NT\$570,000 and NT\$555,000, respectively, and the average employee salary cost adjustment change situation is 3%.
- (3) The company adopted an audit committee to replace the supervisory system in 2020 and 2019. Therefore, there is no supervisor's remuneration.
- (4) The salary and remuneration policies of the company's directors, managers and employees are as follows:
 - A. Directors: The remuneration of the directors of the company is handled in accordance with the company's articles of association, and the board of directors is authorized to be based on the degree of participation and contribution of the directors to the company's operations. The value is determined after the domestic and foreign industry standards.
 - B. Managers: The amount of remuneration assigned to the managers of the company is determined by the remuneration committee and submitted to the board of directors based on their positions, contributions, and the company's operating performance for the year.
 - C. Employees: The company's employee salary and remuneration policy is to provide employees with average salary and benefits. It is determined based on the company's operating performance and each employee's position, contribution, and performance to determine the year-end bonus and related remuneration. The amount and distribution method are recommended by the remuneration committee to the board of directors for approval.

2. Employee benefits expenses

- (1) According to the regulation of the company's articles of incorporation, when the Company allocates the profit of the current year, if any, 5%~10% of the profit shall be set aside as employees' compensation, which to be distributed to the qualified employees of the Company or of the subsidiaries of the Company employees in the form of stock or cash. The Board of Directors is hereby authorized to set forth the plan of distribution. The Company may, subject to the resolution adopted by the Board of Director, further allocate no more than 1% of the aforesaid profit as Directors' compensation. The proposals of the employees' compensation and the directors' compensation shall be approved by a majority of total Directors and then reported on the Shareholders' meeting.
- (2) The employees' remuneration is not estimated remuneration for labor and directors due to the accumulated loss of the company on December 31, 2020.
The employees' remuneration is not estimated remuneration for labor and directors due to the loss of the company in 2019.
- (3) Please check Market Observation Post System (MOPS) for more information of employee remuneration and director remuneration approved by the board of directors.

(26) Cash flow information

1. Investing activities with cash and non-cash flow effects

(1) Non-current assets held for sell

	2020	2019
Current increase	\$ 1,677	\$ —
Less: Equipment payment due at the end of the period	(1,677)	—
Cash paid in this period	<u>\$ —</u>	<u>\$ —</u>

(2) Real estate, plant and equipment

	2020	2019
Current increase	\$ 9,525	\$ 7,113
Plus: Equipment payment due at the beginning of the period	1,385	5,218
Less: Equipment payment due at the end of the period	(2,072)	(1,385)
Less: the number of prepaid equipment transfers	(1,282)	(543)
Cash paid in this period	<u>\$ 7,556</u>	<u>\$ 10,403</u>

(3) Investment real estate

	2020	2019
Current increase	\$ 5,410	\$ 170
Plus: Equipment payment due at the beginning of the period	—	1,628
Less: the number of prepaid equipment transfers	(225)	—
Cash paid in this period	<u>\$ 5,185</u>	<u>\$ 1,798</u>

2. Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 741,590	\$5,857,574	\$ 10,119	\$ 700,374	\$ 7,309,657
Changes in cash flow from financing activities	46,725	(350,434)	(246)	(15,753)	(319,708)
Changes in lease liabilities	—	—	—	29,946	29,946
Changes in other non-cash items	(86,025)	(28,502)	—	(2,806)	(117,333)
At December 31, 2020	<u>\$ 702,290</u>	<u>\$5,478,638</u>	<u>\$ 9,873</u>	<u>\$ 711,761</u>	<u>\$ 6,902,562</u>

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019 (restatement)	\$ 690,301	\$6,190,104	\$ 10,069	\$ 715,066	\$ 7,605,540
Changes in cash flow from financing activities	61,260	(332,530)	50	(17,115)	(288,335)
Changes in lease liabilities	—	—	—	2,423	2,423
Changes in other non-cash items	(9,971)	—	—	—	(9,971)
At December 31, 2019	\$ 741,590	\$5,857,574	\$ 10,119	\$ 700,374	\$ 7,309,657

(27) Capital management

Based on the characteristics of the current operating industry and the future development of the company, the company plans the need for working capital (including research and development expenses and debt repayment, etc.) required by the company in the future, taking into account changes in the external environment, to ensure the sustainability of the company operation can give back to shareholders while taking into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholder value. On the whole, the company adopts a prudent risk management strategy.

(28) Financial instruments

1. Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Cash and cash equivalents	\$ 162,114	\$ 320,035
Financial assets measured at amortized cost-current	35,800	42,309
Notes receivable	114	107
Accounts receivable	770,909	751,308
Other receivable	305,274	307,524
Other financial assets- non-current	180,472	129,828
Refundable Deposits (including current)	1,994	2,030
<u>Financial liabilities</u>	109 年 12 月 31 日	108 年 12 月 31 日
Short-term borrowings		
Notes payable	\$ 702,290	\$ 741,590
Accounts payable	237	254
Other payable	178,237	162,514
Long-term debt (including current portion)	280,702	137,203
Guarantee deposit received (including current)	5,478,638	5,857,574

2. Financial risk management

The financial risk management objective of the company is to manage exchange rates related to operating activities risk, interest rate risk, credit risk and liquidity risk. In order to reduce related financial risks, the company is committed to identifying, evaluating and avoiding market uncertainty in order to reduce market potential adverse impact on the company's financial performance. Important financial matters of the company are reviewed by the board of directors in accordance with relevant regulations and internal control systems. During the execution of the financial plan, the company must strictly comply with the overall financial risk management and related financial operation procedures for the division of authority and responsibilities.

3. Market risk

The company is mainly exposed to market risks such as changes in foreign currency exchange rates and changes in interest rates.

(1) Foreign currency exchange rate risk

The operating activities of the company and the net investment of foreign operating institutions are mainly in foreign currencies transaction, therefore, foreign currency exchange rate risk arises. To avoid foreign currency caused by exchange rate changes as asset value decreases and future cash flows fluctuate, the company uses currency conversion of short-term borrowings to avoid exchange rate risk. Since the net investment of foreign operating organizations is a strategic investment, it has not been hedged.

A. Information about the company's significant foreign currency financial assets and liabilities is as follows:

Unit: Foreign currency yuan /NT\$ thousand

December 31, 2020						
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	87,359,148	0.2763	24,137	+10%	2,414	1,931
USD	37,891,387	28.48	1,079,112	+10%	107,911	86,329
EUR	14,954	35.02	524	+10%	52	42
KRW	40,000	0.0264	1	+10%	—	—
RMB	2,237,452	4.377	9,793	+10%	979	783
<u>Non-Monetary items</u>						
JPY	125,817,497	0.2742	34,497			
<u>Financial liabilities</u>						
<u>Monetary items</u>						
JPY	2,239,024,090	0.2763	618,644	+10%	(61,864)	(49,492)
USD	1,156,255	28.48	32,930	+10%	(3,293)	(2,634)
RMB	103,071	4.377	451	+10%	(45)	(36)
<u>Non-Monetary items</u>						
USD	276,492	28.48	7,874			
RMB	1,930,825	4.2216	8,151			

	December 31, 2019					
	Foreign currency	Exchange rate	NTD	Sensitivity analysis		
				Degree of variation	Effect on profit or loss (before tax)	Effect on profit or loss
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	406,009,313	0.276	112,059	+10%	11,206	8,965
USD	40,521,003	29.98	1,214,699	+10%	121,470	97,176
EUR	14,954	33.59	502	+10%	50	40
KRW	40,000	0.0262	1	+10%	—	—
RMB	22,154	4.305	95	+10%	10	8
<u>Non-Monetary items</u>						
JPY	25,571,510	0.2845	7,276			
<u>Financial liabilities</u>						
	34,578	30.302	1,048			
<u>Monetary items</u>						
JPY						
USD	2,198,980,877	0.276	606,919	+10%	(60,692)	(48,553)
RMB	391,955	29.98	11,751	+10%	(1,175)	(940)
<u>Non-Monetary items</u>						
	114,436	4.305	493	+10%	(49)	(39)
USD						
RMB	925,766	30.28	28,034			

B. Monetary items of the company have a significant impact due to exchange rate fluctuations and all exchange loss recognized was NT\$48,691,000 and NT\$19,479,000 (including realized and unrealized) on December 31, 2020 and 2019, respectively.

(2) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments due to changes in market interest rates. The interest rate risk of the company is mainly income investment and fixed and floating interest rate of borrowings, and the current market interest rate is low, it is expected that there is no major interest rate change risk, so the company did not hedge against it. The sensitivity analysis of interest rate risk is fixed based on the end of the financial reporting period and changes in the fair value of floating-rate borrowings are the calculation basis. If the interest rate rises by ten basis points, the net profit after tax of the company will decrease by NT\$6,313,000 and NT\$6,641,000 on December 31, 2020 and 2019, respectively.

4. Credit risk management

Credit risk refers to the risk of a counterparty breaching contractual obligations and causing financial loss to the company. The credit risk of the company mainly comes from the accounts receivable of operating activities. Operation-related credit risks and financial credit risks are managed separately.

(1) Credit risk related to operations

In order to maintain the quality of accounts receivable, the company has established operating-related credit risks management procedures.

The risk assessment of any customer is based on the consideration of the customer's financial status, credit rating factors that may affect customers' ability to make payments, such as structural ratings, internal credit ratings of the company, historical transaction records and current economic conditions. The company will also use certain credit enhancement tools at the right time, such as advance payment and credit insurance, etc., to reduce the credit risk of specific customers.

As of December 31, 2020 and 2019, the balance of accounts receivable of the top ten customers accounted for the balance of accounts receivable of the company, the percentages are 82% and 71%, respectively. The credit risk of the remaining accounts receivable is insignificant.

(2) Financial credit risk

The credit risks of bank deposits, fixed income investments and other financial instruments are measured and monitored by the financial department of the company. The performing parties are all creditworthy banks and financial institutions with investment grade and above. Institutions, company organizations and government agencies, there are no major performance concerns, so there is no major credit risk.

5. Liquidity risk management

The objective of the liquidity risk management of the company is to maintain the cash and equivalent cash and ensure that the company has sufficient and flexible financial resources.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	December 31, 2020				
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 178,474	\$ —	\$ —	\$ —	\$ 178,474
Other payables	280,702	—	—	—	280,702
Lease liabilities	31,773	59,233	56,119	809,045	956,170
Loan	821,356	5,485,769	38,291	33,723	6,379,139
Guarantee deposit received	9,873	—	—	—	9,873
Total	\$ 1,322,178	\$ 5,545,002	\$ 94,410	\$ 842,768	\$ 7,804,358

	December 31, 2019				
	Within 1 year	2~3 years	4~5 years	More than 5 years	Total
<u>Non-derivative financial liabilities</u>					
Notes and accounts payable	\$ 162,768	\$ —	\$ —	\$ —	\$ 162,768
Other payables	137,203	—	—	—	137,203
Lease liabilities	30,568	59,873	54,193	803,009	947,643
Loan	1,784,162	4,926,914	39,407	33,886	6,784,369
Guarantee deposit received	8,119	—	2,000	—	10,119
Total	\$2,122,820	\$ 4,986,787	\$ 95,600	\$ 836,895	\$8,042,102

6. Fair value of financial instruments

- (1) Financial instruments measured by amortized cost (including cash and cash equivalents, financial assets measured by amortized cost, notes receivable, accounts receivable, other accounts receivable, other financial assets, guarantee deposit receivable, short-term loans, notes payable, accounts payable, other payables, long-term loans and deposit deposits) is a reasonable approximation of the fair value.
- (5) When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:
 - d. Level 1 inputs: Unadjusted quoted prices for identical assets or liabilities in active markets.
 - e. Level 2 inputs: Other than quoted prices included within Level 1, inputs are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - f. Level 3 inputs: Derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(7) Related-party Transactions

(1) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
ART OPTRONICS CORP.	Subsidiary
Optimax Technology corp. (Suzhou) Co., Ltd	Subsidiary
OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD. (OPTIMAX BVI)	Subsidiary (Note)
Peter Chao	Main management

Note: OPTIMAX TECHNOLOGY (BVI) CO., LTD., a subsidiary of the company, completed the dissolution and liquidation procedures on March 24, 2020.

(2) The Company's significant related party transactions

1. Operating revenue

<u>Name of related party</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 32,286</u>	<u>\$ 216,570</u>

The prices of transactions between the company and its related parties were not comparable in other transactions under the same circumstances in 2020 and 2019. The credit period for related parties is approximately 90-150 days for monthly settlement, and approximately 30-120 days for general customers.

2. Purchases

<u>Name of related party</u>	<u>2020</u>	<u>2019</u>
Subsidiaries	<u>\$ 9,607</u>	<u>\$ 6,357</u>

The purchase transactions with the above-mentioned related parties are handled on the terms of general customers.

3. Operating expenses

Name of related party	2020	2019
Subsidiaries	\$ 2,424	\$ 3,894

4. Accounts receivable

Name of related party	December 31, 2020	December 31, 2019
OPTIMAX BVI	\$ —	\$ 348,495
Transferred to other receivables overdue	—	(242,592)
Total	\$ —	\$ 105,903

5. Other receivables

(1) Loaning Funds to others

Name of related party	2020		
	Actual move amount	Interest Rate Range	Interest income
Optimax Technology corp. (Suzhou) Co., Ltd	\$ 164,644	—	\$ —
Name of related party	2019		
	Actual move amount	Interest Rate Range	Interest income
OPTIMAX BVI	\$ 29,696	—	\$ —

The company's capital loans and its subsidiaries were USD5,781,022 and USD990,539 in 2020 and 2019, respectively.

(2) Treated as a capital loan and-overdue accounts receivable transfer:

Name of related party	December 31, 2020	December 31, 2019
OPTIMAX BVI	\$ —	\$ 242,592

6. Advance receipts (listed other current liabilities)

Name of related party	December 31, 2020	December 31, 2019
Peter Chao	\$ 10,798	\$ —

(3) Rewards for the main management

The remuneration information for directors and other key management members was as follows:

	December 31, 2020	December 31, 2019
Salary and other short-term benefits	\$ 9,320	\$ 11,518
Resignation benefits	108	173
Total	\$ 9,428	\$ 11,691

(8) **Pledged assets**

Item	Content	Carry amount	
		December 31, 2020	December 31, 2019
Financial assets measured by cost after allocation-current	Fixed deposits, margins of the customs bureau and financial institutions set up pledges of the branch in Southern Taiwan Science Park Leasing and joint guarantees	\$ 35,800	\$ 38,300
Non-current assets held for sell	Provided to financial institutions as collateral for long- and short-term loans	2,909,293	140,535
Other financial assets-current	Provided to financial institutions as collateral for long- and short-term loans	79	78
Real estate, plant and equipment	Provided to financial institutions as collateral for long- and short-term loans	2,074,486	2,151,110
Investment real estate	Provided to financial institutions as collateral for long- and short-term loans	—	2,999,823
Other financial assets-non-current	Withdraw bank deposits and repay loans according to loan contract	180,393	129,750
Total		\$ 5,200,051	\$ 5,459,596

(9) **Significant commitments and contingencies**

Except as mentioned in other notes, the major commitments of the company at the balance sheet date and contingencies are as follows:

(1) The balance of the unused letter of credit for imported raw materials from the company is listed below:

Currency	December 31, 2020	December 31, 2019
JPY	\$ 771,376	\$ 446,382
USD	\$ 861	\$ 255
NTD	\$ 15,919	\$ 39,548

- (2) List of the amount of deposit guarantee notes issued by the merged company as a result of applying for a loan line from the bank as follows:

December 31, 2020	December 31, 2019
\$ 8,434,741	\$ 8,676,574

(10) Significant loss from disaster: None.

(11) Significant subsequent events: None.

(12) Others

The company began to turn losses into profits in 2012, but since 2016, due to the continuous mass production of the polarizing plate factory in mainland China and the economic cycle, the revenue and the gross profit decreased. In addition, the Tainan earthquake caused the disaster loss of the branch in Southern Taiwan Science Park and the lessee of the branch in Southern Taiwan Science Park terminated the lease and the Taiwan dollar have a negative impact on the appreciation of the U.S. dollar, resulting in losses. Face difficulties business environment, the company adopts the following measures to improve operating conditions and strengthen financial structure:

(1)Funding:

The Company applied to the Industrial Bureau of the Ministry of Economic Affairs on April 10, 2020, in accordance with the "Key Points for the Ministry of Economic Affairs to Assist Enterprises in Handling Bank Credit and Debt Negotiations", to assist in the negotiation of bank claims and debts, requesting that short-term credit extension periods be extended to December 7, 2021, and medium and long-term loans extended for one year. The bank was held a delegation meeting on June 19, 2020, and on November 17, 2020, the majority of creditor banks agreed through written consent that the short-term credit extension periods was extended to December 7, 2020 and the mid- and long-term loan repayment period was extended for one year. (Please refer to Note 6 (12), and 6 (16) description)

(2) Operation:

At present, the gross profit margin of TV products is low and the number of orders is small. The main customers have better gross profit of polarizers for commercial displays and a higher proportion of estimated revenue, plus the contribution of high-margin polarizers for vehicles, so gross profit can still maintain 20 % Level. The company's policy is still to reduce the number of orders for low-margin products and to win orders from customers with high-margin products such as high weather resistant vehicle-mounted products to increase profitability, and to continue to develop new customers in the VR market.

(3) Activate assets:

The company intends to dispose of the branch in Southern Taiwan Science Park, Pingzhen No. 2 Factory, Pingzhen R&D Building and Pingzhen No. 5 Factory. The resolution was approved by the board of directors on August 8, 2019 and September 12, 2019. The above-mentioned real estate has been obtained the written consent of the creditor banks. Among them, the sale of the Pingzhen No. 5 Factory was signed on November 21, 2019, and the sale was completed on January 15, 2020. The sale and purchase contract of the branch in Southern Taiwan Science Park was signed on October 19, 2020, and the sale was completed on January 5, 2021. Please refer to Note 6 (6) for the explanation.

At present, the Chinese market still accounts for about 90% of the company's revenue. In addition to aggressively expanding customers, it also makes every effort to develop new products such as VR products. It is expected to increase revenue and gross profit. In terms of financial structure improvement, in addition to the NT\$20 million allocated for the sinking fund monthly and NT\$50 million allocated every six months, the activation of assets such as the disposal of the Pingzhen No. 2 Factory and the idle equipment is also the goal of the company at this stage. Through the above methods, we can reduce the balance of bank loans and the interest expenses, so as to improve the financial structure and sound operations.

(13) Additional disclosures

When preparing the parent company only financial report, all major transactions between parent and subsidiary companies and their balances have been eliminated.

(1) Information on significant transactions:

- (k) Financing provided to other parties: Attached Table 1.
- (l) Provision of endorsements and guarantees to others: None.
- (m) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 2.
- (n) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (o) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (p) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (q) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- (r) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: Attached Table 3.
- (s) Provision of endorsements and guarantees to others: None.
- (t) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 4.

(3) Information on investees:

- (a) Names, locations and other information of investee companies : Please refer to table 5.
- (b) Financing provided to other parties: Attached Table 1.
- (c) Provision of endorsements and guarantees to others: None.
- (d) Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates): Attached Table 2.
- (e) Acquisition or sale of the same security with the accumulated cost reaching NT\$300 million or 20% of paid-in capital or more: None.
- (f) Acquisition of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (g) Disposal of property reaching NT\$300 million or 20% of paid-in capital or more: None.
- (h) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

- (i) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
 - (j) Provision of endorsements and guarantees to others: None.
- (3) Information on investments in Mainland China:
- (c) The name of the investee company in mainland China, main business items, paid-in capital, investment method, capital remittance, shareholding ratio, investment profit and loss, book value of investment at the end of the period, repatriated investment income and investment quota for mainland China: Attached Table 6.
 - (d) Significant transactions with mainland investee companies directly or indirectly via a third region transactions, including their prices, payment terms, unrealized gains and losses, and other relevant information that helps to understand the impact of mainland investment on financial reporting: Attached Table 1~6.
- (4) Major shareholders information: Attached Table 7.

(14) Segment information

Please refer to the Consolidated Financial Statements Independent Auditors' Review Report of the year in 2020.

【Attached Table 1】

Information on significant transactions

For the year ended December 31, 2020, the Company should disclose relevant information on significant transactions in accordance with preparation of financial reports:

(b) Financing provided to other parties:

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the period	Ending balance	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amounts of transaction with the borrower (Note 3)	Reason for short-term financing	Amounts of allowance	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted
													Item	Value		
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	Other receivables	Yes	\$ 272,288	\$ —	\$ —	—	1	\$9,818,097	—	\$ —	None	None	\$ 498,145	\$ 498,145
		Optimax Technology corp. (Suzhou) Co., Ltd	Other receivables	Yes	174,876	164,644	164,644	—	2	—	Business operation	—	None	None	498,145	498,145
1	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	Optimax Technology corp. (Suzhou) Co., Ltd	Other receivables	Yes	173,315 (USD 5,781,022)	—	—	—	2	—	Business operation	—	None	None	498,145	498,145

(Note 1): The aggregate financing amount to subsidiaries wholly owned by the parent and the parent company only financing amount of Optimax shall not exceed limited, respectively, of the most recent audited or reviewed net worth of Optimax.

(Note 2): Purpose of fund financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Note 3): The transactions have been eliminated when preparing the parent company only financial statements.

【Attached Table 2】

Holding of marketable securities at the end of the period (excluding subsidiaries, joint ventures and associates)

Investing company	Marketable securities type and name	Relation with the securities issuer	Financial statement account	As of December 31, 2020				Footnote
				Shares	Carrying amount	Ownership (%)	Fair value	
OPTIMAX	Common Stock: Yute Optimax Technology Co., Ltd	—	Financial assets at fair value through other comprehensive profit or loss — un-current	1,700	\$ —	17%	\$ —	
Optimax Technology corp. (Suzhou) Co., Ltd	Investment Amount: Chongqing Yunhe Bafang Enterprise Management	—	Financial assets at fair value through other comprehensive profit or loss — un-current	—	26,262	6%	26,262	

【Attached Table 3】

Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more

Company name	Counter party	Relationship with the counter party	Receivable-Related Parties Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	Subsidiary	Other Receivable \$ 164,644	—	\$ —	—	\$ —	\$ —

【Attached Table 4】

Significant inter-company transactions

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of total operating revenues or total assets (Note 3)
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	1	Sales	\$ 32,286	OA90~150	1%
0	OPTIMAX	ART OPTRONICS CORP.	1	Purchase	9,607	T/T after 7 days	—
0	OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	1	Operation expense	2,424		—
				Other receivable	164,644		2%

【Attached Table 4-1】

Significant inter-company transactions

For the year ended December 31, 2019

(Expressed in thousands of New Taiwan dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Transaction			
				Account	Amount	Transaction term	Percentage of total operating revenues or total assets (Note 3)
0	OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	1	Sales	\$ 216,570	OA90~150	9%
				Accounts receivable	105,903	OA90~150	1%
				Other accounts receivable- Overdue accounts receivable- Related Parties	242,592		3%
				Other accounts receivable - Financing provided to other parties	29,696		—
0	OPTIMAX	ART OPTRONICS CORP.	1	Purchase	6,357	T/T after 7 days	—
0	OPTIMAX	Optimax Technology corp. (Suzhou) Co., Ltd	1	Operation expense	3,894		—

(Note 1): The number is filled in as follows:

3) Number 0 represents the parent.

4) Subsidiaries are numbered in order from number 1.

(Note 2): The transaction relationships with the counterparties are as follows:

4) The parent to the subsidiary.

5) The subsidiary to the parent.

6) The subsidiary to another subsidiary.

(Note 3): The calculation of the ratio of the transaction amount to the total revenue or total assets, if it is an asset-liability account, it is calculated as the ending balance in the total assets; if it is a profit and loss account, the cumulative amount is calculated by the method of management.

【Attached Table 5】

Information on investees

Investor	Investee (Note 1)	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2020			Net profit (loss) of the investee for the current period	Investment income (loss) recognized for the period	Footnote
				Balance as at December 31, 2020	Balance as at December 31, 2019	Number of shares	Owner ship (%)	Carrying amount			
OPTIMAX	OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	BVI	Manufacture and sales	\$ —	\$ 1,748 (USD 50,000)	—	—	\$ —	\$ 646	\$ 646	Subsidiary (Note 2)
	ART OPTRONICS CORP.	Taiwan	Manufacture and sales	2,011	2,011	225,000	100%	1,028	1	1	Subsidiary
	OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP. (OOMC)	MAURITIUS	Investment	614,524 (USD 19,000,000)	614,524 (USD 19,000,000)	19,000,000	100%	105,271	20,977	20,977	Subsidiary

(Note 1): If a public issuing company has a foreign holding company and uses statements as the main financial report in accordance with local laws and regulations, the disclosure of information about the foreign investment company may only disclose the relevant assets of the holding company.

(Note 2): OPTIMAX TECHNOLOGY (B.V.I) CO., LTD. was liquidated on March 24, 2020.

【Attached Table 6】

Information on investments in China

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan as of January 1, 2020	Amount remitted from Taiwan or amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan as of December 31, 2020	Ownership held by Optimax (direct or indirect)	Investment income (loss) recognized for the current period (Note 2)	Carrying amount of investments as of June 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan					
Optimax Technology corp. (Suzhou) Co., Ltd	Manufacturing and selling of polarizers	\$ 614,524 (USD19,000,000)	(Note 1)	\$ 614,524 (USD19,000,000)	\$ -	\$ -	\$ 614,524 (USD19,000,000)	100%	\$ 20,977	\$ 105,271	-

Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 (Note 5)	Investment amounts authorized by Investment Commission, MOEA (Note 4)	Upper limit on investment by Investment Commission, MOEA (Note 3)
\$ 614,524 (USD19,000,000)	\$ 629,408 (USD22,100,000)	\$ 747,218

(Note 1): Invest and establish a company through OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP to reinvest in mainland companies.

(Note 2): Obtained based on the investee company's own financial report without an accountant's visa during the same period.

(Note 3): According to the "Principles for the Review of Investment or Technical Cooperation in Mainland China" by the Investment Review Committee of the Ministry of Economic Affairs, the upper limit of the amount of investment in the mainland is 80,000 New Taiwan dollars, or 60% of the net value or combined net value, whichever is higher.

(Note 4): For foreign currency, it is based on the spot remittance and the average exchange rate on the financial report date.

(Note 5): For foreign currency, it is converted into New Taiwan dollars based on the exchange rate on the actual investment date from Taiwan.

【Attached Table 7】

Major shareholders information

Major shareholders Name	Shareholding	Shareholding ratio
Peter Chao	34,831,503	10.70%
Long-Shi Lin	18,400,000	5.65%

- (Note 1): This table is calculated by Taiwan Depository & Clearing Corporation (TDCC) on the last business day of every season. To compute the shareholding companies' 5% of total of the ordinary shares and special shares of non-physical securities (including treasury shares). As for the company's financial reporting, it has written down that the share and the company's completed non-physical securities' shareholding might be discrepancy due to its different ways of factorization.
- (Note 2): In the case of the above information, if the shareholder delivers the shares to the trust, it is disclosed by the principal who opened the trust account by the trustee. As for the shareholder, it is handled in accordance with the Securities Exchange Law. For information on insider equity declaration, please refer to the Market Observation Post System (MOPS).

OPTIMAX TECHNOLOGY CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Description	Amount
Cash on hand	Foreign currency (included USD & JPY...etc.)	\$ 475
Cash in banks		
Checking Account		41
NTD demand deposit		9,826
Foreign currency demand deposits	JPY 29,078,457	8,034
	USD 4,686,376	133,468
	EUR 13,654	478
	RMB 2,237,007	9,792
Total		\$ 162,114

Exchange rate :

JPY	0.2763
USD	28.48
EUR	35.02
KRW	0.0264
RMB	4.377

STATEMENT OF ACCOUNTS RECEIVABLE

DECEMBER 31, 2020

Expressed in thousands of NTD

Client Name	Description	Amount	Note
Non-related parties:			
Company A		\$ 260,822	
Company B		74,045	
Company C		61,497	
Company D		41,326	
Others	(The amount of individual client does not exceed 5% of the account balance)	355,173	
Total		792,863	
Less : Allowance for losses		(21,954)	
Total (Net)		770,909	

STATEMENT OF INVENTORIES

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Description	Amount		Note
		Cost	Net realizable value	
Finished goods		\$ 509,552	\$ 429,116	
Work in process		390,580	327,494	
Raw materials		284,964	232,206	
In-transit inventory		8,117	8,117	
Subtotal		1,193,213	\$ 996,933	
Allowance of valuation loss		(236,079)		
Total		\$ 957,134		

STATEMENT OF PREPAYMENTS

DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Description	Amount
Prepaid insurance premiums	Property insurance	\$ 57
Other prepaid expenses	Joint loan case management fee, sales service commission, joint insurance remuneration, etc.	6,360
Payment in advance		36,851
Input Tax		1,720
Total		\$ 44,988

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Name	Balance, January 1, 2020		Additions in Investment		Investment gains and losses recognized using the equity method	Cash dividend	Conversion difference recognized using the equity method	Balance, December 31, 2020			Market Value or Net Assets Value		Collateral	Note
	Shares	Amounts	Shares	Amounts				Shares	%	Amounts	Unit Price (NT\$)	Total Amount		
OPTIMAX OPTOELECTRONIC (MAURITIUS) CORP.	19,000,000	\$ 82,449	—	\$ —	\$ 20,977	\$ —	\$ 1,845	19,000,000	100%	\$ 105,271	—	\$ 105,271	No	Note 1
OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD.	50,000	(118,000)	(50,000)	118,336	646	—	(982)	—	—	—	—	—	No	
ART OPTRONICS CORP.	225,000	1,027	—	—	1	—	—	225,000	100%	1,028	—	1,028	No	
Plus: the credit balance is transferred to other non-current liabilities	—	118,000	—	(118,000)	—	—	—	—	—	—	—	—	No	
Total		\$ 83,476		\$ 336	\$ 21,624	\$ —	\$ 863			\$ 106,299		\$ 106,299		

Note 1 : Investment in OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD. The decrease in this period is due to OPTIMAX TECHNOLOGY (B.V.I.) CO., LTD. was liquidated on March 24, 2020.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Balance, January 1, 2020	Additions	Disposals	Reclassification	Balance, December 31, 2020
Cost :					
Land	\$ 6,672	\$ —	\$ —	\$ —	\$ 6,672
Transportation equipment	4,055	623	—	—	4,678
Office equipment	2,180	—	—	—	2,180
Subtotal	12,907	623	—	—	13,530
Accumulated depreciation :					
Land	1,668	1,668	—	—	3,336
Transportation equipment	1,082	1,608	—	—	2,690
Office equipment	459	459	—	—	918
Subtotal	3,209	3,735	—	—	6,944
Total (Net)	\$ 9,698	\$ (3,112)	\$ —	\$ —	\$ 6,586

STATEMENT OF OTHER NON-CURRENT FINANCIAL ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NTD

Item	Description	Amount	Note
Other non-current financial assets	Bank deposit account for loan repayment	\$ 180,393	
Total		\$ 180,393	

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

Expressed in thousands of NTD

Creditor	Type of loan	Balance, December 31, 2020	Repayment period of the amount moved	Interest rate range	Loan Commitments	Collateral	Note
CTBC Bank Co., Ltd.	Unsecured loan	\$ 126,401	110.1.8~110.12.28	0.6795%~1.8203%	NTD 288,797		
Bank of Taiwan	Unsecured loan	155,782	110.12.31~111.11.26	0.6813%~1.8338%	USD 11,941		
First Commercial Bank	Unsecured loan	41,796	110.1.4~110.11.29	0.6612%~0.8695%	JPY 373,494		
Land Bank of Taiwan	Unsecured loan	205,474	110.12.7	1.84%	NTD 225,772		
Mega Bank	Secured loan	23,835	110.1.19~110.10.26	0.6809%	NTD 530,990	Note 8	
Taiwan Cooperative Bank	Secured loan	149,002	110.1.20~111.2.27	0.6797%~1.8322%	NTD 422,710	Note 8	
合 計		\$ 702,290					

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2020

Expressed in thousands of NT

Vendor Name	Description	Amount	Note
Non-related parties:			
Company A		\$ 46,721	
Company B		41,867	
Company C		14,763	
Company D		9,868	
Company E		9,419	
Others	(The amount of individual vendor does not exceed 5% of the account balance)	55,599	
Total		\$ 178,237	

STATEMENT OF LEASE LIABILITIES

DECEMBER 31, 2020

Expressed in thousands of NT

Item	Rental period	Discount Rate	Amount
Land	5~46 years	1.8513%	\$ 708,459
Transportation equipment	3 years	1.8513%	2,017
Office equipment	5.5 years	1.8513%	1,285
Total			711,761
Less : current			(18,753)
Lease liabilities-non-current			\$ 693,008

STATEMENT OF OTHER CURRENT LIABILITIES

DECEMBER 31, 2020

Expressed in thousands of NT

Item	Description	Amount
Contract liabilities		\$ 300
Notes payable		237
Prepayments		88,931
Temporary credits		12,972
Receipts under custody		8,547
Other current liabilities-other	Guarantee	9,873
Total		\$ 120,860

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2020

Expressed in thousands of NT

Creditor	Loan Amount	Contract Period	Interest rate	Collateral	Note
Taiwan Cooperative Bank, etc (NT35 billion joint loan)					
Syndication Loan A loan	\$ 26,563	The principal is due on October 27, 2021, and the interest is paid monthly.	1.8322%	Real estate, plant and equipment	Note 1
Mega Bank, etc (NT120 billion joint loan)					
Syndication Loan B loan	3,530,681	The principal is due on October 29, 2022, and the interest is paid monthly.	1.8322%	Non-current assets for sale	Note 2
Taiwan Cooperative Bank, etc (NT26 billion joint loan)					
Syndication Loan	1,728,236	Since April 26, 2022, 10%, 20%, 1.8337%, 30% and 40% of the principal will be repaid every six months, and interest will be paid monthly.	1.8337%	Real estate, plant and equipment, second order	Note 3
Taiwan Cooperative Bank					
Mortgage of land	106,790	Since October 30, 2021, the principal is amortized evenly on a monthly basis, and interest will be paid monthly.	1.8182%	Real estate, plant and equipment	
Plant mortgage loan	6,167	Since October 30, 2021, the principal is amortized evenly on a monthly basis, and interest will be paid monthly.	1.8182%	Real estate, plant and equipment	
Shin Kong Commercial Bank Co., Ltd.					
Mid-term borrowings	80,201	Since January 1, 2020, the principal has been deposited and repaid to the Fund on a monthly basis in accordance with the bank's debt and debt negotiation, and distributed in proportion to the outstanding balance of the debt, and interest is paid on a monthly basis.	1.8337%	Sub-guarantee, second order	
Subtotal	5,478,638				
Less : current portion of long-term loans payable	(111,957)				
Total	\$ 5,366,681				

Note 1 : Participating banks in the joint loan include First Commercial Bank, Mega Bank, First Commercial Bank, Land Bank of Taiwan and Standard Chartered Bank °

Note 2 : Participating banks in the joint loan include Mega Bank, Taiwan Cooperative Bank, Land Bank of Taiwan, Bank of Taiwan, Chang Hwa Commercial Bank, Ltd., Cathay United Bank, JIH SUN INTERNATIONAL BANK, E.SUN COMMERCIAL BANK, LTD., The Shanghai Commercial & Savings Bank, Ltd., Bank SinoPac, O-Bank, Far Eastern International Bank Co., Ltd. and King's Town Bank °

Note 3 : Participating banks in the joint loan include First Commercial Bank, First Commercial Bank, Bank of Taiwan, Land Bank of Taiwan and Yuanta Commercial Bank Co., Ltd. °

STATEMENT OF OPERATING REVENUE

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NT

Item	Description	Amount	Note
Commodity sales revenue	Polarizers for TFT LCD	\$ 1,954,756	
	Polarizers for TN/STN LCD	461,911	
Total		\$ 2,416,667	

STATEMENT OF COST OF SALES

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NT

Item	Amount	Note
Direct consumption of raw materials		
Raw materials, beginning of year	\$ 304,449	
Add: Purchase in the period	1,362,455	
Less: Raw materials, end of year	(291,731)	
Transferred to expenses	(79,676)	
	1,295,497	
Indirect consumption of raw materials		
Raw materials, beginning of year	1,676	
Add: Purchase in the period	24,101	
Less: Raw materials, end of year	(1,350)	
Transferred to expenses	(23,630)	
	797	
Direct Labor	223,370	
Manufacturing expenses	387,004	
Manufacturing cost	1,906,668	
Add: Work in process, beginning of year	434,947	
Purchase in the period	71,282	
Less: Work in process, end of year	(390,580)	
Transferred to expenses	3,712	
Cost of finished goods	2,026,029	
Add: Finished goods, beginning of year	498,640	
Other	2,239	
Less: Finished goods, end of year	(509,552)	
Transferred to expenses	(2,034)	
Cost of goods of home-made product	2,015,322	
Revenue from sale of scraps	(31,591)	
Reversal of inventory write-down	(29,690)	
Unamortized fixed production overheads	18,108	
Cost of sales	\$ 1,972,149	

STATEMENT OF MANUFACTURING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

Expressed in thousands of NT

Item	Description	Selling and marketing expenses	Administrative expenses	Research and development expenses	Expected credit impairment loss	Note
Wages and salaries		\$ 22,708	\$ 60,681	\$ 25,963	\$ —	
Utilities expense		233	2,860	3,103	—	
Insurance expenses		2,672	6,402	2,746		
Taxes		—	16,166	—	—	
Depreciation		36	8,629	5,745	—	
Test and research expense		—	—	10,599	—	
Commission expense		40,741	—	—	—	
Import /Export expenses		36,833	—	1,877	—	
Expected credit impairment loss	Accounts receivable	—	—	—	9,336	
Others	Minor amount less than 5%	9,247	44,521	1,755	—	
Total		\$112,470	\$139,259	\$ 51,788	\$ 9,336	