Stock No.: 1565

ST.SHINE OPTICAL CO., LTD

2021 Annual Report

(Translation)

Prepared by St.Shine Optica Co., Ltd.

Annual report available at - Market Observation Post System: http://mops.twse.com.tw

Company website: https://www.stshine.com.tw/

Printed on June 1st 2022

1. Name, designation, contact number, and e-mail of spokesperson and acting spokesperson:

Name of spokesperson: Hua-Ling Chou

Title: Deputy Manager of Audit Division

TEL: (02)2647-1578

E-mail: S0505@stshine.com.tw

Name of acting spokesperson: Eris Lin

Title: Finance Manager

TEL: (02)8691-6000

E-mail: SA600@stshine.com.tw

2. Address and contact number of the headquarter, branches and factory sites:

Company address:

4F and 5F, No. 276-2, Section 1, Datong Road, Xizhi District, New Taipei City

Factory address:

4F and 5F, No. 276-2, Section 1, Datong Road, Xizhi District, New Taipei City (1st Plant)

4F and 12F, No. 306-3, Section 1, Datong Road, Xizhi District, New Taipei City (2nd Plant)

No. 147, Kangning Street, Xizhi District, New Taipei City (Kangning Plant)

3F and 4F, No. 308-6, Section 1, Datong Road, Xizhi District, New Taipei City (Yatai Plant)

No. 46, Dunan Street, Qidu District, Keelung City (Wudu Plant)

5F and 6F, No. 93 and 95, Section 1, Xintai 5th Road, Xizhi District, New Taipei City

TEL: (02)8691-6000

3. Name, address, website, and contact number of share administration agency:

Name: Share Administration Department, Yuanta Securities Co., Ltd.

Address: B1, No. 210, Section 3, Chengde Road, Datong District, Taipei City

Website: http://www.yuanta.com.tw

TEL: (02)2586-5859

4. Name of CPA and the name, address, website and contact number of the accounting firm for the latest financial report:

Name of CPA: Sheng-Wei Teng, Shu-Fen Yu

Name of accounting firm: PwC Taiwan

Address: 27F International Trade Building, No. 333, Section 1, Keelung Road, Xinyi District, Taipei City 110

Website: https://www.pwc.tw/zh.html

TEL: (02)2729-6666

5. Name of overseas exchange where securities are listed, and method of inquiry: N/A

6. Company website:

https://www.stshine.com.tw/

ST.SHINE OPTICAL CO., LTD

Table of Contents Page

Table of Contents Page

I. Report to Shareholders

Ladies and Gentlemen:

Thank you to all shareholders for participating the General Shareholders Meeting. I would like to express our deepest gratitude to you all and would like to report the business performance of 2021.

Consolidated revenue for the year of 2021 was NT$5,401,607 thousand, an increase of 7.89% from the NT$5,006,588 thousand of 2020. The 2021 operating results and the business plan for this year are as follows:

(I) 2021 Consolidated Revenue and Loss

Unit:NTD thousands

Item	Amount
Operating Income	5,401,607
Gross Profit	1,611,152
Operating Expenses	379,865
Net Operating Income	1,231,287
Net Income Before Taxes	1,153,659
Net Income	947,759

(II) 2021 Consolidated Financial Status and Profitability Analysis

Item		2021
Ratio of Liability to Assets (%)		30.56
Current Ratio (%)		218.30
Ratio of Return on Total Assets (%)		11.48
Ratio of Return on Shareholders' Equity (%)		16.34
Ratio to Issued Capital Stock	Operating Income (%)	244.22
	Net Income Before Taxes (%)	228.82
Profit Ratio (%)		17.54
Earnings per Share (NTD)		18.80

(III) Research and Development

1. Initiate process development and improvement to upgrade quality and reduce costs.
2. Implement diversified product design and meet the needs of different customers to increase market share.
3. Master the movement of market and product development, continue to develop new products, and meet the needs of all markets.
4. Strive to outsource raw materials in order to provide more comfortable products to consumers.

(IV) Current (2022) Annual Business Plan Outline

1. Operating Strategies

   For overseas market, obtain licenses of new markets to expand international markets. For domestic market, strengthen coorporation with current distributors and expand new distributors to increase market share.
2. Expected Sales Quantity and Basis

   Prepare the 2022 sales forecast in volume according to data compilation and analysis, including industrial environment, market supply and demand, the Company's sales and production capacity, and marketing capabilities and prospects.

Main Products	Expected Sales Volume (Thousand Pieces)
Contact Lenses	743,104

3. Major Production and Marketing Policy

(1) Master market development and provide consumers with a varied product selection.

(2) Develop new materials, provide more comfortable products to serve customers, and increase the market competitiveness of products.

(3) Improve the production process and increase the automation production ratio.

(4) Strengthen coorporation with current customers and actively develop new customers to increase market share.

(V) Future development strategies

The Company's strategic focus on developed markets is starting to yield positive results. As contact lens markets start to mature in many of the world's developing nations, the Company will be transferring its successful experiences from Taiwan and international markets while at the same time introduce broader variety of products to increase market share.

(VI) Impacts of the competitive environment, regulatory environment, and overall business environment

1. External competition

Contact lens is a form of medical device and is regulated as such. Its technology-intensive nature presents a high barrier of entry. The world's top-4 contact lens brands, namely Johnson & Johnson, Alcon, Cooper and Bausch & Lomb, aggregately account for more than 90% share of the global market, but because their strategies are all focused on marketing their own brands, they leave little margin for the intermediary channels. Out of concern for profitability, distributors are opening themselves to ODM products, which works in favor of the Company as an ODM. According to market statistics, online sale of contact lens has increased in weight in recent years in markets such as USA, Japan and China. Although this development may impact sales at physical channels, the Internet actually presents and wider sales channel. However, due to the different regulations imposed by different countries, it is premature to establish the actual impact of online sales.

2. The regulatory environment

As mentioned above, contact lens is considered as medical device, which is why production and sale shall comply with relevant regulations in the respective countries' competent authority. The Global Harmonization Working Party (GHWP) is dedicated to the promotion of medical device laws and the creation of harmonization standards. GHWP's members currently comprise health authorities, medical device manufacturers and Conformity Assessment Bodies from Asia, Africa, The Middle East and South America. It also collaborates with international organizations such as International Medical Device Regulators Forum (IMDRF) to establish guidelines for medical device regulations. In doing so, they aim to align medical device regulations around the world. As a result of this movement, sale of contact lens across borders will be subject to prior certification or registration, which presents additional barrier for entry into foreign markets.

The U.S. FDA implemented the Unique Device Identifier (UDI) system in 2013 whereas the European Union promulgated the Medical Device Regulation in 2017 that raised the standard of medical device certification, traceability and clinical trial by a substantial degree. Combined with the fact that IMDRF has implemented a Medical Device Single Audit Program (MDSAP). In order to improve the management system of medical device in Taiwan, integrate medical device management with international community, and meet the needs of domestic practice and management, the "Medical Device Management Act" is enacted to improve the domestic medical device management system by TFDA. It is evident that more rigorous approaches are being undertaken around the domestic and world for the supervision and monitoring of medical device. All of the Company's products and quality management systems have met the requirements of local and international regulations, whereas the certifications needed to sell products have also been obtained by the Company or clients with our assistance. The Company has accumulated abundant experience to ensure effective control over application timing, therefore the change should work in the Company's favor.

3. The overall business environment

   Overall, the Company expects to grow in line with the growth of the contact lens market in the future.

Lastly, we would like to thank the shareholders once again for their support to us, and hope for their ongoing guidance to St.Shine Optical in the future.

Best regards.

Chairman Ming-Hsien Chen

II. Company Profile

1. Date of establishment: September 24, 1986.
2. Corporate history

1986	"ST. Shine Optical Co., Ltd." was founded.
1992	Acquired factory premise in Xizhi City and established it as a lathe plant. Developed engineering system for the manufacturing of "aspherical multifocal" contact lens.
1994	Acquired new factory premise and established GMP Class II clean packaging room, microbial and animal laboratory.
1996	Passed certification for ISO 9001 and CE label, and acquired new plant premise.
1997	Established Xizhi 2nd Plant (cast-molding plant), implemented automated cast-molded lens production system and completed the trial run.
1998	Began mass production of cast-molded disposable contact lens. The cast-molding plant also passed certification for ISO and CE in Europe.
1999	The lathe plant received GMP certification for contact lens. (The Company was the first contact lens manufacturer to pass GMP certification in Taiwan)
2000	The cast-molding plant passed domestic GMP certification.
2001	Completed development of cast-molded toric lens.
2002	Product received certification from the U.S. FDA. Made indirect investments into Optical Connection Inc. (USA) and Shine Optical B.V. (Netherlands).
2003	Shares were registered on the Emerging Stock Market on July 28.
2004	Launched daily contact lens. Shares were listed for trading on Taipei Exchange (TPEX) on March 30.
2005	Launched cosmetic disposable contact lens.
2007	Established Kangning Plant (cast-molding plant), which passed domestic GMP certification. Launched daily aspherical contact lenses. Named Forbes Asia's 200 Best Under A Billion 2007.
2008	Launched Ticon Cosmetic Daily Disposable Soft Contact Lens. Established Chinese subsidiary (Shanghai TICON). Recognized in the 5th Superior Brands. Launched Ticon Toric Daily Disposable Soft Contact Lens.
2009	Ticon Daily Aspherical Soft Contact Lens won the 2008 National Innovation Award. Named Forbes Asia's 200 Best Under A Billion 2008.
2010	Launched Ticon Wonderful Daily Disposable Soft Contact Lens.
2011	Established Yatai Plant (cast-molding plant). Won 2011 Taiwan Excellent Enterprise Quality Award. Ticon Wonderful Daily Disposable Soft Contact Lens won the 19th Taiwan Excellence Award. Ticon Daily Aspherical Soft Contact Lens won the 2011 SNQ National Biotechnology & Medical Care Quality Award.
2012	Ticon Toric Daily Disposable and Cosmetic Daily Disposable Soft Contact Lenses won the 20th Taiwan Excellence Award.
2013	Launched Ticon Charm Cosmetic Daily Disposable Soft Contact Lens. Launched Ticon Cosmetic Monthly Disposable Soft Contact Lens. Ticon Charm Cosmetic Daily Disposable Soft Contact Lens won the 2013 SNQ National Biotechnology & Medical Care Quality Award. Established Taike Plant.
2014	Established Wudu Plant (cast-molding plant). Ticon Charm Cosmetic Monthly Disposable Soft Contact Lens. Won the 2014 Outstanding Biotechnology Industry Gold Award. Ticon Daily Aspherical Soft Contact Lens won the 23rd Taiwan Excellence Award. Named Forbes Asia's 200 Best Under A Billion 2014.
2015	Launched Ticon Daily Aspherical Soft Contact Lens - Progressive Multifocal. Ticon Daily Aspherical Soft Contact Lens - Progressive Multifocal won the 2015 National

Innovation Award.

2016 Ticon Daily Aspherical Soft Contact Lens - Progressive Multifocal won the 24th Taiwan Excellence Award.
Launched Ticon O2 Daily Disposable Soft Contact Lens.
Ticon O2 Daily Disposable Soft Contact Lens won the 13th National Innovation Award.
Ticon Daily Disposable Aspherical - Progressive Multifocal won SNQ label.
Ticon Daily Disposable Aspherical - Progressive Multifocal won 2016 National Biotechnology & Medical Care Quality Award (Silver).◦

2017 Launched Ticon The Moment Daily Disposable Aspherical Soft Contact Lens.
Launched Ticon The Moment Cosmetic Daily Disposable Soft Contact Lens.
Established Xike Plant (cast-molding plant).

2018 Ticon The Moment Daily Disposable Soft Contact Lens won the 27th Taiwan Excellence Award.
Launched Ticon The Moment Cosmetic Monthly Disposable Soft Contact Lens.

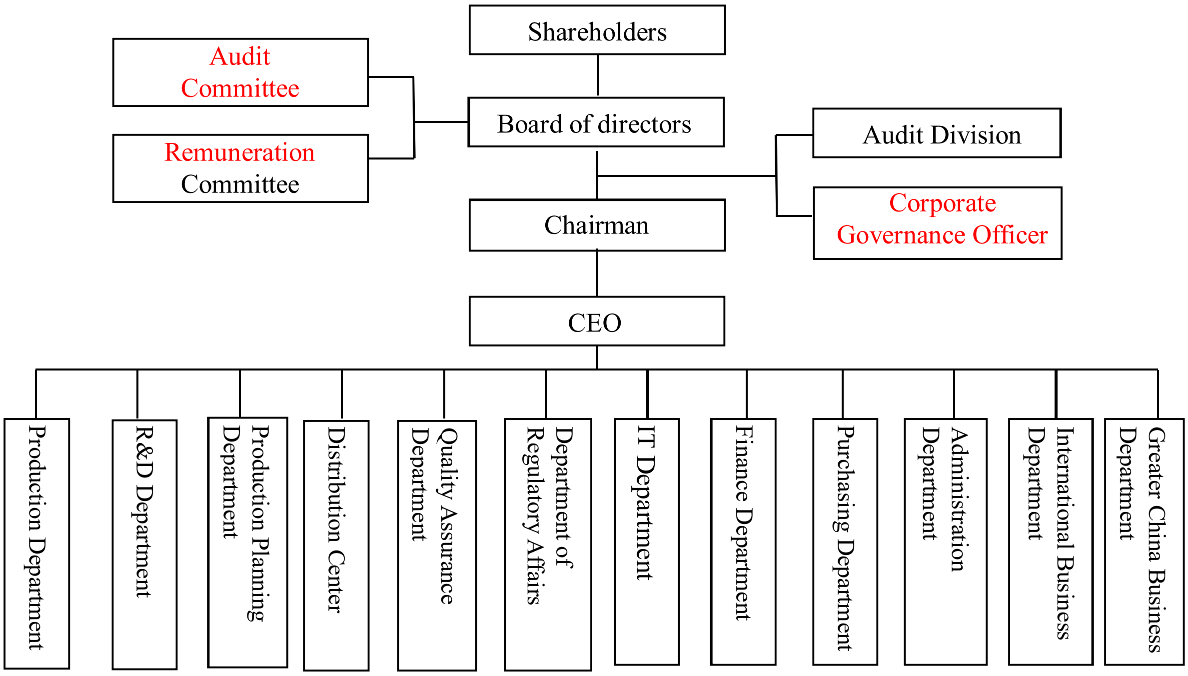
2019 Won the 2019 International Trade Award.

2021 Established Japan subsidiary (St. Shine Optical Japan).

III. Corporate Governance Report

1. Organization

(1) Organization structure



(2) Responsibilities of main departments

Department name	Responsibilities
Audit Division	Establishment, amendment and review of internal audit system; review, modification and audit of the internal control system
Greater China Business Department	Responsible for goal-setting, planning, sale and customer service for the Greater China market.
International Business Department	Responsible for marketing planning, market development and customer service for international businesses.
Administration Department	Responsible for the establishment of management system, human resource administration and general affairs.
Purchasing Department	Responsible for the procurement of production-related materials, equipment and office equipment.
Finance Department	Responsible for capital management, planning and execution, accounting, budget planning, share administration, and transaction cycle control.
IT Department	Responsible for the implementation of department operating systems, and the management, planning and maintenance of computer information.
Department of Regulatory Affairs	Responsible for medical device compliance affairs, product certification, system certification and quality document control.
Quality Assurance Department	Responsible for quality examination, function testing and quality assurance.
Distribution Center	Responsible for the management in shipping of finished goods.
Production Planning Department	Responsible for the management of raw materials, supplies and semi-finished goods, and production scheduling and arrangement.
R&D Department	Responsible for the design of new products and technologies, planning and execution of R&D projects, and providing technical support and consultation for new products.
Production Department	Responsible for production task planning and factory management.

2. Background information of directors, supervisors, the CEO, vice presidents, assistant vice presidents, and heads of various departments and branches

(1) Directors

1. Director information(Ⅰ)

April 30, 2021

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date First Elected/ apointed	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Position at St.Shine and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Yun-Ming Investment Co., Ltd.	-	2021.7.2	3	2018.6.14	1,751,000	3.47	1,751,000	3.47	N/A	N/A	N/A	N/A	Honorary Ph.D in Engineering, National Kaohsiung University of Science and Technology Postgraduate studies in Business Administration, National Chengchi University Department of Electronic Engineering, National Kaohsiung University of Science and Technology Sales Manager of Kang De Mei Optics Co.	Vice President of Greater China Businesses Department of St.Shine Representative of corporate director of Shine Optical Holding Groups Inc. Representative of corporate director of Shine Optical (Samoa) Holding Groups, Inc. Director of Shine Optical HK Limited Director of Poya International Co., Ltd. Director of 3D Global Biotech Inc.	None	None	None	None
		Representative: Ming-Hsien Chen	Male 60-70			1986.8.14	293,589	0.58	293,589	0.58	13,018	0.03	1,751,0000	3.47						
Director	R.O.C.	Johnson Chou	Male 60-70	2021.7.2	3	1998.12.24	1,388,612	2.75	1,388,612	2.75	0	0	0	0	Department of Electronic Engineering, Ta Hwa University of Science and Technology Factory Manager of Kang De Mei Optics Co.	CEO of St.Shine Director of Shanghai Ticon Optical Limited Representative Director of St. Shine Optical Japan Co., Ltd.	Manager Manager	Yu-Yi Chou Yu-Yu Chou	Brother and sister Brothers	None
Director	R.O.C.	Ying-Chieh Chu	Male 50-60	2021.7.2	3	2009.6.10	402,000	0.80	402,000	0.80	34,926	0.07	0	0	Department of Electronics, KaiNan High School Sales Representative of Greater China Businesses Department of St.Shine	None	None	None	None	None
Director	R.O.C.	Peter Ho	Male 60-70	2021.7.2	3	2012.6.12	203,749	0.40	203,749	0.40	347,356	0.69	50,000 (Note1)	0.1	Master of National Development and Mainland China Studies, Chinese Culture University President of Keelung City Elite Conversational English Institute	None	Director Deputy Manager	Su-Mei Ku Chen-Chih Ho	Husband and wife Father and son	None
Director	R.O.C.	Bao-Da Co., Ltd	-	2021.7.2	3	2021.7.2	297,309	0.59	297,309	0.59	N/A	N/A	N/A	N/A	B.H.M.S MBA in Hospitality Management, Switzerland Assistant Marketing Manager of Sales & Marketing Department of The Sherwood Taipei	Engineering Project Management Officer of Hon Hai Precision Industry Co., Ltd.	None	None	None	None
		Representative: Yu Hao Chen	Male 30-40			2021.7.2	129,124	0.26	129,124	0.26	0	0	0	0						
Independent Director	R.O.C.	Chang-Chou Li	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Master of Science in Accounting, University of Illinois at Urbana-Champaign, USA Partner of PricewaterhouseCoopers Taiwan	CPA of Zhi Cheng Accounting Firm Independent Director of Evergreen Marine Corporation Independent Director of Silicon Optronics, Inc. Independent Director of Hotai Insurance Co., Ltd.	None	None	None	None

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term (years)	Date First Elected/ apointed	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Concurrent Position at St.Shine and other companies	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	I –Yen Lu	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Master of Mechanical Engineering, National Chiao Tung University Vice Chairman of Digiwin Software Co.Ltd.	Chairman of Strait Capital Investment Group Chairman of Hong Chang Memory Technology Co., Ltd Chairman of ChengTai Biotech Co., Ltd. Chairman of Zeyu Investment Consultant Co., Ltd. Partner of Whitesun Equity Partners Director and CEO of Sun Well Healthcare Co., Ltd. Director of Hivox Biotek Inc. Director of Sunwise Investment Co., Ltd. Director of Strait Capital Co., Ltd.	None	None	None	None
Independent Director	R.O.C.	James S. J. Cheng	Male 50-60	2021.7.2	3	2021.7.2	0	0	0	0	0	0	0	0	Division of Judicature in the Department of Law in the Law & Commerce College, National Chung Hsing University	Partner of the Tsar & Tsai Law Firm Supervisor of the Board of TungNan University Director of the MAPECT Supervisor of the ACAMS Taiwan Chapter	None	None	None	None

Note: None of the shareholding presented in the above chart contains "shares placed under trust with discretion reserved."
Note 1: This disclose is based on the data of Peter Ho's spouse.

*Major Shareholders of the institutional shareholders

April 30, 2022

St.Shine's Director that is an Institutional Shareholder	Major Shareholders of St.Shine's Director that is an Institutional Shareholder
Yun-Ming Investment Co., Ltd	Ming-Hsien Chen (77.47%)
	Pi-Chen Liu (22.49%)
Bao-Da Co., Ltd	Wen-Chen Tseng (99.33%)
	Yu-Hao Chen (0.335%)
	Yu-Chieh Chen (0.335%)

2. Director information(Ⅱ)

(1) Disclosure of information on professional qualifications of directors and independence of independent directors:

<table>
<tr><th>Qualification / Name</th><th>Professional qualifications and experience</th><th>Independent status</th><th>Number of positions as independent director in other public companies</th></tr>
<tr><td>Chairman Ming-Hsien Chen</td><td>• More than five years of work experience required by the company's business
• Chairman of St.Shine
• Director of Poya International Co., Ltd.
• Director of 3D Global Biotech Inc.</td><td rowspan="5">N/A</td><td>None</td></tr>
<tr><td>Director Johnson Chou</td><td>• More than five years of work experience required by the company's business
• CEO of St.Shine
• Director of Shanghai Ticon Optical Limited
• Representative Director of St. Shine Optical Japan Co., Ltd.</td><td>None</td></tr>
<tr><td>Director Ying-Chieh Chu</td><td>• More than five years of work experience required by the company's business
• Worked as Sales Representative of Greater China Businesses Department of St.Shine</td><td>None</td></tr>
<tr><td>Director Peter Ho</td><td>• Good at business work experience
• Worled as President of Keelung City Elite Conversational English Institute
• Worked as Supervisor of St.Shine</td><td>None</td></tr>
<tr><td>Director Yu Hao Chen</td><td>• Good at business work experience
• Engineering Project Management Officer of Hon Hai Precision Industry Co., Ltd.
• Worked as Assistant Marketing Manager of Sales & Marketing Department of The Sherwood Taipei</td><td>None</td></tr>
<tr><td>Independent Director Chang-Chou Li</td><td>• Good at financial accounting expertise
• CPA of the ROC
• CPA of Zhi Cheng Accounting Firm
• Independent Director of Evergreen Marine Corporation
• Independent Director of Silicon Optronics, Inc.
• Independent Director of Hotai Insurance Co., Ltd.
• Worked as Partner of PricewaterhouseCoopers Taiwan</td><td rowspan="2">All of independent directors meet the requirements of independence which is listed below:
1. Comply with the relevant provisions of Article 14-2 of the "Securities and Exchange Act" and "Regulations on the establishment of independent directors of public companies and matters to be followed" promulgated by the Financial Supervisory Commission.
2. The person, their</td><td>3</td></tr>
<tr><td>Independent Director I –Yen Lu</td><td>• Good at business work experience
• Chairman of Strait Capital Investment Group
• Chairman of Hong Chang Memory Technology Co., Ltd
• Chairman of ChengTai Biotech Co., Ltd.
• Chairman of Zeyu Investment Consultant Co., Ltd.
• Partner of Whitesun Equity Partners
• Director and CEO of Sun Well Healthcare Co., Ltd.
• Director of Hivox Biotek Inc.
• Director of Sunwise Investment Co., Ltd.
• Director of Strait Capital Co., Ltd.
• Worked as Vice Chairman of Digiwin Software Co.Ltd.</td><td>None</td></tr>
</table>

Independent Director James S. J. Cheng	• Good at legal expertise • Lawyer of the ROC • Partner of the Tsar & Tsai Law Firm • Supervisor of the Board of TungNan University • Director of the MAPECT • Supervisor of the ACAMS Taiwan Chapter	spouse, or their relatives within the second degree of kinship (or using the name of another person) does not hold shares in the Company 3. No remuneration received in the last two years for providing business, legal, financial, or accounting services to the Company or the Company's affiliates.	None
Note：All of the above directors did not have the any of the situations set forth in Article 30 of the Company Act.			

(2) Diversification and Independence of the Board

A. Board Diversity

Based on the policy of diversification and strengthening of corporate governance in order to promote the sound development of the Company's board composition and structure, the nomination of candidates for directors of the Company shall be adopted the candidate nomination system in accordance with the provisions of the Company's Articles of Incorporation. Each candidate's academic qualifications, work experience, professional background, integrity or relevant professional qualifications, and others are evaluated and considered. After the Board of Directors passed the resolution, the proposed nominees will be submitted to the Shareholders Meeting for election. The Board of Directors of the Company consists of 8 directors, of which 3 are independent directors, 3 are not as employee and 2 serve as the managers of the Company. The 8 members of the Board as a whole have the experiences and knowledge ability of business management, technology development, marketing administration, financial and accounting, law and tax administration etc. The implementation status of the board diversity policy is as follows:

Core of diversify / Name		Basic Components				Professional background	Professional knowledge and capabilities							
		gender	Employee	age	Tenure and seniority of independent directors (less than 3 years)		Operational judgment	Accounting and financial analysis abilities	Operation and management ability	Crisis Management capability	Industry Expertise	Global market view	Leadership	Decision-making ability
Director	Ming-Hsien Chen	Male	V	60-70		Business management Marketing administration	V	V	V	V	V	V	V	V
	Johnson Chou	Male	V	60-70		Business management Technology development Marketing administration	V	V	V	V	V	V	V	V
	Ying-Chieh Chu	Male		50-60		Business management Marketing administration	V		V	V	V			V
	Peter Ho	Male		60-70		Business management	V		V	V	V	V		V
	Yu Hao Chen	Male		30-40		Technology development Marketing administration	V	V		V		V	V	V
Independent director	Chang-Chou Li	Male		50-60	V	Financial and accounting Legal and tax administration	V	V	V	V	V	V	V	V
	I –Yen Lu	Male		50-60	V	Business management	V	V	V	V		V	V	V
	James S. J. Cheng	Male		50-60	V	Law	V		V	V		V	V	V

The specific management objectives of the board diversity policy and their achievement status are as follows:

Diversity management objectives	Achievement status
The number of independent directors exceeds one third of the board seats	Done
It is advisable that the number of the directors who concurrently serve as the managers of the Company should not exceed one-third of the board seats.	Done
The independent directors shall not hold office for more than 3 terms.	Done

B. Independence of the Board of Directors:

The Company’s Board of Directors consists of 8 directors, namely 3 independent directors and 3 directors not as employee, as well as the independent directors are more than one third of the board seats, the directors not as employee are three quarters of the board seats. As of 2021.12.31, all of independent directors comply with the regulations of the Securities and Futures Bureau and none of the circumstances prescribed in paragraph 3 and paragraph 4, Article 26-3 of the Securities Exchange Act exist among the directors and independent directors. The Board of Directors of the Company is independent (Please refer to page 8 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors). The Experience(Education), Gender and Work Experience(Please refer to page 7-8 of this Annual Report - Information of directors).

(2) Background information of the CEO, vice presidents, assistant vice presidents, and heads of departments and bra

Title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Main career (academic) achievements
					Shares	%	Shares	%	Shares	%	
CEO	R.O.C.	Johnson Chou	Male	2001.3.8	1,388,612	2.75	0	0	0	0	Department of Electronic Engineering, Ta Hwa University of Science and Technology Factory Manager of Kang De Mei Optics Co.
Vice President of Greater China Businesses Department	R.O.C.	Ming-Hsien Chen	Male	2002.5.28	293,589	0.58	13,018	0.03	1,750,000	3.47	Honorary Ph.D in Engineering, National Kaohsiung University of Sciences and Technology Postgraduate studies in Business Administration, National Chengchi University Department of Electronic Engineering, National Kaohsiung University of Sciences and Technology Sales Manager of Kang De Mei Optics Co.
Manager of International Businesses Department	Malaysia	Jason Ong	Male	2006.7.1	0	0	1,000	0	0	0	MBA, University of Wollongong, Australia
Manager of Administrative Department	R.O.C.	Yu-Yu Chou	Male	2014.10.1	3	0	0	0	0	0	Department of Electronics Engineering/Graduate Institute of Management Science, National Chiao Tung University
Deputy Manager of Procurement Department	R.O.C.	Chen-Chih Ho	Male	2021.1.1	0	0	0	0	0	0	Institute of NanoEngineering and MicroSystems, National Tsing Hua University
Manager of Medical device Compliance Department	R.O.C.	Po-Hua Lai	Male	2006.9.1	0	0	0	0	0	0	MBA, Soochow University Manager of Semiconductor Microwave Quality Service Department
Manager of Finance Department	R.O.C.	Eris Lin	Female	2020.9.23	0	0	0	0	0	0	Department of Accounting of Fu Jen Catholic University Audit Manager of PwC TW Accounting Manager of CHC Healthcare Group
Manager of IT Department	R.O.C.	Tung-Ya Luo	Male	2015.2.1	64,000	0.13	0	0	0	0	Department of Computer Science and Engineering, Tatung University
Manager of Production Department	R.O.C.	Chien-Hua Ku	Male	2002.4.1	0	0	0	0	0	0	Department of Electronic Engineering, Xiehe High School of Industry and Commerce Salesperson of Chuan Ku Automobile Co.
Manager of Production Planning Department	R.O.C.	Chia-Yu Ku	Female	2004.12.26	26,000	0.05	4,000	0.01	0	0	Chihlee Institute of Technology
Manager of Dispatch Center	R.O.C.	Yu-Yi Chou	Female	2000.1.1	91,343	0.18	0	0	0	0	Department of General Commerce, Shixin Senior Commercial Vocational School Officer of Cathay Beverage
Manager of R&D Department	R.O.C.	Pei-Lung Kuo	Male	2003.6.30	5,789	0.01	3,000	0.01	0	0	Ph.D of Chemistry, National Tsing Hua University Factory Manager of Forte Chemical Co., Ltd
Deputy Manager of Internal Audit Office	R.O.C.	Hua-Ling Chou	Female	2004.12.26	35,000	0.07	0	0	0	0	Master of Business Administration, National Cheng Kung University Deputy Manager of DINKUM & Co., CPAs

Title	Nationality	Name	Gender	Date elected/appointed	Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement		Main career (academic) achievements	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Deputy Manager of Quality Assurance Department	R.O.C.	Ming-Li Lin	Male	2001.5.1	2,010	0	0	0	0	0	Department of Industrial Engineering and Engineering Management, Tungnan University Technician of Tony Optical Co.	None	None	None	None	None

Note: None of the shareholding presented in the above chart contains "shares placed under trust with discretion reserved."

3. Remuneration paid to directors, supervisors, the CEO, and vice presidents in the last year (2021)

(1) Director remuneration (including independent directors)

Unit: NTD thousands

Title	Name	Director remuneration								Sum of A, B, C and D as a percentage of net income (%) (Note 10)		Remuneration received as employee								The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Remuneration from mother company or invested businesses other than subsidiaries (Note 11)
		Compensation (A)(Note 2)		Pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F) (Note 12)		Employee remuneration (G) (Note 6)						
																The Company		All companies included in the financial statements (Note 7)				
		The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All companies included in the financial statements(Note 7)	
Chairman	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	0	0	0	0	9,200	9,200	123	123	0.98	0.98	24,915	24,915	4	4	10,460	0	10,460	0	4.71	4.71	0
Director	Johnson Chou																					
Director	Ying-Chieh Chu																					
Director	Yu-Yan Hsieh																					
Director	Su-Mei Ku																					
Director	Peter Ho																					
Director	Bao-Da Co., Ltd Representative: Yu Hao Chen																					
Independent Director	Jasmine Wang	2,430	2,430	0	0	0	0	123	123	0.27	0.27	0	0	0	0	0	0	0	0	0.27	0.27	0
Independent Director	Frankie Hsieh																					
Independent Director	Ju-Yang Liao																					

Title	Name	Director remuneration								Sum of A, B, C and D as a percentage of net income (%) (Note 10)		Remuneration received as employee								The sum of A, B, C, D, E, F and G as a percentage of net income (%) (Note 10)		Remuneration from mother company or invested businesses other than subsidiaries (Note 11)
		Compensation (A)(Note 2)		Pension (B)		Director remuneration (C)(Note 3)		Fees for services rendered (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension (F) (Note 12)		Employee remuneration (G) (Note 6)						
		The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company	All companies included in the financial statements(Note 7)	The Company		All companies included in the financial statements (Note 7)		The Company	All companies included in the financial statements(Note 7)	
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Independent Director	Chang Chou Li																					
Independent Director	I –Yen Lu																					
Independent Director	James S. J. Cheng																					

1. For the remuneration of independent directors, besides referring to results of director performance evaluations, the Remuneration Committee considers each director's degree of participation and contribution to the Company's operations, links the reasonableness and fairness of performance and risks to remuneration, considers the Company's business performance and the remuneration standards of competitors, and makes recommendations to the Board of Directors in accordance with Article 16 of the Company's Articles of Incorporation.
2. In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements and reinvestment companiess in the most recent year to compensate directors for their services, such as being independent contractors: 0

Note of tenure：

1. Directors：
   from 2021/01/01 to 2021/12/31：Yun-Ming Investment Co., Ltd., Johnson Chou, Ying-Chieh Chu
   from 2021/01/01 to 2021/07/01：Su-Mei Ku, Yu-Yan Hsieh
   from 2021/07/02 to 2021/12/31：Peter Ho, Bao-Da Co., Ltd
2. Independent directors：
   from 2021/01/01 to 2021/07/01：Jasmine Wang, Frankie Hsieh, Ju-Yang Liao
   from 2021/07/02 to 2021/12/31：Chang Chou Li, I –Yen Lu, James S. J. Cheng

Remuneration bracket table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies included in the financial statements (Note 9) I
Below NT$ 1,000,000	Su-Mei Ku, Yu-Yan Hsieh, Independent Director：Jasmine Wang, Frankie Hsieh, Ju-Yang Liao Chang Chou Li, I –Yen Lu, James S. J. Cheng	Su-Mei Ku, Yu-Yan Hsieh, Independent Director：Jasmine Wang, Frankie Hsieh, Ju-Yang Liao Chang Chou Li, I –Yen Lu, James S. J. Cheng	Su-Mei Ku, Yu-Yan Hsieh, Independent Director：Jasmine Wang, Frankie Hsieh, Ju-Yang Liao Chang Chou Li, I –Yen Lu, James S. J. Cheng	Su-Mei Ku, Yu-Yan Hsieh, Independent Director：Jasmine Wang, Frankie Hsieh, Ju-Yang Liao Chang Chou Li, I –Yen Lu, James S. J. Cheng
NT$ 1,000,000 (inclusive) ~ NT$ 2,000,000 (non-inclusive)	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen, Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen, Johnson Chou , Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen	Ying-Chieh Chu, Peter Ho, Bao-Da Co., Ltd Representative:Yu Hao Chen
NT$ 2,000,000 (inclusive) ~ NT$ 3,500,000 (non-inclusive)				
NT$ 3,500,000 (inclusive) ~ NT$ 5,000,000 (non-inclusive)				
NT$ 5,000,000 (inclusive) ~ NT$ 10,000,000 (non-inclusive)				
NT$ 10,000,000 (inclusive) ~ NT$ 15,000,000 (non-inclusive)				
NT$ 15,000,000 (inclusive) ~ NT$ 30,000,000 (non-inclusive)			Yun-Ming Investment Co., Ltd. Representative:Ming-Hsien Chen, Johnson Chou	Yun-Ming Investment Co., Ltd. Representative:Ming-Hsien Chen, Johnson Chou
NT$ 30,000,000 (inclusive) ~ NT$ 50,000,000 (non-inclusive)				
NT$ 50,000,000 (inclusive) ~ NT$ 100,000,000 (non-inclusive)				
NT$ 100,000,000 and above				
Total	13	13	13	13

Note 1: The names of the directors shall be separately listed and directors and independent directors also shall be separately listed, whereas the amount of benefits and allowances is presented in aggregate sums.

Note 2: Refers to director remuneration in the last year (2021) (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: Represents the amount of director remuneration that the board has passed as part of the latest (2021) earnings appropriation.

Note 4: Refers to compensation paid for services rendered (including travel, special allowances, subsidies, accommodation, corporate vehicle and in-kind benefits) in the last year (2021).

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, in-kind benefits etc. that the director received in the last (2021) year for assuming the role of a company employee (such as President, vice president, manager or other employee). Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 6: Refers to any compensation that the director received (in cash or in shares) in the last year (2021) for assuming the role of an employee (such as President, vice president, manager or other employee). The amount of employee compensation proposed by the board of directors in the last year has been disclosed (where the amount could not be estimated, the actual percentage paid in the last year was used to estimate this year's proposal). A separate chart - "Remuneration for President and Vice Presidents" has been provided for reference.

Note 7: The disclosure includes all companies included in the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's directors.

Note 8: The amount of remuneration paid by the Company to each director has been disclosed in ranges.

Note 9: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each director.

Note 10: Net income refers to that in the most recent year (2021). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 11: This field represents all forms of remuneration that the director received from the Company's mother company or invested businesses other than subsidiaries.

Note 12: The amount of pension actually paid to the Company's directors in the last year (2021) amounted to NT$0. The amount of pension contribution expensed during the year was NT$4,000.

(2) Supervisor remuneration (tenure from 2021/01/01 to 2021/07/01)

Unit: NTD thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="6">Supervisor remuneration</th><th colspan="2" rowspan="2">The sum of A, B and C as a percentage of net income (%) (Note 8)</th><th rowspan="3">Remuneration from mother company or invested businesses other than subsidiaries (Note 9)</th></tr>
<tr><th colspan="2">Compensation (A) (Note 2)</th><th colspan="2">Remuneration (B) (Note 3)</th><th colspan="2">Fees for services rendered (C) (Note 4)</th></tr>
<tr><th>The Company</th><th>All companies included in the financial statements (Note 5)</th><th>The Company</th><th>All companies included in the financial statements (Note 5)</th><th>The Company</th><th>All companies included in the financial statements (Note 5)</th><th>The Company</th><th>All companies included in the financial statements (Note 5)</th></tr>
<tr><td>Supervisor</td><td>Chin-Lung Chen</td><td rowspan="3">360</td><td rowspan="3">360</td><td rowspan="3">800</td><td rowspan="3">800</td><td rowspan="3">45</td><td rowspan="3">45</td><td rowspan="3">0.13</td><td rowspan="3">0.13</td><td rowspan="3">None</td></tr>
<tr><td>Supervisor</td><td>Chih- Long Chou</td></tr>
<tr><td>Supervisor</td><td>Peter Ho</td></tr>
</table>

Remuneration bracket table

<table>
<tr><th rowspan="3">Range of remuneration paid to supervisors</th><th colspan="2">Name of supervisor</th></tr>
<tr><th colspan="2">Sum of the first 3 items (A+B+C)</th></tr>
<tr><th>The Company (Note 6)</th><th>All companies included in the financial statements (Note 7) D</th></tr>
<tr><td>Below NT$ 1,000,000</td><td>Chin-Lung Chen, Chih- Long Chou, Peter Ho</td><td>Chin-Lung Chen, Chih- Long Chou, Peter Ho</td></tr>
<tr><td>NT$ 1,000,000 (inclusive) ~ NT$ 2,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 2,000,000 (inclusive) ~ NT$ 3,500,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 3,500,000 (inclusive) ~ NT$ 5,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 5,000,000 (inclusive) ~ NT$ 10,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 10,000,000 (inclusive) ~ NT$ 15,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 15,000,000 (inclusive) ~ NT$ 30,000,000 (non-inclusive)</td><td></td><td></td></tr>
</table>

Range of remuneration paid to supervisors	Name of supervisor	
	Sum of the first 3 items (A+B+C)	
	The Company (Note 6)	All companies included in the financial statements (Note 7) D
NT$ 30,000,000 (inclusive) ~ NT$ 50,000,000 (non-inclusive)		
NT$ 50,000,000 (inclusive) ~ NT$ 100,000,000 (non-inclusive)		
NT$ 100,000,000 and above		
Total	3	3

Note 1: The names of supervisors are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums.

Note 2: Refers to supervisors' remuneration in the last year (2021) (including salaries, allowances, severance pay, various bonuses and incentives etc.).

Note 3: Represents the amount of supervisor remuneration that the board has passed as part of the latest (2021) earnings appropriation.

Note 4: Refers to compensation paid for services rendered in the last year (2021) (including travel, special allowances, subsidies, accommodation, corporate vehicle and in-kind benefits).

Note 5: The disclosure includes all companies included in the consolidated financial statements (including the Company), and represents total amount of remuneration paid by all companies above to the Company's supervisors.

Note 6: The amount of remuneration paid by the Company to each supervisor has been disclosed in ranges.

Note 7: The details represent the range of remuneration paid by the consolidated entity (including the Company) to each supervisor.

Note 8: Net income refers to that in the most recent year (2021). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 9: This field represents all forms of remuneration that the supervisor received from the Company's mother company or invested businesses other than subsidiaries.

(3) Remuneration to the CEO and vice presidents

Unit: NTD thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A) (Note 2)</th><th colspan="2">Pension (B) (Note 10)</th><th colspan="2">Bonus and special allowances (C) (Note 3)</th><th colspan="4">Employee remuneration (D) (Note 4)</th><th colspan="2">The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)</th><th rowspan="3">Remuneration from mother company or invested businesses other than the subsidiaries (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements (Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies included in the financial statements (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies included in the financial statements (Note 5)</th></tr>
<tr><th>Amount paid in cash</th><th>Amount paid in shares</th><th>Amount paid in cash</th><th>Amount paid in shares</th></tr>
<tr><td>CEO</td><td>Johnson Chou</td><td rowspan="2">6,620</td><td rowspan="2">6,620</td><td rowspan="2">4</td><td rowspan="2">4</td><td rowspan="2">18,295</td><td rowspan="2">18,295</td><td rowspan="2">10,460</td><td rowspan="2">0</td><td rowspan="2">10,460</td><td rowspan="2">0</td><td rowspan="2">3.73</td><td rowspan="2">3.73</td><td rowspan="2">None</td></tr>
<tr><td>Vice President</td><td>Ming-Hsien Chen</td></tr>
</table>

Remuneration bracket table

<table>
<tr><th rowspan="2">CEO's and vice presidents' remuneration brackets</th><th colspan="2">Names of CEO and vice presidents</th></tr>
<tr><th>The Company (Note 6)</th><th>All companies included in the financial statements (Note 7) E</th></tr>
<tr><td>Below NT$ 1,000,000</td><td></td><td></td></tr>
<tr><td>NT$ 1,000,000 (inclusive) ~ NT$ 2,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 2,000,000 (inclusive) ~ NT$ 3,500,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 3,500,000 (inclusive) ~ NT$ 5,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 5,000,000 (inclusive) ~ NT$ 10,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 10,000,000 (inclusive) ~ NT$ 15,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 15,000,000 (inclusive) ~ NT$ 30,000,000 (non-inclusive)</td><td>Ming-Hsien Chen, Johnson Chou</td><td>Ming-Hsien Chen, Johnson Chou</td></tr>
<tr><td>NT$ 30,000,000 (inclusive) ~ NT$ 50,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 50,000,000 (inclusive) ~ NT$ 100,000,000 (non-inclusive)</td><td></td><td></td></tr>
<tr><td>NT$ 100,000,000 and above</td><td></td><td></td></tr>
<tr><td>Total</td><td>2</td><td>2</td></tr>
</table>

* Disclosure is mandatory for persons who hold positions equivalent to a President or vice president.

Note 1: The names of CEO and vice presidents are presented separately, whereas the amount of benefits and allowances is presented in aggregate sums.

Note 2: Refers to salaries, allowances, and severance pay made to the CEO and vice presidents in the last year (2021).

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, corporate vehicle or other in-kind benefits made to the CEO and vice presidents in the last year (2021). Special allowance comprised car rental and petrol expense, which totaled NT$2,695,000. Part of the salary expense was recognized according to IFRS2 - "Share-based Payment." Amounts including employee stock options, restricted employee shares and subscription to cash issues are treated as remuneration.

Note 4: Represents the amount of employee remuneration that the board of directors has resolved for the CEO and vice presidents (in cash and in shares) in the last year (2021).

Note 5: Remuneration is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's CEO /vice presidents.

Note 6: The amount of remuneration paid by the Company to its CEO /vice presidents are disclosed separately in ranges.

Note 7: The disclosure includes the sum of amounts paid by the consolidated entity (including the Company) to the Company's President/vice presidents. The names of CEO /vice presidents have been disclosed separately in ranges.

Note 8: Net income refers to that in the most recent year (2021). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 9: This field represents all forms of remuneration that the Company's CEO /vice presidents received from the Company's invested businesses other than subsidiaries.

Note 10: The amount of pension actually paid to the Company's CEO and vice presidents in the last year (2021) amounted to NT$0. The amount of pension contribution expensed during the year was NT$4,000.

Names of managers entitled to employee remuneration and amount entitled

April 30, 2022/Unit: NTD thousands

	Title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Manager	CEO	Johnson Chou	0	11,020	11,020	1.16
	Vice President	Ming-Hsien Chen				
	Head of Finance & Accounting Dep.	Eris Lin				

* Represents the amount of employee remuneration that the board of directors has resolved for managers (in cash and in shares) in the last year (2021). Net income refers to that in the most recent year (2021). If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 1: Names and titles have been disclosed separately, whereas the amount of remuneration has been disclosed in aggregate.

Note 2: According to Letter No. Tai-Tsai-Cheng-3-0920001301 dated March 27, 2003, the following managerial roles are subject to reporting:

(1) CEO or other position of equivalent grade
(2) Vice president or other position of equivalent grade
(3) Assistant vice president or other position of equivalent grade
(4) Head of Finance Department
(5) Head of Accounting Department
(6) Any other signatories involved in the Company's administrative affairs.

Note 3: This chart includes directors, the CEO and vice presidents who have received remuneration (in cash or in shares) as employee.

(4) Amount of remuneration paid in the last 2 years (2020 and 2021) by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, CEO, and vice presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

1. Remuneration paid to the Company's directors, supervisors, CEO and vice presidents, and percentage relative to consolidated or standalone net income, are shown below: 2020 – 6.16%,

2021 – 5.11%.

2. The policies, standards, and portfolios for payment of remuneration:

The company has established the "Remuneration Measures for Directors, Functional Committee Members and Managers" and has been approved by the Board of Directors. The regulations on the salaries, bonuses and employee remuneration of independent directors, directors and managers are as follows:

(1) Independent directors

In addition to paying a fixed remuneration according to the industry standard, also shall pay relevant expenses for business execution according to the situation of concurrently serving as a functional committee, but shall not participate in the distribution of the total remuneration of directors.

(2) Directors

The remuneration of directors shall be calculated according to the content of their positions and the responsibilities they undertake (for example, acting as a joint endorsement guarantor). If there is a concurrent manager, the remuneration method is the same as that of the following managers.

(3) Managers

A. Salary/Bonus:

It is handled by the CEO in accordance with the company's "Remuneration Management Regulations". The Remuneration Committee will review the manager's participation in the company's operation and its contribution value with reference to the remuneration level of the same industry, and submits it to the board of directors for approval.

B. Employee compensation

Within a certain percentage of the total amount allocated by the resolution of the board of directors, the CEO and vice president are calculated according to the contribution (revenue and profit) of their responsible business scope; the managers other than the CEO and vice president are calculated according to their grade/contribution /seniority/performance appraisalcalculation.

The portfolio of above remuneration paid by the company shall be determined in accordance with the organizational regulations of the remuneration committee, including cash remuneration, stock options, dividends, retirement benefits or resignation payments, various allowances and other measures with substantial incentives; the remuneration of directors and managers is consistent with the standards for matters recorded by the annual report.

3. Association with business performance and future risks: Directors' and managers' salary and remuneration are determined after taking into consideration several factors including peer level, total compensation, business performance and future risks, all of which are highly related to the responsibilities and performances of each individual. Remuneration is also assessed and reviewed regularly by the Remuneration Committee.

4. Corporate governance implementation

(1) Board of Directors Meeting Status

The Board of Directors convenced total of 9 meetings in year 2021; The directors' attendance status is as follows.

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Current directors (Elected at the shareholders' meeting on July 2, 2021)					
Chairman	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	4	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Johnson Chou	4	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Ying-Chieh Chu	4	0	100	Re-elected on 2021.7.2 shareholders' meeting
Director	Peter Ho	4	0	100	Elected on 2021.7.2 shareholders' meeting
Director	Bao-Da Co., Ltd Representative: Yu Hao Chen	4	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	Chang Chou Li	4	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	I –Yen Lu	4	0	100	Elected on 2021.7.2 shareholders' meeting
Independent Director	James S. J. Cheng	4	0	100	Elected on 2021.7.2 shareholders' meeting
Previous directors (Before the re-elected of shareholders' meeting on July 2, 2021)					
Chairman	Yun-Ming Investment Co., Ltd. Representative: Ming-Hsien Chen	5	0	100	-
Director	Johnson Chou	5	0	100	-
Director	Ying-Chieh Chu	5	0	100	-
Director	Yu-Yan Hsieh	5	0	100	Term expired on 2021.7.2
Director	Su-Mei Ku	1	4	20	Term expired on 2021.7.2
Independent Director	Jasmine Wang	4	1	80	Term expired on 2021.7.2
Independent Director	Frankie Hsieh	5	0	100	Term expired on 2021.7.2
Independent Director	Ju-Yang Liao	5	0	100	Term expired on 2021.7.2

Other remarks:

1. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the Company has responded to such opinions:

   (1) Securities and Exchange Act §14-3 resolutions:

   The provision of Article 14-3 does not apply after the Company has set up an audit committee from 2021.7.2.

Board of directors	Agenda and subsequent actions	Conditions described in §14-3 of the Securities and Exchange Act	Objections or qualified opinions from independent directors
2021 First Time 2021.1.12	1.The proposal for the annual bonus to the management of 2020.	✓	None
	Independent directors' Opinions: None.		
	Company's Response to Independent Directors' Opinions: None.		
	Resolution: Passed unanimously by all attending directors except for the following parties who recused themselves due to conflict of interest. Annual Bonus for Employees in a Managerial Role - The Company's managers (Chairman Ming-Hsien Chen and Director Johnson Chou) avoided discussion and voting due to conflict of interest.		
2021 Second Time 2021.3.18	1.The proposal for the distribution of remuneration to employee, directors and supervisors of 2020.	✓	None
	2.CPA appointment and remuneration for the Company's 2021 Financial Statement auditing and profit-seeking enterprise income tax filing service.	✓	None
	3. The proposal for the amendment to the "Procedures for the Acquisition and Disposal of Assets".	✓	None
	4. The proposal for the amendment to the "Loans and Endorsement & Guarantee Operational Procedures".	✓	None
	5. The proposal for the removal of restrictions on competing business involvement for newly directors and their representatives.	✓	None
	Independent directors' Opinions: None.		
	Company's Response to Independent Directors' Opinions: None.		
	Resolutions: Passed unanimously by all attending directors.		

(2) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: None.

2. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

1. The first board meeting of 2021 about the proposal for the annual bonus to the management of 2020: Passed unanimously by all the attending directors except for Chairman Ming-Hsien Chen and Director Johnson Chou (the managers of the Company) who recused themselves from the meeting due to their interests.
2. The eighth board meeting of 2021 about the avoidance implementation of the motions are as follows:
   (1) Proposal for the the distribution of remuneration to directors and supervisors of 2020:
   Passed unanimously by all the attending directors except for Chairman Ming-Hsien Chen and Director Johnson Chou, Ying-Chieh Chu , Peter Ho who recused themselves from the meeting due to their interests.
   (2) The proposal for the distribution of remuneration to the management of 2020:
   Passed unanimously by all the attending directors except for Chairman Ming-Hsien Chen and Director Johnson Chou who recused themselves from the meeting due to their interests.
   (3) The proposal for the adjustment of distribution of remuneration to the Independent Directors:
   Passed unanimously by all the attending directors except for Indepent Director Chang Chou Li , I –Yen Lu, James S. J. Cheng who recused themselves from the meeting due to their interests.

3. Implementation of self-evaluations by the Company's Board of Directors:

The implementation status of the "Self-Evaluation or Peer Evaluation of the Board of Directors" was listed below.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method
Annually	2021.1.1~ 2021.12.31	The board as a whole, individual directors and functional committee	1. Internal evaluation of the board 2. Self-evaluation by individual board members 3. Peer evaluation

Evaluation contents
To evaluat the performance of 1. The board of directors (1) Participation in the operation of the company; (2) Improvement of the quality of the board of directors' decision making; (3) Composition and structure of the board of directors; (4) Election and continuing education of the directors (5) Internal control. 2. Individual directors (1) Alignment of the goals and missions of the company; (2) Awareness of the duties of a director; (3) Participation in the operation of the company; (4) Management of internal relationship and communication; (5) The director's professionalism and continuing education; and (6) Internal control. 3. Remuneration Committee (1) Participation in the operation of the company; (2) Awareness of the duties of the functional committee; (3) Improvement of quality of decisions made by the functional committee; (4) Makeup of the functional committee and election of its members and (5) Internal control.

4. Enhancements to the functionality of the board of directors in the current and the most recent year (2021) (e.g. establishment of an Audit Committee, improvement of information transparency etc.), and the progress of such enhancements:
(1) Enhanced board of directors' efficiency: The Company has implemented "Board of Directors Conference Rules" as a means to guide board meeting proceedings and follow up on board resolutions, and in doing so enhance board functionality.
(2) Enhanced board of directors' operation: The Cpmpany has set up an audit committee this year (2021).
(3) Enhancement of directors' knowledge: The Company organizes training courses for directors and supervisors, which help them to maintain professional advantage and capacity.
(4) Enhancement of information transparency: The Company implements a spokesperson system, makes timely disclosure of information relevant to shareholders and stakeholders, and updates information regularly on its website.
(5) Director and supervisor liability insurance: The Company renews director and supervisor liability insurance each year to insure itself against the consequences of directors' and supervisors' duties.

(2) Operation of the Audit Committee:

1. In order to strengthen corporate governance, the company set up an audit committee on 2021.07.02. The Audit Committee is responsible for supervising the fair presentation of the company's financial statements, the selection (dismissal) and independence and performance of CPA, the effective implementation of the company's internal control system, the company's

compliance with relevant laws and regulations, and the management and control of the company's existing or potential risks. Its main responsibilities are as follows:

(1) Establish or amend the internal control system in accordance with Article 14 of the Securities and Exchange Act.

(2) Assess the effectiveness of the internal control system.

(3) Formulate or amend the procedures for the acquisition or disposal of assets, engaging in derivatives trading, lending funds to others, endorsing or providing guarantees for others, and the procedures of major financial business activities in accordance with Article 36-1 of the Securities and Exchange Act.

(4) Handle the matters involving the director’s interests.

(5) Handle the material transaction of assets or derivatives.

(6) Handle the loans, endorsements, or provide guarantees for material assets.

(7) Raise, issue or place the private placement securities.

(8) Appoint and dismiss CPA.

(9) Appoint or dismiss the finance, accounting, or internal audit directors.

(10) Approve the annual audited financial report.

(11) Handle other major matters stipulated by the Company or the competent authority.

2. The professional qualifications of members of Audit Committee: Please refer to page 9 of this Annual Report - Information of directors(Ⅱ).

3. In the most recent year (2021), the Audit Committee has held 2 meetings (A). The attendance of the Independent Directors was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate in Person (%)(B / A)	Note
Independent Driector	Chang Chou Li	2	0	100	-
Independent Driector	I –Yen Lu	2	0	100	-
Independent Driector	James S. J. Cheng	2	0	100	-

Other matters:

1. If the operation of Audit Committee has any of the following circumstances, the meeting date,session and content of audit committee meeting, independent director’s opposition or subject to qualified opinions or major suggestion, as well as audit committee’s resolutions and the Company's response to the opinion of the Audit Committee shall be stated.

(1) The matters listed in Article 14-5 of the Securities Exchange Act.

<table>
<tr><th>Meeting Date</th><th>Motion Contents</th><th>Matters listed in Article 14-5</th></tr>
<tr><td rowspan="4">2021.08.04
The first meeting of the first Term</td><td>1. The proposal for the amendment to the” Internal Control System” and ” Internal Audit Implementation Rules”.</td><td>✓</td></tr>
<tr><td colspan="2">Independent directors' Opinions: None.</td></tr>
<tr><td colspan="2">Audit Committee Resolution: All the present members agreed to pass and submitted to the board of directors for discussion.</td></tr>
<tr><td colspan="2">Company's Response to Audit Committee’s Opinion: Submit to the board of directors for discussion and handled in accordance with its resolutions.</td></tr>
<tr><td>2021.11.03</td><td>1. The proposal for the “Internal Audit Plan”</td><td>✓</td></tr>
</table>

The second meeting of the first Term	2. The proposal for the amendment to the" Internal Audit Implementation Rules".	✓
	Independent directors' Opinions: None.	
	Audit Committee Resolution: All the present members agreed to pass and submitted to the board of directors for discussion.	
	Company's Response to Audit Committee's Opinion: Submit to the board of directors for discussion and handled in accordance with its resolutions.	

(2)Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors：None.

2. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes for avoidance and voting shall be specified：none.
3. Communication status between independent directors and internal audit supervisors and certified public accountants (should include significant matters, methods, results, etc. of the communication carried out on the Company's financial and business status):
(1) Principles of communication between independent directors and the head of internal audit and CPA.
A. Usually the head of internal audit and CPA may directly contact independent directors as needed, and the communication is good.
B. The members of audit committee will review the audit report submitted by the audit office every month. If there is any question or instruction, they will inquire or instruct the head of internal audit by e-mail.
C. The head of internal audit also attends the audit committee to report the implementation of internal audit task to independent directors.
D. During the quarterly audit committee meetings, the CPA reports the results of the audit or review of the financial statements, as well as other communication matters required by relevant laws and regulations. During the process, if the independent directors have any opinions, they can put forward discussions and the CPA will make supplementary explanations.
E. If other major events occur, or when independent directors, accountants and the head of internal audit deem it necessary to communicate individually, meetings may be held from time to time for communication.

(2) Communication status between independent directors and the head of internal audit :

Date/Term of the Audit Committee	Content of motion	Communication results
2021.08.04 The first meeting of the first Term	1. Report the results of the audit tasks execution. 2. Discuss the scope, timing and method of submitting audit reports.	No objection
2021.11.03 The second meeting of the first Term	1. Discuss the internal audit plan for 2022. 2. Report the results of the audit tasks execution 3. Explain the company's response to changes in laws and regulations which CPA said.	No objection

(三) Communication status between independent directors and the CPA

Date/Term of the Audit Committee	Content of motion	Communication results
2021.08.04 The first meeting of the first Term	1. CPA reports the results of the second quarter 2021 consolidated financial report review. 2. Explain the impact of amendments to the IFRSs or other statutory issuances on the company.	No objection
2021.11.03 The second meeting of the first Term	1. CPA reports the results of the third quarter 2021 consolidated financial report review. 2. Explain the impact of amendments to the IFRSs or other statutory issuances on the company.	No objection

(3) Supervisors' involvement in board of directors meetings

A total of 5 meetings were held in the last year; below are the attendance records:

Title	Name	Actual attendance	Actual attendance rate (%)	Remarks
Supervisor	Chin-Lung Chen	5	100	－
Supervisor	Chih-Long Chou	5	100	－
Supervisor	Peter Ho	5	100	－

Other remarks:

A. The constitution and responsibilities of supervisors

(1) Supervisors' communication with employees and shareholders: Supervisors may communicate with employees and shareholders directly whenever deemed necessary.

(2) Communication between supervisors and internal/external auditors:

1. The head of internal audit presents audit report to supervisors in the month after an internal audit is completed, to which the supervisors have expressed no objection.
2. The head of internal audit is called to report on the internal audit progress during board of directors meetings, to which the supervisors have expressed no objection.
3. The supervisors engage external auditors in financial communication from time to time either in person or through written correspondence.

B. Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the motion, the board's resolution, and how the Company has responded to supervisors' opinions: The supervisors did not express any contradicting opinion to board of directors' proposals or resolutions during board meetings.

(4) Deviation and causes of deviation of the Company’s actual governance from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has established " Code of Practice on Corporate Governance" according to the” Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies” and disclosed on MOPS and company’s website.	The Corporate Governance Principles will be established after election of directors of this year.
2. Shareholding structure and shareholders' interests (1) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(1) The Company has spokesperson and acting spokesperson available to communicate with external parties and investors. Dedicated personnel and share service agency have also been assigned to handle shareholders' suggestions and queries. Issues that concern law or litigation are referred to the legal affairs department or to the legal advisor.	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(2) The Company has assigned dedicated personnel to monitor the identity of its controlling entity, major shareholders and the ultimate controller.	
(3) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(3) The Company has implemented "Related Party, Group Affiliate and Special Entity Transaction Procedures" and "Subsidiary Monitoring Policy" that regulate business and financial dealings between affiliated enterprises. All relevant risk controls and firewalls have been property established.	
(4) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		(4) The Company has implemented "Internal material information processing and insider transaction prevention management procedures" which clearly prohibit company insiders from using undisclosed information on the market to buy and sell securities.	
3. Assembly and obligations of the board of directors (1) Has the board devised and implemented policies to ensure diversity of its members?	V		(1) The company has regulated the diversity policy of the board of directors in the "Code of Practice on Corporate Governance". According to the policy, specific management objectives have been set and implemented. For details of the implementation, please refer to page 10 of the annual report – 2.Diversification and Independence of the Board.	No material deviation is found
(2) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		V	(2) Currently, based on company scale and operation need, Remuneration Committee and Audit Committee are the only functional committees within the Company.	
(3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	V		(3) In January 2022, all directors and members of the functional committee will conduct a self-assessment of the performance of the board of directors and functional committees in 2021 in the form of self-assessment. All internal performance evaluations in 2021 have reached the evaluation standard of "Excellent". The evaluation results was submitted to the Remuneration Committee for approval on March 22, 2022 and submitted to the Board of Directors for reference in the re-election of each term of directors.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(4) Are external auditors' independence assessed on a regular basis?	V		(4) The board of directors evaluates financial statement auditors' independence on a yearly basis. Auditors' independence assessment for the current year was passed by the Audit Committee and board of directors on March 22, 2022. The CPAs have issued a declaration of independence in accordance with "Code of Ethics for Professional Accountants No. 10," while the Company has also verified that the CPAs, the audit service team and related parties of their accounting firm are free of the following engagements with the Company: (1) Direct or material indirect financial dealing; (2) Lending, borrowing or guarantee; (3) Possible dismissal of service that would affect the outcome of audit tasks performed; (4) Close commercial relationship; (5) Hidden employment relationship; and (6) Contingent fees relating to the audit. It has also been verified that the none of the CPAs and members of the audit service team is a relative to the Company's director, manager or any employee that has significant influence over the audit. The CPAs have duly recused from tasks that presented a conflict against their own interests, and carried out the audit in a fair, rigorous and independent manner.	
4. Does the public company have a suitable number of competent corporate governance personnel, and has it appointed a head of corporate governance responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	V		On January 5, 2022, the board of directors of the company approved the appointment of manager Eris Lin, the head of finance and accounting of the company, as the head of corporate governance, responsible for corporate governance-related affairs. Her main responsibilities are to handle matters related to the board of directors and shareholders' meetings according to law, and prepare the minutes of the board of directors and shareholders' meetings, assist directors in their appointment and continuing education, provide directors with information needed to execute their business and assist directors in complying with laws and regulations, etc.	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
5. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?		V	The Company has not created a stakeholders section on its website. However, a spokesperson and an acting spokesperson have been appointed to communicate with stakeholders while share-related and financial information are being published on the Company's website and the MOPS. The communication channels mentioned above should prove adequate in addressing stakeholders' concerns.	No material deviation is found
6. Does the Company engage a share administration agency to handle shareholder meeting affairs?	V		The Company engages the Shareholder Service Department of Yuanta Securities to handle the Company's share administration affairs.	No material deviation is found
7. Information disclosure (1) Has the Company established a website that discloses financial, business, and corporate governance-related information? (2) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	V V		(1) The Company has complied with legal requirements by inputting financial, business and corporate governance information into the Market Observation Post System (MOPS) and by publishing it on the investors section of the Company's webpage. (2) The Company has created an English website and an investors section, and assigned dedicated personnel to gather and disclose information. The Company also has a spokesperson system in place. All information relating to the Company's financial and business performance is communicated externally through the spokesperson and the acting spokesperson. Investor seminars are held on an unscheduled basis, and all information disseminated through seminars is published on website where shareholders and stakeholders may access to inquire.	No material deviation is found No material deviation is found
(3)Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	(3) The Company only announces and reports financial reports and monthly revenue within deadline.	It will be done in accordance with the Company's actual practices in the future.
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors,	V		1. Employee rights: In addition to the employee welfare committee, pension system and shuttle bus service, the Company also encourages employees to participate in various training courses and technical conferences, and arranges group insurance coverage for employees. The Company values its relationship with workers and offers equal employment	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?			opportunities. 2. Employee care: The Company pays great attention to work environment and employees' safety. Dedicated personnel have been assigned to oversee workers' safety, and employee health checkups are being arranged regularly. 3. Investor relations: The Company discloses information in a truthful and open manner as required by law. It has spokesperson in place to serve as a communication channel for the protection of investors' interest and for the fulfillment of its duties to shareholders. 4. Supplier relations: The Company places great emphasis on supplier relations. Suppliers are assessed on a regular basis, and the Company maintains strong interaction with all of its suppliers. 5. Stakeholders' interests: The Company has implemented a multitude of communication channels to protect stakeholders' interest. It responds to stakeholders' requests with integrity and accountability. 6. Directors' and supervisors' ongoing education: All of the company's directors and supervisors undergo training in accordance with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies." The names and hours of courses completed by the current board of directors and supervisors in 2021 are shown in the following chart. 7. Risk management policies and risk assessment standards: The company has established and implemented its own internal control system, which is reviewed and amended regularly to reduce business risks. 8. Insurance against directors' and supervisors' liabilities: The company has purchased insurance coverage to protect itself from directors' and supervisors' liabilities as required in the Articles of Incorporation.	
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. The following improvements have been made for the 2021 Corporate Governance Evaluation: 1. The improvement of the company's corporate governance evaluation in 2021 is as follows: (1) The annual report has been uploaded 16 days before the shareholders meeting. (2)"Corporate Governance Code" has been formulated and approved by the Board of Directors.				

<table>
<tr><th rowspan="2">Assessment</th><th colspan="3">Actual governance</th><th rowspan="2">Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">(3) At least two independent directors serve no more than three consecutive terms.
(4) The annual report has disclosed the attendance of the company's compensation committee members and regularly reviews the performance evaluation and compensation policies, systems, standards and structures of directors, supervisors and managers.
(5) At least six board meetings are held per year.
(6) The company's annual report has disclosed a specific dividend policy.
(7) The company's annual report voluntarily discloses the amount and nature of non-audit expenses paid to CPA and their affiliated accounting firms.
(8) The company's website has added relevant information to disclose "the composition and operation of functional committees".
2. The company's 2021 corporate governance evaluation is expected to (already) improve in 2022 as follows:
(1) The annual report discloses the link between performance evaluation and remuneration of directors and managers.
(2) Formulate a policy for the diversity of board members, and disclose the specific management objectives and implementation of the diversity policy on the company's website and annual report.
(3) On January 5, 2022, the board of directors of the company approved the establishment of the corporate governance director, and the company's website and annual report stated the terms of reference of the corporate governance director, and the refresher course will be completed as soon as possible.</td></tr>
</table>

Directors' and supervisors' on-going education in 2021:

Date onboard for the current term	Title	Name	Course date	Organizer	Course name	Training hours	complies with the regulations
2021.07.02	Chairman	Ming-Hsien Chen	2021.03.29	Taiwan Corporate Governance Association	Legal matters that the board of directors supervises enterprises should know: Beware of mistakenly touching the red line of joint behavior	3	Yes
			2021.03.29		What are Investors Thinking - Talking about the Sustainable Transformation of Enterprises from ESG Investment and Financing	3	Yes
2021.07.02	Director	Johnson Chou	2021.2.23	Securities and Futures Institute	Corporate M&A Practices Sharing - Focusing on Hostile Takeovers	3	Yes
			2021.4.22		The value of cyber security in the post-pandemic era and the Sino-US trade war	3	Yes
2021.07.02	Director	Ying-Chieh Chu	2021.11.10	Accounting Research and Development Foundation	TCFD and SASB highlight link between ESG metrics and corporate financial disclosures	3	Yes
			2021.11.17		Discussion on Corporate Governance from the Practical Cases of Competing for Operational Rights	3	Yes
2021.07.02	Director	Peter Ho	2021.4.15	Securities and Futures Institute	Discussion on Human Resource and M&A Integration Issues in the Process of Enterprise M&A	3	Yes
			2021.4.23		Early Warning and Type Analysis of Enterprise Financial Crisis	3	Yes

Date onboard for the current term	Title	Name	Course date	Organizer	Course name	Training hours	complies with the regulations
2021.07.02	Director	Yu Hao Chen	2021.8.9	Accounting Research and Development Foundation	Case Analysis of "Illegal Securities Transactions by Fake Foreign Investment" and Discussion on Legal Liability	3	Yes
			2021.8.12		Practical Analysis of "Sustainability Report" under the Corporate Governance 3.0 Policy	3	Yes
			2021.11.3		Digital Transformation of the Three Lines of Defense: On the Development and Digital Trends of Internal Control, Internal Audit and Legal Compliance	6	Yes
2021.07.02	Independent Director	Chang Chou Li	2021.9.1	FSC	The 13th Taipei Corporate Governance Plarform	3	Yes
			2021.10.8	Taiwan Corporate Governance Association	Discussion on the use of reward and remuneration strategies and tools for employees	3	Yes
2021.07.02	Independent Director	I –Yen Lu	2021.7.22	Securities and Futures Institute	Foundry and Advanced Packaging Technology and Supply Chain Opportunities	3	Yes
			2021.10.21		Digital Transformation of Traditional Industries	3	Yes
2021.07.02	Independent Director	James S. J. Cheng	2021.12.28 2021.12.29	Securities and Futures Institute	Practical Workshop for Directors and Supervisors and Corporate Governance Supervisors-Taipei Class	12	Yes

(5) Composition, responsibilities, and functionality of the Remuneration Committee:

1. Information of Remuneration Committee members:

Identity	Name	Professional qualifications and Experiences	Independence Condition	Number of positions as Remuneration Committee member in other public companies
Convener/ Independent Director	Chang Chou Li	Please refer to page 9 of this Annual Report - Disclosure of information on professional qualifications of directors and independence of independent directors	All members meet the following qualifications: 1. The provisions of Article 6, Paragraph 1 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". 2. I (or in the name of others), my spouse and minor children do not hold any shares in the company. 3. No amount of remuneration for providing business, legal, financial, accounting and other services to the company or its affiliates in the last two years.	2
Independent Director	I –Yen Lu			None
Independent Director	James S. J. Cheng			None

2. The rights and responsibilities of the Company’s Remuneration Committee are as follows:

(1) Review this Charter regularly and propose amendments.

(2) Establish and regularly review the policies, systems, standards, and structures of the performance evaluation and salary and remuneration for the Company’s directors, supervisors, and managers.

(3) Regularly assess the performance of the Company’s directors, supervisors, and managers, and determine the content and amount of their salary and remuneration.

3. Functionality of the Remuneration Committee

(1) The Company's Remuneration Committee comprises 3 members.

(2) Duration of service of the current board: from 2021.7.2~2024.7.1.

(3) The Remuneration Committee held 3 meetings (A) in the last year; details of members ’ eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Proxy attendance	Actual attendance rate (%)(B/A)	Remarks
Current convener and members					
Convener	Chang Chou Li	1	0	100	Term: 2021.7.2~2024.7.1
Committee member	I –Yen Lu	1	0	100	Term: 2021.7.2~2024.7.1
Committee member	James S. J. Cheng	1	0	100	Term: 2021.7.2~2024.7.1
Previous convener and members					
Convener	Jasmine Wang	2	0	100	Term: 2018.6.14~2021.7.1
Committee member	Frankie Hsieh	2	0	100	Term: 2018.6.14~2021.7.1
Committee member	Ju-Yang Liao	2	0	100	Term: 2018.6.14~2021.7.1

<table>
<tr><td colspan="2">The 2021 Remuneration Committee's discussions, resolutions and the company's handling of the Remuneration Committee's opinions are as follows:</td></tr>
<tr><td>Meeting time</td><td>Agenda and subsequent actions</td></tr>
<tr><td rowspan="3">2021.1.12</td><td>The proposal for the annual bonus to the management of 2020.</td></tr>
<tr><td>Resolution: Passed unanimously by all attending members.</td></tr>
<tr><td>The company's handling of the Remuneration Committee's opinions：Proposal to the board
- Passed unanimously by all attending directors except for the following parties who recused themselves due to conflict of interest.
Annual Bonus for Employees in a Managerial Role - The Company's managers (Chairman Ming-Hsien Chen and Director Johnson Chou) avoided discussion and voting due to conflict of interest.</td></tr>
<tr><td rowspan="3">2021.3.18</td><td>The proposal for the distribution of remuneration to employee, directors and supervisors of 2020.</td></tr>
<tr><td>Resolution: Passed unanimously by all attending members.</td></tr>
<tr><td>The company's handling of the Remuneration Committee's opinions：Proposal to the board
- Passed unanimously by all attending directors.</td></tr>
<tr><td rowspan="3">2021.8.4</td><td>1.The proposal for the distribution of remuneration to directors and supervisors of 2020.
2.The proposal for the distribution of remuneration to the management of 2020.</td></tr>
<tr><td>Resolution: Passed unanimously by all attending members.</td></tr>
<tr><td>The company's handling of the Remuneration Committee's opinions：Proposal to the board</td></tr>
</table>

	- Passed unanimously by all attending directors except for the following parties who recused themselves due to conflict of interest. 1.Director and Supervisor Remuneration - Representative of Yun-Ming Investment Co., Ltd., directors (Ming-Hsien Chen, Johnson Chou, Ying-Chieh Chu, and Peter Ho) avoided discussion and voting due to conflict of interest. 2.Profit Sharing for Employees in a Managerial Role - The Company's managers (Chairman Ming-Hsien Chen and Director Johnson Chou) avoided discussion and voting due to conflict of interest.
Other remarks: 1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Compensation Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None 2. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None. 3. The Remuneration Committee Charter will be reviewed on new Remuneration Committee after 2021 shareholders' meeting.	

(6) Fulfillment of Social Responsibility and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?		V	The risk of environmental, social and corporate governance issues related to the fulfillment of social responsibilities and the company's operations has been assessed and has no significant impact on the company's investors and other stakeholders.	There is any discrepancies will be based on the company's overall operating conditions and the assessment of the impact of various issues on the operation to formulate relevant policies and corresponding measures.
2. Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?		V	The President's Office, the Administrative Department and customer service departments are concurrently involved in the enforcement of corporate social responsibilities.	
3. Environmental issues (1) Has the company developed an appropriate environmental management system, given its distinctive characteristics? (2) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	 V (2)	V (1)	(1)The company has not established an environmental management system, but there are other policies that achieve similar purpose. (2)1. Most of the waste generated by the Company is collected by resource contractors for recycling and reuse. 2. High-efficiency and environment-friendly fluorescent lighting is being used gradually on all factory premises. 3. Reuse of wastewater and waste paper has been enforced in daily work activities.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues? (4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	V	 V	(3)It has been evaluated that the industries to which the company belongs primarily affect non-climate changes, so the issues related to climate change have not yet been included in risk management. (4) Although the company currently does not count the greenhouse gas emissions, water consumption and total weight of waste in the past two years, it still actively promotes energy conservation and carbon reduction. The implementation is as follows: A.The company makes dynamic adjustments to the duration and temperature of air conditioning, and prioritizes the purchase of environment-friendly and energy-efficient products over others. By reducing carbon emission and energy, the company hopes to mitigate impact of climate change on business operations. B. In 2018 and 2019, the Company has successively carried out energy-saving improvement of equipment, and the energy-saving effect has reached the standard and has been subsidized by the Bureau of Energy of the Ministry of Economic Affairs. In 2021, the equipment energy-saving improvement project is planned again, and has applied for a subsidy from the Energy Bureau of the Ministry of Economic Affairs, which is expected to be completed by the end of December 2022.	
4. Social issues (1) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(1) The Company has implemented personnel policy and work rules according to labor regulations, and disclosed work rules to the local labor authority and posted on the company's inside website to remind them of their rights.	No material deviation is found

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		(2) In addition to the establishment of an employee welfare committee and the implementation of the pension system in accordance with the regulations, the company's articles stipulate that if the company makes a profit in the year, no less than 3% should be allocated for employee compensation, which is distributed by stock or cash by the board of directors Distribute, the distributing target includes the employees of the subordinate company that meet certain conditions.	
(3) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company has dedicated OSH officers on-site to oversee employees' safety and health. The OSH officers have been empowered to make improvements to the work environment as deemed appropriate for the safety and comfort of employees. Employees who work in hazardous workplaces have been instructed to use protective gear in order to keep hazard exposure to the minimum. The Company organizes employee health checkups and monitors results on a yearly basis. Special health checkups are arranged for employees involved in special lines of work (such as exposure to excessive noise).	
(4) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		(4) The Company provides internal as well as external training to help employees develop skills throughout their career. The Company also encourages employees to discuss with the management about career planning based on their preference, skill set, value and goal.	
(5) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	V		(5) The high-quality medical devices produced by our company are in compliance with relevant regulations and international standards. Their products are accompanied by instruction manuals. In response to consumer complaints, the business unit also immediately took measures to deal with it, and set up a 0800 dedicated line to protect consumer rights.	

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	V		(6) The company has not signed all contracts with major suppliers. However, if the supplier is found to be in violation of corporate social responsibility and has a significant impact on the environment and society, it will consider temporarily or terminating its business.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?		V	The company has not yet prepared a corporate social responsibility report.	At this stage, there is no immediate plan to compile corporate social responsibility report, which will be decided according to the future operating conditions.
6. If the Company has established its sustainable development codes in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies", please describe its current practices and any deviations from the Best Practice Principles: Not applicable.				
7. Other important information for understanding the Company's sustainable development implementation: (1) Community engagement and social contribution: ST. Shine Optical is committed to the Taiwan market. All of the Company's production sites are located in Taiwan, including New Taipei City (Xizhi District) and Keelung City. Together, they provide thousands of job opportunities to locals and are highly respected for it. (2) Environmental protection: Most of the waste generated by the Company is collected by professional contractors. No pollution of the environment had occurred in the last year. (3) Social service and public welfare: The Company is a long-time sponsor of national sports (badminton) and events organized by Chinese Taipei Olympic Committee. (4) Human rights: The Company treats its employees equally and offers fair employment opportunities irrespective of gender, religion, and political association. The Company has created a good work environment where employees are free from discrimination and harassment. (5) Safety and health: The Company is dedicated to promoting safety and health policies and making ongoing improvements to production procedures and the work environment. Owing to the effort of its employees, the Company has been able to continually improve the safety and health of its work environment.				

(7) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles forTWSE/TPEx Listed Companies" and Reasons

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
1. Establishment of integrity policies and solutions (1) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies? (2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies? (3) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	V V V		(1) The Company has established the "Ethical Corporate Management Best-Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" to clearly define the principle, procedure and practice of ethical management. We also post them on the company's outside and inside website to convey to directors, supervisiors, management, employees and interested parties. (2) The company has formulated the relevant operating procedures for preventing dishonest behavior in the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", which have covered the items in paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". The above procedures have been disclosed on the company's website. (3) The company's "Code of Ethics and Conduct", "Procedures for Ethical Management and Guidelines for Conduct" and related internal regulations have clearly defined disciplinary measures and complaint systems for violations, and implemented them through internal education and training.	No material deviation is found.
2. Enforcing ethical management (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V V		(1) The Company systematically assesses its customers and suppliers. From December 1, 2020, the ethical behavior clause has been included in all new contracts. (2) The company is jointly responsible for the promotion and promotion of corporate integrity management by the audit office and the administration department, and the audit division reports to the board members on the implementation of the above work.	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(3) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests? (4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit? (5) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V V V		(3) The Company's directors, supervisors and managers have strictly adhered to the avoidance of conflicting interests. Any conflict of interest arising from work duties may be reported directly to the President or the board of directors. (4) The company has established a complete and effective accounting system and internal control system. The internal audit unit formulates an audit plan based on the risk assessment results, and executes various audit operations according to the plan. If special circumstances occur, a separate project audit will be arranged. (5) The company has posted the "Procedures for Ethical Management and Guidelines for Conduct" on the bulletin board and the company's website, and organizes education and training from time to time as necessary to help employees establish the basic concept of integrity management and the code of conduct that should be followed.	
3. Whistleblowing system (1) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts? (2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation? (3) Has the Company provided proper whistleblower protection?	V V V		(1) The Company has not established a whistleblower system and does not offer related incentives. However, employees may still report dishonest conducts through the opinion box to the Administrative Department. (2) Although the Company has not implemented a whistleblower system and related procedures, all documentary proofs submitted in relation to a misconduct investigation are handled in a confidential manner, and all personnel participating in the investigation are held responsible for maintaining total secrecy of throughout the investigation. (3) The Company has measures in place to protect informants from any form of mistreatment.	No material deviation is found.
4. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		The company's website and MOPS have disclosed the contents of the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct".	No material deviation is found.

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
5. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				
6. Other information relevant to understanding the Company's business integrity (e.g. reviews of business integrity principles): None.				

(8) Corporate governance principles and inquiry methods: The company has formulated the "Code of Practice on Corporate Governance" and related regulations. Please refer to the company’s webside (https://www.stshine.com.tw) and MOPS.

(9) Other information material to the understanding of corporate governance: The company has formulated the "Internal material information processing and insider transaction prevention management procedures", which clearly regulates the internal material information processing and disclosure mechanism, avoids improper disclosure of information, and ensures the consistency and correctness of the information published by the company.

(10) Internal control:

1. Declaration of internal control system: Please see page 44.
2. If the internal control system was reviewed by an external CPA, the result of such review must be disclosed: None.

(11) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system in the most recent year up until the publication date of this annual report; describe areas of weakness and any corrective actions taken: None

(12) Major resolutions passed in shareholder meetings and board of directors meetings in the most recent year up until the publication date of this annual report (2021)

1. Shareholder meeting resolutions and execution

(1) Acknowledgment of the Company's 2020 year-end accounts.

Execution: Votes in favor account for shares present at the time of voting are 96.91%; resolution passed.

(2) 2020 earnings distribution.

Execution: Votes in favor account for shares present at the time of voting are 96.95%; resolution passed.

Adopted by the board of directors meeting dated July 22, 2021, a resolution was passed to set the dividend baseline date at September 5, 2021. Actual payment of cash dividend was made on September 28, 2021.

(3) Passed the amendment to the “Articles of Incorporation”.

Execution: The resolution is passed. It will be implemented in accordance with the revised "Articles of Incorporation", and the revised "Articles of Incorporation" will be disclosed on the company's website.

(4) Passed the amendment to the “Procedures for the Acquisition or Disposal of Assets”.

Execution: The resolution is passed. It will be implemented in accordance with the revised " Procedures for the Acquisition or Disposal of Assets ", and the revised " Procedures for the Acquisition or Disposal of Assets " will be disclosed on the company's website.

(5) Passed the amendment to the “Loans and Endorsement & Guarantee Operational Procedures”.

Execution: The resolution is passed. It will be implemented in accordance with the revised "

Loans and Endorsement & Guarantee Operational Procedures ", and the revised " Loans and Endorsement & Guarantee Operational Procedures " will be disclosed on the company's website.

2. Major board of directors meeting resolutions

(1) Board of directors meeting dated January 12, 2021

A. Passed managers' 2020 year-end bonus.

B. Passed election of the Directors. (Including Independent Directors)

C. Passed the convention of 2021 annual general meeting.

(2) Board of directors meeting dated March 18, 2021

A. Passed the allocation of 2020 director/supervisor/employee remuneration
B. Acknowledged the 2020 year-end accounts.
C. Passed the 2020 earnings distribution.
D. Passed the Company's auditor independence assessment.
E. Passed CPA re-appointment and remuneration for the Company's 2021 financial statement auditing and profit-seeking enterprise income tax filing service.
F. Passed the amendment to the “Articles of I ncorporation”.
G. Passed the amendment to the “Procedures for the Acquisition or Disposal of Assets”.
H. Passed the amendment to the “Loans and Endorsement & Guarantee Operational Procedures”
I. Passed nomination and review of director candidates. (Including Independent Directors)
J. Passed to release non-competition restrictions on newly appointed directors and their representatives.

(3) Board of directors meeting dated April 29, 2021

A. Passed revise of nomination and review of director candidates. (Including Independent Directors).

(4) Board of directors meeting dated May 6, 2021:None.

(5) Board of directors meeting dated June 3, 2021

A. Passes the postponement of the date and place of the 2021 general meeting of shareholders.

(6) Board of directors meeting dated July 2, 2021

A. Passed the establishment of the first audit committee of the company.

(7) Board of directors meeting dated July 22, 2021

A. Passed the cash dividend baseline date.

B. Passed the 5th Remuneration Committee of the company.

C. Passed establishment of the " Corporate Governance Best Practice Principles ".

(8) Board of directors meeting dated August 4, 2021

A. Passed allocation of 2020 director and supervisor remuneration.

B. Passed the 2020 profit sharing for employees of managerial role.

(9) Board of directors meeting dated Novenber 3, 2021:None

(10) Board of directors meeting dated January 5, 2022

A. Passed managers' 2021 year-end bonus.

B. Passed the appointment of Head of Corporate Governance.

(11) Board of directors meeting dated March 22, 2022

A. Passed the allocation of 2021 director/supervisor/employee remuneration.
B. Passed the 2021 individual financial statements and consolidated financial statements.

C. Passed the 2021 earnings distribution.
D. Passed the Company's auditor independence assessment.
E. Passed CPA re-appointment and remuneration for the Company's 2022 financial statement auditing service.
F. Passed the amendment to the “Articles of Incorporation”.
G. Passed the amendment to the “Procedures for the Acquisition or Disposal of Assets”.
H. Passed the amendment to the “Loans and Endorsement & Guarantee Operational Procedures”.
I. Passed related matters about 2022 annual general meeting of shareholders and acceptance of shareholders' proposal rights.

(12) Board of directors meeting dated May 5, 2022:None

(13) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year (2021), up until the publication date of this annual report: No director or supervisor had made documented opinion or declaration against any major resolution passed by the board of directors.

(14) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year (2021) up until the publication date of this annual report: The Company encountered no resignation or dismissal of its Chairman, President, head of accounting, head of finance, Chief Internal Auditor or head of R&D:None.

St.Shine Optical Co., Ltd.
Declaration of Internal Control System

Date: March 22, 2022

The following declaration had been made based on the 2021 self-assessment of the Company's internal control system:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.), reliable, timely and transparent financial reporting, and regulatory compliance.
2. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. The internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
3. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether existing policies continue to be effective. Assessment criteria introduced by "The Governing Principles" consisted of five main elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
4. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
5. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2021. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This declaration was passed unanimously without objection by all 8 directors present at the board meeting dated March 22, 2022.

St.Shine Optical Co., Ltd.

Chairman: Ming-Hsien Chen

CEO : Johnson Chou

5. Disclosure of CPAs' remuneration

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fees	Total	Remarks
PwC Taiwan	Sheng-Wei Teng	2021FY	3,200	1,265 (see Remarks)	4,465	1. License registration 305 2. Tax Compliance Audit 750 3. Transfer price 160 4. Disbursement fee 50
	Shu-Fen Yu					

(1) Change of accounting firm that resulted in the reduction of audit remuneration from the previous year; disclose audit remuneration before and after the change and the cause of such change: No change of accounting firm had taken place in 2021.

(2) Any reduction in audit remuneration by more than 10% compared to the previous year; state the amount, the percentage and reason of such variation: None.

6. Change of CPA: None

7. The Company's Chairman, President, or any managers involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company in the last year: None

8. Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year (2021), up until the publication date of this annual report

(1) Change of shareholding of directors, supervisors, managers and major shareholders

Unit: shares

Title	Name	2021		Year-to-date as at April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Current directors (Elected at the shareholders' meeting on July 2, 2021)					
Chairman and Vice President	Ming-Hsien Chen	0	0	0	0
Director and CEO	Johnson Chou	0	0	0	0
Director	Ying-Chieh Chu	0	0	0	0
Director	Peter Ho	0	0	0	0
Director(Note1)	Yu Hao Chen	0	0	0	0
Independent Director (Note1)	Chang Chou Li	0	0	0	0
Independent Director (Note1)	I–Yen Lu	0	0	0	0
Independent Director (Note1)	James S. J. Cheng	0	0	0	0
Previous directors and supervisors (Before the re-elected of shareholders' meeting on July 2, 2021)					
Chairman and Vice President	Ming-Hsien Chen	0	0	0	0
Director and CEO	Johnson Chou	0	0	0	0
Director	Ying-Chieh Chu	0	0	0	0
Director(Note2)	Yu-Yan Hsieh	0	0	0	0
Director(Note2)	Su-Mei Ku	0	0	0	0

Title	Name	2021		Year-to-date as at April 30	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Independent Director (Note2)	Jasmine Wang	0	0	0	0
Independent Director (Note2)	Frankie Hsieh	0	0	0	0
Independent Director (Note2)	Ju-Yang Liao	0	0	0	0
Supervisor(Note2)	Chin-Lung Chen	0	0	0	0
Supervisor(Note2)	Chih-Long Chou	0	0	0	0
Supervisor	Peter Ho	0	0	0	0
Manager of Finance Department	Eris Lin	0	0	0	0

Note 1: The number of shares held by them has been declared since the month of election.
Note 2: The number of shares held by them will not be declared after term expired.

(2) Details of shares transferred by directors, supervisors, managers and shareholders with more than 10% ownership interest to a related party in the last year (2021), up until the publication date of this annual report: None of the Company's directors, supervisors, managers and shareholders with more than 10% ownership interest had transferred shares to a related party.

(3) Details of shares pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest with a related party: None of the Company's directors, supervisors, managers and shareholders with more than 10% ownership interest had pledged shares with a related party.

9. Relationships among the top-ten shareholders:

April 30, 2022; unit: shares

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company’s Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Standard Chartered Bank in its Capacity as Master Custodian for Fidelity Puritan Trust: Fidelity Low-Priced	2,389,000	4.74%	N/A	N/A	N/A	N/A	None	None
Cathay Life Insurance Co., Ltd. Chairman: Tiao-kuei Huang	1,954,000	3.88%	N/A	N/A	N/A	N/A	None	None
	Data Not Available							
Yun Ming Investment Co., Ltd. Chairman: Pi-Chen Liu	1,751,000	3.47%	N/A	N/A	N/A	N/A	None	None
	13,018	0.03%	293,589	0.58%	0	0%	None	None
Johnson Chou	1,388,612	2.75%	0	0%	0	0%	None	None
TransGlobe Life Insurance Inc. Chairman: Teng-De Peng	1,205,000	2.39%	N/A	N/A	N/A	N/A	None	None
	Data Not Avaliable							
Standard Chartered Bank in its Capacity as Master Custodian for Fidelity Puritan Trust: Fidelity	1,070,000	2.12%	N/A	N/A	N/A	N/A	None	None

Name	Current Shareholding		Spouse and minor Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Series Intrinsic Opportunities Fund								
HSBC Trusted with Yishun Fund - Yishun Asian Consumer Demand Fund	729,000	1.45%	N/A	N/A	N/A	N/A	None	None
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	709,542	1.41%	N/A	N/A	N/A	N/A	None	None
Hua Nan Bank in custody for Allianz Global Investors Taiwan Technology Fund	700,000	1.39%	N/A	N/A	N/A	N/A	None	None
Standard Chartered Bank in its Capacity as custodian of Fidelity North Star Fund Account	700,000	1.39%	N/A	N/A	N/A	N/A	None	None

10. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties:

April 30, 2022; unit: shares

Investees (Note)	Held by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate ownership	
	Shares held	%	Shares held	%	Shares held	%
Shine Optical Holding Groups Inc.	8,800,000	100%	-	-	8,800,000	100%
Shine Optical (Samoa) Holding Groups, Inc.	1,900,000	100%	-	-	1,900,000	100%
Shine Optical HK Limited	-	-	1,850,000	100%	1,850,000	100%
Shanghai Ticon Optical Limited	-	-	Capital contribution US$ 1,800,000	100%	Capital contribution US$ 1,800,000	100%
St. Shine Optical Japan Co., Ltd	800	100%	-	-	800	100%

Note: The above investments were accounted using the equity method.

IV. Funding Status

1. Capital and outstanding shares

(1) Source of capital

1. Changes in share capital

April 30, 2022; unit: shares; NTD

Year / months	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks	
		Shares held (shares)	Amount (NTD)	Shares held (shares)	Amount (NTD)	Source of capital	Others
1986.09	25,000	200	5,000,000	200	5,000,000	Initial capital at incorporation	None
1991.12	25,000	800	20,000,000	800	20,000,000	Cash issue	None
1994.09	10,000	5,000	50,000,000	5,000	50,000,000	Cash issue	None
1996.12	10,000	10,000	100,000,000	10,000	100,000,000	Cash issue	None
1998.12	10,000	19,000	190,000,000	19,000	190,000,000	Cash issue	None
1999.12	10	13,300,000	133,000,000	13,300,000	133,000,000	Capital reduction for cash	None
1999.12	10	36,100,000	361,000,000	19,000,000	190,000,000	Cash issue	None
2001.08	10	36,100,000	361,000,000	14,300,000	143,000,000	Capital reduction for cash	None
2001.08	10	36,100,000	361,000,000	19,000,000	190,000,000	Cash issue	None
2001.10	10	36,100,000	361,000,000	20,360,000	203,600,000	Cash issue	None
2002.08	10	39,710,000	397,100,000	25,360,000	253,600,000	Capitalization of retained earnings	None
2003.09	10	39,710,000	397,100,000	31,012,000	310,120,000	Capitalization of retained earnings	Note 1
2003.09	10	39,710,000	397,100,000	32,212,000	322,120,000	Cash issue	Note 2
2004.06	10	35,822,000	358,220,000	32,212,000	322,120,000	Amendment of the Articles of Incorporation	None
2004.06	10	52,286,000	522,860,000	32,212,000	322,120,000	Amendment of the Articles of Incorporation	None
2004.09	10	52,286,000	522,860,000	36,328,000	363,280,000	Capitalization of retained earnings	Note 3
2005.06	10	52,286,000	522,860,000	38,828,000	388,280,000	Cash issue	Note 4
2005.10	10	52,286,000	522,860,000	40,990,000	409,900,000	Capitalization of retained earnings	Note 5
2006.02	10	52,286,000	522,860,000	41,663,500	416,635,000	Exercise of employee warrant	Note 6
2006.10	10	52,286,000	522,860,000	44,076,675	440,766,750	Capitalization of retained earnings	Note 7

Year / months	Issue price (NTD)	Authorized capital		Paid-up capital		Remarks	
		Shares held (shares)	Amount (NTD)	Shares held (shares)	Amount (NTD)	Source of capital	Others
2006.10	10	52,286,000	522,860,000	44,559,175	445,591,750	Exercise of employee warrant	Note 6
2007.02	10	52,286,000	522,860,000	47,634,175	476,341,750	Cash issue of 3,000,000 shares and exercise of employee warrant 75,000 shares	Note 6, Note 8
2007.09	10	88,000,000	880,000,000	50,315,884	503,158,840	Capitalization of retained earnings	Note 9
2009.09	10	88,000,000	880,000,000	50,416,516	504,165,160	Capitalization of retained earnings	Note 10

*No share offering was paid in property other than cash.

Note 1: Date approved by Securities and Futures Institute and reference No.: Tai-Tsai-Cheng-(I)-0920131651, 2003.07.15

Note 2: Date approved by Securities and Futures Institute and reference No.: Tai-Tsai-Cheng-(I)-0920134712, 2003.07.31

Note 3: Date approved by Securities and Futures Institute and reference No.: Tai-Tsai-Cheng-(I)-0930128419 2004.07.28

Note 4: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-1-0940109765, 2005.04.04

Note 5: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-1-0940130325, 2005.07.26

Note 6: Date approved by Securities and Futures Institute and reference No.:
Tai-Tsai-Cheng-(I)-0910165870 2002.12.18
Tai-Tsai-Cheng-(I)-0920114483, 2003.04.28

Note 7: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-1-0950137786, 2006.08.24

Note 8: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-1-0950156183, 2006.12.11

Note 9: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-1-0960035555, 2007.07.10

Note 10: Date approved by Financial Supervisory Commission and reference No.: Jin-Guan-Zheng-Fa-0980037477, 2009.07.27

2. Share categories

April 30, 2022; unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	50,416,516	37,583,484	88,000,000	Outstanding shares were listed for trading on TPEx.

(2) Status of Shareholders

April 30, 2022

Shareholders structure / QTY	Government institutions	Financial institutions	Other corporate entities	Natural persons	Foreign institutions and foreigners	Total
Number of Shareholders	2	5	97	11,141	138	11,383
Shareholding (shares)	461,000	3,558,000	6,492,928	26,708,471	13,196,117	50,416,516
Percentage (%)	0.91	7.06	12.88	52.97	26.18	100.00

(3) Shareholding Distribution Status

Face value: NT$10 per share

April 30, 2022

Class of Shareholding (Unit : share)	Number of shareholders (persons)	Shareholding (shares)	Percentage (%)
1 to 999	4,423	483,479	0.97
1,000 to 5,000	6,018	10,581,193	20.99
5,001 to 10,000	506	3,827,794	7.59
10,001 to 15,000	154	1,963,399	3.89
15,001 to 20,000	71	1,278,915	2.54
20,001 to 30,000	62	1,547,910	3.07
30,001 to 40,000	31	1,112,016	2.21
40,001 to 50,000	22	979,728	1.94
50,001 to 100,000	34	2,285,410	4.53
100,001 to 200,000	25	4,069,521	8.07
200,001 to 400,000	17	4,663,541	9.25
400,001 to 600,000	7	3,151,729	6.25
600,001 to 800,000	7	4,714,269	9.35
800,001 to 1,000,000	0	0	0
1,000,001 and above	6	9,757,612	19.35
Total	11,383	50,416,516	100.00

(4) List of major shareholders:

The names of shareholders with more than 5% ownership interest, names of top-10 shareholders, and the actual number and percentage of shares held

April 30, 2022

Shareholder's name \ Shareholding	Shareholding (shares)	Percentage (%)
Standard Chartered Bank in its Capacity as Master Custodian for Fidelity Puritan Trust: Fidelity Low-Priced	2,389,000	4.74%
Cathay Life Insurance Co., Ltd.	1,954,000	3.88%
Yun Ming Investment Co., Ltd.	1,751,000	3.47%
Johnson Chou	1,388,612	2.75%
TransGlobe Life Insurance Inc.	1,205,000	2.39%
Standard Chartered Bank in its Capacity as Master Custodian for Fidelity Puritan Trust: Fidelity Series Intrinsic Opportunities Fund	1,070,000	2.12%
HSBC Trusted with Yishun Fund - Yishun Asian Consumer Demand Fund	729,000	1.45%
Citibank (Taiwan) Limited as custodian of Norges Bank Investment Account	709,542	1.41%
Hua Nan Bank in custody for Allianz Global Investors Taiwan Technology Fund	700,000	1.39%
Standard Chartered Bank in its Capacity as custodian of Fidelity North Star Fund Account	700,000	1.39%

(5) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years

Unit: NTD

Item \ Year			2020	2021	2022, up until March 31
Market price per share	High		455.5	415.0	339.0
	Low		251	259.5	275.0
	Average		319.99	329.79	300.8
Net worth per share	Before distribution		111.59	118.44	109.40
	After distribution		99.59	103.44(Note)	-
Earnings per share	Weighted average outstanding shares (shares)		50,416,516	50,416,516	50,416,516
	Earnings per share		14.78	18.80	5.88
Dividends per share	Cash dividends		12.0	15.0(Note)	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		-	-	-
Analysis of investment returns	P/E ratio		21.65	17.54	-
	Price to dividends ratio		26.67	21.99 (Note)	-
	Cash dividend yield		3.75%	4.55%(Note)	-

Note: On March 22, 2022, the board of directors resolved to distribute a cash dividend of NTD 15.0 per share, which will be reported to the shareholders' meeting on June 29, 2022. ◦

(6) Dividend policy and execution

1. Dividend policy stated in the Company's Articles of Incorporation:

(1) The Company's earnings, if any, should be applied to pay taxes and make up for losses, and then 10% of the earnings shall be appropriated as legal reserve. However, when the legal reserve is equivalent to the paid-in capital, the appropriation of legal reserve can be ceased. In addition, the special reserve will be appropriated or reversed according to laws and regulations or depending on business needs. The remaining amount, if any, plus the accumulated undistributed earnings will be available for distribution according to the proposal of the Board of Directors. The issuance of new shares should be presented in the Shareholders Meeting for resolutions.

'A company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares of the company, have the surplus profit distributable as dividends and bonuses in accordance with paragraph 5, Article 240 of the Company Act, or have the legal reserve and capital reserve in whole or in part may be paid in cash, and submitted to the shareholders' meeting in accordance with paragraph 1, Article 240 of the Company Act.

(2) The Company's dividend decisions involve several factors including the current business environment and growth stage, its future capital requirements and long-term financial plan, and shareholders' needs for cash flow. At least 10% of proposed dividends shall be distributed in cash.

2. Execution situation

The company's surplus can be distributed by stocks or cash. Since the company's stocks have been listed in TPEx, the board of directors and the shareholders' meeting has resolved all (100%) cash dividends, and the distribution rate is between 70%~ 85%. In the future, the company expects to maintain a stable cash dividend distribution policy, and considers whether to distribute stock dividends depending on future funding needs and the degree of equity expansion.

3. Dividend distribution proposed for this board of directors:

The Company's 2021 earnings appropriation was passed during the board of directors meeting held on March 22, 2022. It has been passed to distribute cash dividends totaling NT$756,247,740 from 2021 undistributed earnings, which is equivalent to NT$15 per share. The board of directors will set another baseline date, cash dividend distribution date and other related matters.

(7) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(8) Employee/director remuneration

1. Percentage and range of employee/director remuneration:

Annual profits concluded by the Company are subject to employee remuneration of no less than 3%, which the board of directors may decide to distribute in cash or in shares. Employees of subsidiaries who meet certain criteria are also entitled to receive remuneration. Up to 3% of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors.

Profits must first be taken to offset against cumulative losses, if any, before the remainder can be distributed as employee/director remuneration in the above percentages.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid: Not applicable as no discrepancy existed.

3. Remuneration passed by the board of directors

The Company's 2021 employee/director/supervisor remuneration was passed during the board of directors meeting held on March 22, 2022. Details of the remuneration approved by the board are shown below:

(1) Employee/director/supervisor remuneration, in cash or in shares.

	Amount of distribution (NTD)
Employee remuneration	90,000,000
Directors 'and supervisors 'remuneration	10,000,000

Note: The above amounts were indifferent from the amounts estimated in the year the expense was recognized.

(2) Percentage of employees 'remuneration paid in shares, relative to net income and total employees 'remuneration shown in standalone financial statements: Not applicable.

4. Actual payment of employee/director/supervisor remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies).

Actual payment of 2020 employee/director/supervisor remuneration

Item	Actual payment (NTD)
Employee remuneration	72,000,000
Directors 'and supervisors 'remuneration	10,000,000

Note: The actual amounts above were indifferent from the amounts recognized.

(9) Buyback of company shares: None.

2. Corporate bonds: None.

3. Preferred shares: None.

4. Depository receipts: None.

5. Disclosure relating to employee warrants and restricted employee shares: None.

6. Issuance of new shares for business acquisition or share exchange: None.

7. Progress on planned use of capital: Not applicable.

V. Operational Overview

1. Business activities

   (1) Scope of business

   1. Principal business activities

      (1) Production of medical device.

      (2) Wholesale and retail sale of medical device.

      (3) Refraction test and prescription eyewear service.

      (4) International trade.

      (5) Wholesale and retail sale of computers and office equipment

   2. Main products and weight

      Main products and weight in 2021:

      Unit: NTD thousands

Business activities	2021	Revenue weight (%)
Disposable lens	5,397,800	99.93
Others	3,807	0.07
Total	5,401,607	100.00

Note: Others represent income from sale of raw materials

   3. The Company's current products

      The Company is primarily involved in the production and sale of disposable soft contact lenses. The Company's product portfolio comprises two main categories of contact lens, which are distinguishable by useful life:

      (1) Conventional Contact Lens

      Conventional contact lenses are lathe-cut. Depending on the hydrophilicity of the lens material, products can be further distinguished between Rigid Gas Permeable Contact Lens (RGP) and Conventional Soft Contact Lens. Depending on the corrective function and purpose, the lenses can be further distinguished between myopia, hyperopia, astigmatism and presbyopia. Conventional contact lenses usually have a useful life of 1~2 years.

      (2) Disposable Soft Contact Lens

      Disposable soft contact lenses are mostly cast-molded using permeable, soft material. Currently, the Company is capable of designing and producing disposable soft contact lenses of different water contact and structure. They are available in different disposal cycles including daily, weekly and monthly. Depending on the corrective function and purpose, the lenses can be further distinguished between myopia, hyperopia, astigmatism and presbyopia, and aberration control lenses and high definition lenses that are intended to enhance image quality. There are also colored contact lenses that change the color of the retina, and contact lenses that provide cosmetic effects.

      Furthermore, cast-molded soft contact lenses can be made and sold in finished or semi-finished form to accommodate customers' requirements. Finished goods are lenses that have undergone all production steps and have been packaged and sterilized. Semi-finished products are dry lenses that have yet to be hydrated or removed from mold.

4. Sales location and model

The Company markets its products under a proprietary brand within the Greater China region. "Ticon®" is the brand under which products are marketed in Taiwan. For export sales, the Company designs and produces under customers' private labels. The Company's products are exported to Japan, Germany, UK, Canada, the Netherlands, Italy, and countries in Southeast Asia, the Middle East, Central/South America and Africa.

5. New products planned for the future

(1) Raw material development and design for Moisture Retarding Contact Lens

Amongst users that wear lenses for vision correction, 10% of whom are susceptible to dry eye syndrome (DES) and are unable to wear contact lenses for a long time. Furthermore, wearing contact lenses in high-latitude regions and for long periods of time in an air-conditioned environment can cause tears to evaporate, causing discomfort to the eye. The Company has introduced moisturized products with hyaluronic acid content, and will continue to work with contractors and customers to develop new formula for contact lens materials that would deliver long-term moisturization. This product will be sold domestically and in foreign markets to satisfy the needs of this particular group of consumers. In the future, the Company will continue exploring new materials that would achieve more effective moisturization at lower cost.

(2) Daily disposable contact lens with specific features

Daily disposable contact lenses have emerged to become one of the mainstream varieties of contact lens today as they do not require cleaning and maintenance, and can be disposed once used. Apart from spherical daily disposable contact lenses, which can be used to correct myopia/hyperopia, there are also other people who need daily disposable contact lenses with special features to correct astigmatism, presbyopia and for cosmetic purpose. In addition to the launch of toric daily disposable contact lens in 2008, cosmetic daily disposable contact lens with colored retina in 2010 and progressive multifocal daily disposable contact lens for users who have trouble adjusting between near/far objects in 2015, the Company continues to develop new daily disposable contact lenses to satisfy the needs of other user groups. Introduction of new contact lenses with special features should improve the Company's market penetration and market share.

(3) Development of silicone hydrogel" material

"Silicone hydrogel" offers the comfort of soft contact lens and high oxygen permeability of silicon lens, which allows users to wear for long periods of time without developing cornea disease. This feature makes it possible to develop a new variety of contact lenses called Extended Wear, one that users can wear to sleep without having to remove, clean and maintain everyday, while at the same time minimizing the harm that contact lenses can do to the eyes after long-term wear. Convenience, safety and comfort are the three main features for the next generation of contact lens material.

(2) <u>Industry overview</u>

1. Current and future industry prospects

(1) Current state of industry

Contact lens is recognized as medical device; its main purpose is to correct human vision and offers cosmetic benefits at the same time. From glass-based, polymethyl methacrylate (PMMA) and hard, uncomfortable materials in the early days, contact lens materials are progressing towards delivering high oxygen permeability and comfort, thus giving rise to the application of more comfortable and water permeable material called hydroxyethyl methacrylate (HEMA). Since then, the use of material has evolved from rigid gas permeable (RGP) to "silicone hydrogel" that enables more long-term wear. As for contact lens features, they have expanded from the correction of myopia and hyperopia to the correction of astigmatism and presbyopia, and high-end aberration correction in the latest development. The introduction of colored contact lenses also brings cosmetic function to the product.

The earliest users who tried out contact lenses out of curiosity are entering the age where they need correction for presbyopia. As a result, the market has increasing demand for functional lenses that offer features such as bifocal, multifocal etc. Demand in this respect is expected to grow at a rate of at least 10% yearly. As for colored contact lenses, their versatility to offer zero diopter or vision correction features has made them popular among young people, and are expected to sustain a growth rate of 5%~10% per year.

(2) Industry development

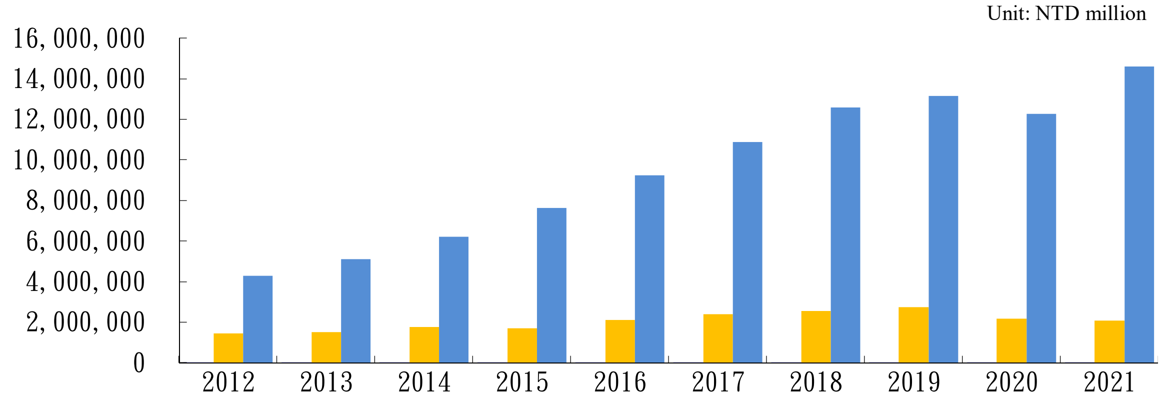
According to data provided by Contact Lens Spectrum, the size of the global contact lens market has been estimated at US$ 9 billion in 2021, and is growing at a steady rate each year except of 2019 and 2020 which are affected by the COVID-19.

Statistics have indicated two main reasons that drive the growth of the contact lens market. One of which is the "transition towards higher value and special feature lenses," including toric soft contact lens, multifocal contact lens for presbyopia, and colored contact lens for young people. This transition not only increases sales volume, but more importantly, it widens consumers' price tolerance and allows manufacturers to sell the additional features at higher margin. The second reason is the "ever-growing international market." Countries along the Pacific Ocean, especially Japan and Australia and Europe will see the highest growth in contact lens users. Emerging markets, too, have seen the percentage of contact lens users grow relative to the overall population in recent years due to strong economic development and strengthened spending power.

Due to environmental and regulatory differences, contact lenses have performed differently in various markets. GP lenses have achieved high market share in Japan, Germany and Israel, but only 10% in other countries. Daily disposable contact lenses exhibit the most diverse performance between markets. According to Cooper Company, about 40% of wearers in the American continent choose daily disposable, compared to 50% in Europe, 65% in Asia Pacific, and 50% worldwide. Toric and multifocal lenses, too, have performed differently in various markets. In some countries, the market share of spherical lenses exceeds toric lenses only marginally by 10%. There is virtually no market for GP lenses in China despite the country's rapid economic growth, and sale of daily disposable lenses is relatively low compared to other countries. Nearly 50% of users still prefer soft lenses of monthly or longer cycle. These differences will eventually create disequilibrium in the demand and supply of a single product within a particular region, a shortfall that most major brands adopting the global marketing approach can not react in time, which therefore creates opportunities for OEMs.

Contact lens is a more highly established industry in Taiwan compared to other biotech and medical device. According to statistics published by Customs of The Republic of China in the last 10 years, Taiwan's contact lens export has been increasing at a compound annual growth rate of more than 15%, which is nearly four times as high as the all-industry average of 5%. This shows that the local contact lens market is becoming less dependent upon imported goods. As the market saturation increases, wether the import or export

Amount of Contact Lens Import and Export



Source: Customs of R.O.C.

2. Association between upstream, midstream, and downstream industry participants

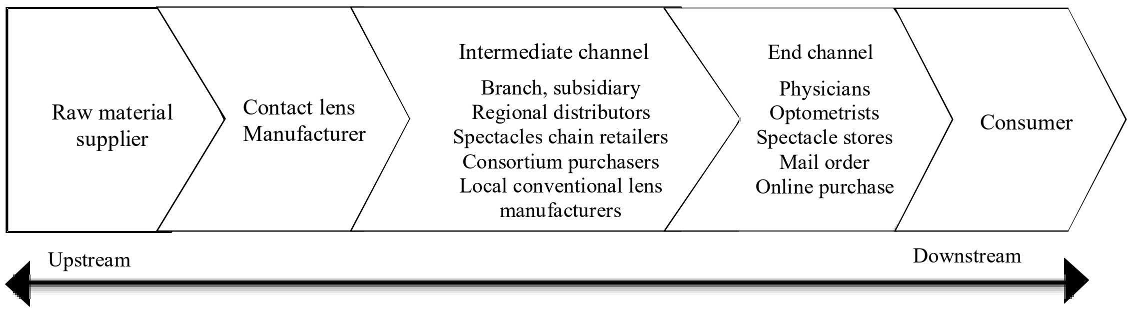
Raw material suppliers represent the upstream of the contact lens industry. High polymers such as HEMA, EGDMA and NVP are the main chemicals used in the production of contact lens.

Contact lens manufacturers are mid-stream players of the industry. Those with R&D capabilities are able to purchase raw chemicals (such as: HEMA, EGDMA, NVP etc.) and produce contact lens materials using proprietary formula, while manufacturers without R&D capability can only purchase readily prepared materials from suppliers, and therefore have a limited choice of supply source.

Distributors represent the downstream of the industry, which can be further distinguished between retailers that interact directly with consumers, including optometrists, ophthalmologists, spectacle stores, pharmacies, supermarkets, mail order merchants and online merchants, and intermediaries that connect retailers to contact lens manufacturers, including regional distributors, physicians and consortium purchasers. Uprise of the Internet has made mail order and online order two very popular ways of purchasing contact lenses. Mail order and online merchants often skip the intermediaries and purchase directly from contact lens manufacturers for lower cost and availability; some have even merged or engaged the manufacturers to develop new, exclusive products. In countries where there are strict requirements that all contact lenses must be accompanied by a prescription, the purchasing procedures have been made too complicated to the point that consumers simply do not purchase contact lenses online or over mail order. These are the main areas where manufacturers may be in risk of losing customers or are presented with stagnant growth.

If a consumer wishes to purchase lathe-cut contact lenses at a retailer, the optometrist or physician will perform a refraction test, issue a prescription and place an order with the lathe-cutting manufacturer. The manufacturer then produces lenses according to the prescription and hands them over to the consumer via the optometrist/physician. If a consumer wishes to purchase disposable contact lenses, a set of mass-produced, standardized disposable contact lenses that match the prescription can be readily acquired at any retail channel.

Contact lens supply chain



Source: Compiled by the Company.

3. Product trend and competition

(1) Product trends

A. Moisturized contact lenses

Cooper has launched a new contact lens material that contains phosphorylchlorine (PC) and made an FDA-certified claim about the material's benefits in preventing DES from wearing contact lenses. Alcon and Johnson & Johnson, on the other hand, have chosen to add moisturizing high polymers that gradually realize moisture to keep the surface moisturized. In light of how quickly these products have appealed to consumers right after launch, the Company brought new selections to the market in 2007 with the launch of moisturized contact lenses with hyaluronic acid.

B. Colored lens

Apart from lenses that change the color of the cornea, there are also cosmetic lenses that make eyes appeal larger like dolls, and hence the name - "doll eye contacts." After Johnson & Johnson launched its daily disposable "doll eye contacts" in Japan with the endorsement of Japanese celebrities, the product quickly gained the attention of Asian consumers, which posed significant impact on colored lenses in East Asia. In light of this challenge, the Company responded by introducing a similar product locally in 2008, and followed up with the introduction of daily disposable colored lenses that also achieve enlargement effects in 2010 to provide consumers with a broader selection.

C. "Silicone hydrogel" contact lenses

Colored and enlargement contact lenses are preferred by young people for their cosmetic effects, and are supported by strong, consistent demand. Meanwhile, contact lenses made from a new material called "silicone hydrogel," which offers both the comfort of ordinary hydrogel and high oxygen permeability of silicone, are increasingly popular in Europe and America.

"Silicone hydrogel" absorbs water, which helps maintain flexibility in the lens; in addition, hydrophilic treatment on the surface makes the lens easy to wear for users. Silicone hydrogel also offers high oxygen permeability (3~6 times that of ordinary hydrogel) that reduces the risk of corneal edema or eye diseases caused by lack of oxygen after wearing for long periods of time. The high oxygen permeability of silicone hydrogel makes it possible to develop a new variety of contact lenses called Extended Wear, one that users can wear to sleep without having to remove, clean and maintain every day, while at the same time minimizing the harm that contact lenses can do to the eyes after long-term wear.

The material and surface hydrophilicity of contact lenses have been improved continuously in recent years. New silicone hydrogel-based contact lenses with their appropriate hydrophilicity and high oxygen permeability have made the products easier to wear for longer periods in a single day without feeling dry. It is a solution that addresses comfort, health and safety all at the same time.

(2) Product competition

A. Product competition

Growth of the world's contact lens market is still dominated by the disposable variety (including daily, weekly, monthly and quarterly disposable lenses). Based on an overall analysis of available market data, daily disposable spherical lenses currently account for 50% of market share (gradually rise), while non-daily disposable spherical lenses are slightly below 20% (gradually decrease), and speciality lenses represent 30% of the market.

The strategy by Johnson & Johnson to launch weekly disposable silicone hydrogel-based contact lenses at low price has caused significant impact to the contact lens market. From USA to the rest of the world, silicone hydrogel is cannibalizing the market share of ordinary hydrogel. According to the market survey published in the annual reports of Cooper Company and Contact Lens Spectrum in 2020, silicone hydrogel-based lenses have captured a staggering 70% market share in the U.S., and demand is also rising progressively in Europe. In Asian markets, however, the high popularity and convenience of daily disposable lenses may have overshadowed the high oxygen permeability offered by silicone hydrogel. Johnson & Johnson recognized the differences of the European market and the deregulation that was happening in the UK, which was why it launched daily disposable silicone hydrogel lens first in the UK in 2008 as the first step towards growing demands for silicone hydrogel lenses in Europe. Companies including Alcon and Cooper soon followed and launched daily disposable silicone hydrogel lenses in Europe. As silicone hydrogel become popular, these multinational brands are starting to bring daily disposable silicone hydrogel lenses into American and Asian markets.

Demand for spherical soft lenses has saturated, prompting manufacturers to look towards special-purpose lenses for product and market segmentation. Special-purpose lenses with toric, bifocal, multifocal or progressive multifocal features account for two-fifths of the U.S. market. Toric lens provides consumers with more customized correction for astigmatism, and since approximately one-quarter of people with low vision in the U.S. require astigmatism correction, toric lens has been the fastest growing segment of all. Colored or cosmetic contact lenses are preferred by young people for their cosmetic effects, and are supported by strong, consistent demand.

As production technology evolves, production of disposable lenses becomes consistent, which enables manufacturers to shift production focus from monthly, weekly to daily disposable in the special-purpose lens segment. These daily disposable special-purpose lenses have the potential to increase overall penetration of disposable products and increase total market value. Meanwhile, introduction of moisturized daily disposable lenses should contribute towards expanding the market share of daily disposable lenses worldwide and compete head-to-head against silicone hydrogel-based products. If manufacturers are able to improve the success rate of disposable multifocal lenses for people with presbyopia and incorporate this moisturization technology into production, they may be able to slow down the rate at which silicone hydrogel is cannibalizing the market of ordinary hydrogel.

B. Market competition

Johnson & Johnson, Alcon, Cooper and Bausch & Lomb are the main suppliers of the contact lens market. Their aggressive marketing and promotion of proprietary brands in recent years have deprived distributors of profit margin and provoked intensive competition with local, private brand distributors for intermediaries and small/medium-size customers. In addition to making domestic and export sales under the proprietary brand, the Company also provides service as an ODM and produces products that are sold in other parts of the world under customers' brands. With flexible production capacity at its disposal and the support of customers' global marketing team, the Company has been able to market its products to Europe, America, Asia and Australia.

In Taiwan, advertising of daily disposable contact lenses was not approved by the Department of Health (now known as the Ministry of Health and Welfare) until 2003. Since then, manufactures including Johnson & Johnson, Bausch & Lomb and Alcon have made intensive efforts to advertise and promote daily disposable contact lenses in Taiwan. As a result, brand impression has become a key decision factor to consumers when choosing daily disposable products. In light of this development, the Company began advertising through media in 2007 to promote awareness of the proprietary brand - Ticon®. As time passes, the invested advertisements start to yield positive results, which are reflected in Ticon's® increasing market share in Taiwan. Deregulation on the advertisement of daily disposable lenses fueled the growth of contact lens in Taiwan. Based on data published by the customs authority, contact lens import has increased from 48.5 million pieces in 2003 to 266 million pieces in 2018, which is over 5 times over a period of 15 years.

As colored and enlargement lenses started to appeal to consumers in Asia, the Company introduced its own colored/enlargement lenses in Taiwan in June 2008 and subsequently followed up with new variety including fortnightly and daily disposables, thereby providing consumers with broader selections.

(3) Technological research and development

1. R&D expenses made in the last year (2021) up until the publication date of this annual report

Unit: NTD thousands

Year	2021	2022, up until March 31
Amount	53,742	13,081

2. Technologies or products successfully developed in the last year (2021):

(1) Lens optical design technology upgrade

(2) 60 % (Omafilcon A) contact lense

(4) Long and short-term business plans

1. Short-term development plan

(1) Marketing strategies

A. Expand the market of daily disposable contact lens

B. Develop flexibility and customization capacity

C. Establish strategic cooperation with upstream and downstream participants

(2) R&D direction

Regional differences have given rise to niche market opportunities, which the Company intends to exploit by offering broader product variety, more comprehensive product line and industry-leading ODM service.

(3) Production strategies

Continually improve production procedures and level of automation, and thereby reduce production cost.

2. Long-term plan

(1) Marketing strategies

A. Penetrate deep into global markets

B. Develop a respected regional brand

(2) R&D direction

The Company will strive to expand the functionality of its R&D Department and recruit additional R&D talents, and build a stronger team that will support the Company's plan to develop differentiated product lines. The Company plans to expand the market of hydrgel-based products by developing multifocal products that meet customers' needs. Furthermore, the Company will take initiative in the development of "silicone hydrogel" material to accommodate the world's product trends.

2. Market, production and sales overview

(1) Market analysis

1. Locations where products are mainly sold

Unit: NTD thousands

Sales destination	2021 net sales	Percentage (%)
Domestic	416,568	7.71
Asia	4,109,158	76.07
Europe	365,281	6.76
America	510,600	9.46
Total	5,401,607	100.00

Source: Compiled by the Company

2. Share of the contact lens market

According to Contact Lens Spectrum's 2021 annual report, the size of the global contact lens market has been estimated at US$ 9 billion in 2021. Judging by the Company's annual revenues, the Company's worldwide market share is approximately 2%.

3. Future market supply, demand and growth

North America is currently the world's largest contact lens market, representing over 1/3 of global sales. Asian and European markets are comparable in size, and Japan alone represents about 20% of the sale, which makes it one of the world's major markets. Although Taiwan's population is relatively small compared to other markets, a significant portion of the population has been diagnosed with myopia, which makes consumers highly willing to spend on contact lenses. This is the main reason that Taiwan as a whole accounts for 2% of the world's contact lens demand, whereas other markets such as South America, Africa and Australia account for only 5%.

An analysis of growth prospects by region shows slow growth in the number of contact lens wearers in Europe and America, where consumers are more receptive to the more costly disposable contact lens; as a result, sales value has been rising steadily in the two markets. In Asia, where the number of people with myopia is high and utilization of contact lens is low, consumers are becoming more receptive to contact lenses, and the increasing number of wearers combined with rising amount of spending make Asia the market with high growth potentials. China, in particular, has a population of 1.3 billion and about 350 million of whom are diagnosed with myopia, but only less than 10% of people wear contact lenses, which is far lower than the 20% average exhibited by other developed nations. Given the rapid increase in consumers' receptiveness and spending towards contact lenses, China will undoubtedly become one of the fastest growing regions.

In terms of supply, the world's top-4 manufacturers (Johnson & Johnson, Alcon, Cooper and Bausch & Lomb) have all been expanding production capacity through acquisition or factory construction. Their product line expansion efforts are starting to yield results, as can be seen in the intensive competition among brands. In an attempt to secure market share and growth, all major brands have begun offering products with special features such as toric and multifocal lenses.

Competition among international contact lens brands has been extremely intensive in recent years. Their aggressive marketing and promotion of proprietary brands have deprived distributors of profit margin and provoked intensive competition with local, private brand distributors for intermediaries and small/medium-size customers. This growing discontent among distributors and small/medium-size customers toward international brands has presented the Company with a niche opportunity. The Company has deployed a comprehensive marketing network throughout Europe, America, Japan and the Greater China region. It has the production capacity to meet the needs of existing and potential customers.

4. Competitive advantage

(1) Mainstream cast-molding production

In 1987, Johnson & Johnson introduced the cast-molding technique that greatly increased the efficiency and reduced the cost of producing disposable contact lenses. Since then, all of the world's major manufacturers have adopted the cast-molding method for producing contact lenses. The Company had fully adopted the cast-molding approach when it first began production of disposable products. Owing to the efforts of the technology team, the Company was able to make products of consistent quality in mass volume, and became one of the few manufacturers in the world besides the top-4 to succeed in cast-molding production.

(2) Rigorous certification

Contact lenses are used on the human eye and have been considered as medical device. To ensure product safety, governments around the world have imposed strict review procedures on the production and sale of contact lenses. Industry participants often have to pass certification of the local government before engaging in related business activities. The certification generally comprises two aspects: system and product. The purpose of a system certification is to certify the quality of a company's operating procedures, and represents quality assurance on a broader sense. Product certification, on the other hand, aims to certify the quality of product sold, which requires long-term clinical data to be used as proof. All producers of medical device are required to obtain system certification and product sale permit before launching products to the market. Through efforts and experiences accumulated over the years, the management has successfully developed contact lenses of broad specifications and variety, and the products are being highly recognized for the vision correction benefits and the comfort they offer. In addition to international certification ISO 9001, the Company has also received regional certifications including EN13485 (Europe), EC Certificate (Europe), GMP (Taiwan), and FDA (510k) (USA). These certifications are a testament to the Company's excellent product quality, which will prove useful to the Company's efforts in expanding the domestic and overseas markets. Details are as follows:

Name of certification		Purpose	Time obtained	Description
Quality Management System of Medical Device	ISO 13485:2016	To certify the quality management system conform to the international standard of medical device quality management.	1. ISO 13485:1996 certification obtained since 2002 2. Converted to ISO 13845:2003 in 2006 3. Converted to ISO 13485:2016 in 2019	System certification

Name of certification		Purpose	Time obtained	Description
Medical Device Single Audit Program	MDSAP	MDSAP is established by International Medical Device Regulators Forum (IMDRF) as the requirements of integrated certification related to quality management system for the health authorities of USA, Canada, Australia etc.	MDSAP obtained since 2018	System certification
European Union	EN ISO 13485: 2016	The manufacturer whose medical devices are selling in EU shall establish the quality management system of medical device according to the requirements.	1. EN46001 certification obtained since 1996 2. Converted to EN ISO 13485:2000 in 2003 3. Converted to EN ISO 13485:2003 in 2006 4. Converted to EN ISO 13485:2012 in 2013 5. Converted to EN ISO 13485:2016 in 2019	System certification
	EC Certificate	To certify the requirements of Medical Device Directive (MDD) 93/42/EEC have been met and the manufacturer qualifies to use CE marking on the products.	Since 1996	Product certification
Taiwan	GMP	The quality system of medical device manufacturer shall comply with the requirements of "Good Manufacturing Practice (GMP)".	1. Since 1999 (Ta Tung Plant) 2. Since 2000 (Hsi Chih II Plant) 3. Since 2007 (Kang Ning Plant) 4. Since 2011(Asia-Pacific Plant) 5. Since 2013 (Taiwan Science Plant) 6. Since 2014 (Wudu Plant) 7. Since 2018 (Xike Plant)	System certification
Taiwan	Product registration	Medical devices must be registered with the Ministry of Health and Welfare before they are sold within the Republic of China.	Permissions obtained since 1991 in succession	Product certification
USA	510(k)	Medical devices exported to the United States must be approved by the U.S. FDA before they are sold in the U.S. market.	Permissions obtained since 2002 in succession	Product certification
Canada	MDSAP	The manufacturer whose medical devices are placing on the Canada market shall have quality management system which conforms to the requirements of Health Canada.	1. ISO 13485:2003 under CMDCAS obtained since 2006 2. Converted to MDSAP in 2018(certificate is in process)	System certification
	Medical Device Licence	Medical devices selling in Canada shall obtain Medical Device Licence from Health Canada before they are placed on the market.	Permissions obtained since 2006 in succession	Product certification

Name of certification		Purpose	Time obtained	Description
China	Product registration	Medical devices shall be approved by and registered with the National Medical Products Administration before they are sold within China market.	Permissions obtained since 2002 in succession	Product certification
Korea	KGMP	The manufacturer whose medical devices are placing on the Korea market shall have quality management system which conforms to KGMP requirements of the Ministry of Food and Drug Safety (MFDS).	KGMP obtained since 2014	System certification
Korea	Product approval	Medical devices selling in Korea shall be approved by the Ministry of Food and Drug Safety (MFDS) before they are placed on the market.	Permissions obtained since 2015 in succession	Product certification
Singapore	Product registration	Medical devices selling in Singapore shall be registered with the Health Sciences Authority (HSA) before they are placed on the market.	Since 2016	Product certification
Philippine	Product certificate	Medical devices selling in Philippine shall obtain certificate from the Food and Drug Administration (PFDA) before they are placed on the market.	Since 2016	Product certification
Malaysia	Product certificate	Medical devices selling in Malaysia shall obtain certificate from the Medical Device Authority (MDA) before they are placed on the market.	Since 2017	Product certification
Australia	Product registration	Medical devices selling in Australia shall be registered with the Therapeutic Goods Administration (TGA) before they are placed on the market.	Since 2017	Product certification
Indonesia	Product certificate	Medical devices selling in Indonesia shall obtain certificates from the Ministry of Health (MOH) before they are placed on the market.	Since 2018	Product certification
Vietnam	Product certificate	Medical devices selling in Vietnam shall obtain certificates from the Ministry of Health (MOH) before they are placed on the market.	Since 2022	Product certification

(3) Ability to design products and develop production procedures

The main purpose of contact lens is to correct vision defects, for which the Company has committed significant resources into the development of raw materials, mold design and equipment research, while at the same time incorporating high polymers, optical technology, optometry knowledge, and new lens/mold design to bring clearer vision to contact lens wearers.

(4) Flexibility and responsiveness

The world's top-4 contact lens manufacturers all operate on a scale that far exceeds the Company's; however, their sizes make them less flexible. The Company, on the other hand, is founded on the success of the Taiwan market and approaches each foreign market with a very different strategy. The Company's persistence in delivering the highest quality, flexible pricing and customized product is well-supported by the local distribution, which enables fast decision-making and increased share in a highly competitive market.

(5) Effective marketing network

The Company has been focusing on the development of export sales in recent years in an attempt to expand global market share. In addition to establishing strong customer relations in Japan and Italy, the Company has also founded a subsidiary in The Netherlands for closer access to market information and ODM customers. These accomplishments are the reasons why the Company's products are sold to other parts of the world. The Company has also established a marketing office in Shanghai to closely observe changes in the Chinese market.

(6) A highly experienced management team

The Company has been operating in the contact lens business for more than 20 years, and has accumulated strong experience over time. For further improvement of operational efficiency and business development, the Company will continue recruiting professional talents and support them with robust training, and ultimately enhance the Company's compliance and R&D capacity to provide better service for customers.

5. Future opportunities, threats, and responsive strategies

(1) Opportunities

A. Closed industry with high barrier of entry

The world's top-4 manufacturers of mainstream disposable contact lenses account for more than 90% of market share, and all of which are based in the United States. There is currently a very limited number of disposable contact lens manufacturers in the world, which makes the critical know-how difficult to obtain. Furthermore, the high degree of complexity, the broad variety of specifications and the extensive time taken for local health authorities to approve products all contribute to the high barrier of entry. The Company was founded in 1986 and began by focusing on the production of conventional lathe-cut lens. As disposable contact lenses emerged to become the market's mainstream, the Company responded to the change and commenced cast-molded production of disposable lenses in 1997. After many years of dedication to the business, the Company has established itself as Taiwan's largest and the world's 5th largest contact lens manufacturer. Given the competitive landscape and high barrier of entry of the contact lens industry, it is extremely difficult for late comers to accomplish success in the short term.

B. Limited number of ODMs

All of the world's top-4 contact lens manufacturers have concentrated their efforts on promoting proprietary brands, and Cooper is the only company among them that provides ODM service on a small scale. These manufacturers have long neglected the ODM service because of the low margin and potential conflict with the proprietary brand. This prolonged absence of ODM service presents great opportunities for the Company. The Company has had success marketing its own brand in Taiwan, and acknowledges the fact that in order to venture abroad, it must begin by tapping into the ODM service that the big plays have long neglected, which is why the Company has established close working relationship with distributors in Japan and Europe. This ODM approach has so far yielded positive results, and the Company will continue its plan to expand into the global market through this approach.

(2) Threats

A. Scarcity of professional talents

The contact lens industry is characterized by high barrier of entry and low number of participants. As a result, there is constant shortage in the supply of operational, business, R&D and production talents. Failure to recruit suitable talents will put the Company's growth in stagnation.

*Responsive strategies:

i. Enhance internal training and knowledge transfer

Members of the Company's management team all have more than 20 years of experience in the contact lens business. Through implementation of internal training and knowledge transfer systems the Company hopes to put its strong experience into good use and develop talents that can support the Company's growth.

ii. Recruit professional talents

For further improvement of operational efficiency and business development, the Company will continue recruiting professional talents and support them with robust training, and ultimately enhance the Company's compliance and R&D capacity to provide better service for customers.

B. Channel domination by international manufacturers

The world's top-4 manufacturers enjoy dominant brand awareness and aggregately account for a 90% share of the market. The remaining manufacturers are too small to compete with the large players, and therefore are unlikely to accomplish any rapid market expansion.

*Responsive strategies:

i. ODM service for local distributors

There are many dominant distributors around the world that are looking to launch contact lens brands of their own, but because the top manufacturers have all devoted focus on their own brands, the distributors' intentions have gone unnoticed for long period of time. This presents an entry into the international markets, one that the Company may exploit by combining its exceptional product quality with the influence of local distributors.

ii. Flexibility and responsiveness

The world's top-4 contact lens manufacturers have accumulated strong brand awareness over time, but because they operate on such a large scale and have a strong brand image to maintain, they tend to be inflexible in terms of business operation. The Company, on the other hand, is founded on the success of the Taiwan market and approaches each foreign market with a very different strategy. The Company has the flexibility to provide ODM service for a local distributor in one region while at the same time introduce its proprietary brand in another. Combined with a flexible pricing strategy and the ability to make quick decisions, the Company will be able to work closely with downstream customers to secure its foothold in overseas markets.

(2) Main product applications and production processes

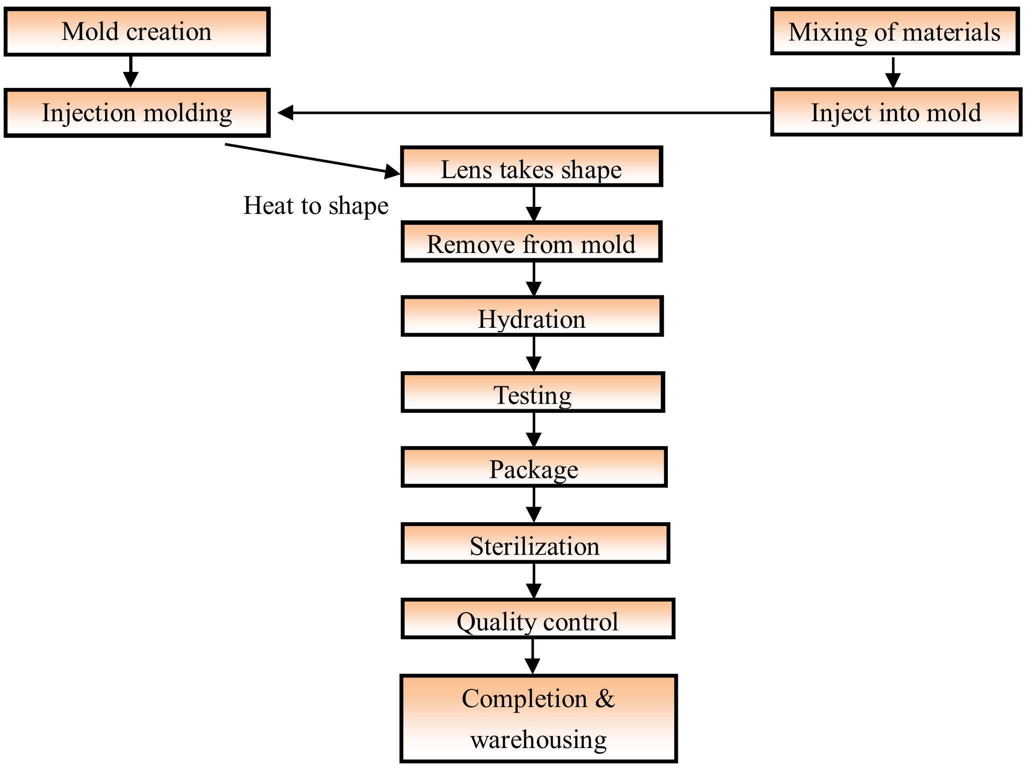
1. Main product applications

Contact lens is the Company's primary product. The lenses are made from high polymer and are used to cover the cornea to correct vision defects such as myopia, hyperopia, astigmatism and presbyopia. Apart from their corrective functions, contact lenses are also used for cosmetic purposes such as changing the color of the cornea.

2. Production processes of main products

Disposable soft contact lens adopts cast-molding technology. It begins by designing a metallic mold for a particular lens; this metallic mold is then used to produce plastic molds in large quantity. Raw material is injected into plastic molds where it is pressed and heated to shape. The product is then removed from mold to undergo several procedures including hydration, testing, packaging and sterilization until completion.

Cast-molding procedures for disposable soft contact lenses



(3) Supply of key materials:

Key materials used in products include: HEMA/BLANK, saline solution, plastic container, PP, aluminum foil and packaging materials. The Company has established strong, long-term relationship with major suppliers local and abroad, and therefore considers the source of its supply to be abundant and sustainable.

(4) List of main buyers and sellers in the last two years:

1. Names of suppliers representing more than 10% of total purchases in any of the previous two years; explain reasons for any variation:

	2020				2021				As of 2022 first quarter			
Item	Name	Amount ($,000)	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount ($,000)	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount ($,000)	As a percentage of net purchases (%) in the first quarter of the current year	Relationship with the issuer
1	Supplier G	100,614	12.09	None	Supplier A	122,035	12.60	None	Supplier A	31,912	18.11	None
2	Supplier C	95,222	11.45	None	Supplier C	114,159	11.78	None	Supplier B	19,733	11.20	None
3.	Supplier A	89,050	10.70	None	-	-	-	-	-	-	-	-
	Others	547,100	65.76		Others	732,676	75.62		Others	124,519	70.69	
	Net purchase	831,986	100.00		Net purchase	968,870	100.00		Net purchase	176,164	100.00	

Cause of difference: mainly due to changes in the Company's operational requirements

2. Names of customers representing more than 10% of total sales in any of the previous two years; explain reasons for any variation:

Item	2020				2021				As of 2022 first quarter			
	Name	Amount ($,000)	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount ($,000)	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount ($,000)	As a percentage of net sales (%) in the first quarter of the current year	Relationship with the issuer
1	Customer C	1,274,402	25.45	None	Customer C	1,296,327	24.00	None	Customer G	425,950	31.65	None
2	Customer G	938,391	18.74	None	Customer G	1,189,641	22.02	None	Customer C	333,729	24.80	None
3	Customer Q	620,528	12.39	None	Customer S	810,672	15.01	None	Customer Q	156,491	11.63	None
	Others	2,173,267	43.42		Others	2,104,967	38.97		Others	429,592	31.92	
	Net sales	5,006,588	100.00		Net sales	5,401,607	100.00		Net sales	1,345,762	100.00	

(5) Production volume and value in the last two years:

Unit: thousand boxes/pieces; NTD thousands

Year / Production volume/value / Main products	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Lathe-cut lens	74	4	1,782	0	0	232
Disposable lens	66,179	46,104	3,465,621	67,787	49,201	3,817,844
Total	66,253	46,108	3,467,403	67,787	49,201	3,818,076

Note: If the box is the sales unit, the quantity is calculated by the box.

1. Lathe-cut lens: Disposable contact lens is currently the most popular variant in the market. The company has ended the lathe-cut lens business in the first quarter of 2021.
2. Disposable lens: Due to the effect of COVID-19 declined from second half of 2021, the Company sales has raised in 2021, which was accompanied by an increase in the production volume and value over 2021.

(6) Sales volume and value in the last two years:

Unit: thousand boxes/pieces; NTD thousands

Year / Sales volume/value / Main products	2020				2021			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Lathe-cut lens	3	1,770	1	236	0	(38)	0	42
Disposable lens	12,321	529,142	36,027	4,472,896	5,797	415,141	43,172	4,982,659
Others	-	462	-	2,082	-	1,465	-	2,338
Total	12,321	531,374	36,028	4,475,214	5,797	416,568	43,172	4,985,039

Note 1: Others represent income from sale of raw materials and solution..

Note 2: If the box is the sales unit, the quantity is calculated by the box.

3. Employees: Employee size, average years of service, average age, and academic background in the last 2 years up until the publication date of this annual report

Year		2020	2021	2022, as at March 31
No. of employees	Technicians	716	695	680
	Managerial personnel	248	236	232
	Direct employees	2,056	2,073	1,977
	Total	3,020	3,004	2,889
Average age		34.7	35.7	36.1
Average years of service		7.2	7.5	7.7
Academic qualification	Doctoral Degree	0.07%	0.07%	0.07%
	Masters Degree	0.70%	0.67%	0.69%
	Bachelors Degree	32.05%	32.22%	32.64%
	Senior high school	52.75%	52.93%	52.16%
	Below senior high school	14.44%	14.11%	14.43%

4. Contribution on environmental protection

(1) Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

Penalty date	Violation Contents	
2021.11.24	Document number	基環事廢字第 076 號
	Article	Waste Disposal Act-Art. 31.1.(1)
	Description	Wastewater treatment procedures are not included in the "Waste Cleanup Plan"
	Penalty	Fined NTD 6,000
2021.4.1	Document number	基環事廢字第 032 號
	Article	(1) Waste Disposal Act-Art. 31.1.(1) (2) Waste Disposal Act-Art. 39.1&39.2
	Description	(1) The monthly output of declared waste exceeds the maximum monthly output stated in the waste clearance book. (2) The waste (waste plastic) produced and the following scraps are sold to a company, but the company is not a qualified recycling manufacturer.
	Penalty	Fined NTD 18,000 and need to go to environment class for 2 hours.

(2) Describe the current pollution situation and how improving the situation may affect the Company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: The Company does not generate pollution and is not affected by EU ROHS directors.

5. Labor/management relations

(1) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Employee welfare measures:

(1) The Company complies with laws and provides employees with: Labor Insurance coverage, National Health Insurance coverage, and welfare fund contributions at a percentage of revenue.
(2) Employees are given days off during public holidays in compliance with regulations.
(3) Year-end bonus and profit-sharing: The Company pays interim profit-sharing and year-end bonus based on several factors including: current year's corporate performance, individual work performance, seniority, and the assigned duties.
(4) Employee welfare committee: The Company has assembled an employee welfare committee in accordance with law to handle employees' benefits (such as wedding/funeral/childbirth/children's education subsidies) and other welfare-related issues such as festive bonus, birthday vouchers, trips and recreational activities.
(5) The Company collaborates with merchants to bring shopping discounts to employees.

2. Employee training and education:
(1) Orientation: The orientation covers the corporate organization and system, work duties, professional knowledge, and environmental safety and health training.
(2) The Company has a set of "Employee Training Policy" in place that guides employees through the required training courses. Employees are also encouraged to participate in external training and technical conferences. Furthermore, the Company makes arrangements to have scholars and experts host training sessions at the Company's premise from time to time.
(3) The following chart shows training courses organized in 2021:

Training and education	Participants (No. of enrollments)	Training hours (hours)	Expense (NTD)
External training - specialist training	166	985	236,700
Internal training - specialist training	876	4,000	1,131,030
Internal training - orientation	1,900	2,850	0

Note: All internal training instructors were company employees, therefore no expense was incurred.

3. Retirement system and implementation:

The Company has complied with the Labor Standards Act by assembling an Employee Pension Fund Supervisory Committee and making monthly contributions to the pension fund. These contributions are deposited into an account held with the Bank of Taiwan under the committee's name. The committee handles the management and disbursement of the pension fund. The Company has also complied with the Labor Pension Act by making monthly contributions of no less than 6% of employees' salary into employees' individual accounts held with the Bureau of Labor Insurance for those who have opted or are subject to the new pension system after July 1, 2005. Management and disbursement of the pension fund are handled by the Bureau of Labor Insurance.

4. Work environment, employee safety and protection measures:
(1) The Company has assigned dedicated OSH officers in accordance with the "Occupational Safety and Health Act" to oversee environmental and occupational safety and health issues within the Company. The OSH officers have been empowered to make improvements to the work environment as deemed appropriate for the safety and comfort of employees.
(2) The company has set up an "Occupational Safety and Health Committee". The chairman is concurrently held by the chairman, and the vice-chairman is concurrently held by the

general manager. Each factory meets once every three months to communicate and discuss safety and health issues and also follows "Occupational Safety and Health Policy" to promote the implementation of environmental safety and health management.

(3) In order to maintain the safety and health of employees and implement self-management of occupational safety and health, the "Occupational Safety and Health Management Plan" and "Occupational Safety and Health Code of Practice" have been formulated and reported to the competent authority for verification. "Occupational safety and health education and training rules" are based on the implementation of safety and health education and training, arrange new, transferred or in-service employees to participate in education and training, improve employees' awareness of occupational safety and health, and create a zero-disaster workplace.

(4) In order to ensure the safety of the working environment in the factory, according to the "Implementation Regulations on Labor Working Environment Monitoring", a qualified working environment monitoring agency is regularly appointed to conduct working environment monitoring every six months, so as to understand the actual situation of exposure to hazards in the working environment, and monitor the impact of the working environment on the workers in the factory. In the case of exposure, if the measurement results show abnormality, engineering control and administrative management improvement shall be carried out immediately for the abnormal area, and appropriate personal protective equipment shall be provided for employees to use in order to reduce the exposure hazard to an acceptable range.

(5) In order to eliminate potential operational hazards, an "Automatic inspection plan" is formulated to conduct regular automatic inspections of dangerous machinery, power equipment, fire safety equipment, water dispensers and other mechanical equipment and appliances. Ensure the safety of the operation and operation of the company's facilities and equipment.

(6) Each factory has set up a self-defense fire fighting group, and arranges regional evacuation and disaster prevention drills in situations such as fire and chemical leakage from time to time every year, so as to implement emergency response and disaster prevention work, reduce the impact of disasters on employees and the company, and ensure employee safety.

(7) It is the company's responsibility to take care of the physical and mental health of employees. The company has resident nurses and employs doctors to provide on-site services and consultations in each factory on a regular basis. It provides health check services that are superior to legal items and frequencies, and regularly implements free employee health checks and special health checks every year. Inspection, follow-up will conduct statistical analysis on the results of health inspections, implement classification according to health risk management, track high-risk healthy groups, and promote workplace health promotion and occupational disease prevention. A total of 2,330 health inspections in 2021; special health inspections (noise) in each factory area a total of 128 people.

(8) In order to prevent female employees from being exposed to maternal health hazards in the workplace, the maternal health protection and management process is formulated. After a comprehensive evaluation by the clinic service physician, measures such as graded

management and on-site improvement are adopted to ensure the physical and mental health of pregnant, postpartum, and breastfeeding female employees. Health, more regularly provide maternal health education information, and set up a "breastfeeding room" to meet the needs of breastfeeding female employees.

(9) Faced with the potential threat of emerging infectious diseases to the workplace, the company has a dedicated unit to continuously monitor the information of emerging infectious diseases around the world, evaluate its subsequent impact, and formulate a workplace epidemic prevention response plan, and formulate " "Prevention and contingency plans for severe infectious respiratory diseases", and provide employees with real-time epidemic prevention information and publicity. Through specific epidemic prevention actions, it is hoped that the infectivity will be minimized.

(10) Since 2017, the company has installed automatic external cardiac defibrillators (AEDs) in all factories, and conducts AED operation education and training for emergency personnel every year in case of emergency

5. Labor-management negotiations: To enhance the frequency and depth of communication between labor and the management, the Company has been holding labor-management meetings regularly since 2003 and using it as a formal, trusted and effective communication channel.

(2) Actual or estimated losses arising as a result of employment dispute in the last year (2021) up until the publication date of this annual report, and any responsive measures taken: The management sees employees as the foundation for the Company's profitability, and has committed significant efforts into maintaining labor-management relations.

Penalty date	Violation Contents	
2022.5.13	Document number	新北府勞檢字第 1114744592 號
	Article	Labor Standards Act-Art. 32.2
	Description	Extending working hours beyond the legal requirements.
	Penalty	Fined NTD 1,000,000 and need to announce the name of company and chairman.
2021.12.14	Document number	新北府勞檢字第 1104749378 號
	Article	Labor Standards Act-Art. 32.2
	Description	Extending working hours beyond the legal requirements.
	Penalty	Fined NTD 1,000,000 and need to announce the name of company and chairman.
2021.5.11	Document number	新北府勞檢字第 1104724970 號
	Article	Labor Standards Act-Art. 32.2
	Description	Did not give special leave as legal required.
	Penalty	Fined NTD 1,000,000 and need to announce the name of company and chairman.

6. Cyber Security Management

Ⅰ.State cyber security management structure, policies, detailed management schemes and resources invested on cyber security, etc.

(1)Cyber security management policies and structure

In order to ensure the company's cyber security and protect the rights and interests of the company and its stakeholders, the company has set up an cyber security organization, supervised by the general manager, and the IT department is responsible for formulating annual cyber security strategies, cyber security plans, and cyber security audit benchmarks; Use of resources, coordinate cyber security incident management, plan and arrange cyber security education and cooperate with audit units to conduct cyber security audit operations. In order to effectively implement cyber security management, the cyber security organization ensures the effective operation of cyber and network systems and maintains their confidentiality, integrity and availability. According to the management cycle mechanism of Plan-Do-Check-Act (PDCA), review the applicability and protection measures of the cyber security system, continuously review the effectiveness and improve the management plan of cyber and network system security.

(2) Cyber security management schemes

- Establish a management mechanism for the use and protection of host, network and electronic data to ensure the normal operation of information and network systems and maintain the correct, security of data.
- Establish security protection measures for the physical information environment, and regularly implement relevant maintenance.
- Clearly regulate the use authority of the network and information systems to prevent unauthorized access and harm.
- Implement business continuity management drills to ensure the company's business continuity.
- All personnel of the company are responsible for maintaining cyber security and should abide by the company's relevant cyber security management regulations.
- In the planning and design stage of a new system, equipment or project, various information security requirements should be specified to ensure the confidentiality, integrity and availability of internal and external information, and reduce the leakage of sensitive information (including personal data) and the risk of violation of laws and regulations.
- Formulate a information security management system, review the use of all personnel and equipment within the scope of the system on a regular or irregular basis, and formulate and implement corrective and preventive measures according to the report to continuously improve information security.

(3) Investment on cyber security management resources

- Implement and regularly update endpoint protection and antivirus software to prevent malware or viruses from entering the company.
- Build network security protection equipment to protect the network from external attacks.
- Build a backup and backup mechanism for the core system to minimize the risk of system interruption and data damage and loss.
- Conduct network security education and training for employees to prevent malicious software, botnet attacks, phishing scams, data extortion and other harmful software from entering the company and causing losses.
- Conduct disaster recovery drills to verify that backup and backup mechanisms are functioning properly to ensure business continuity.
- Entrust external experts to conduct network and information security and assessments to help review the effectiveness of information security systems, thereby strengthening the company's information security.

Ⅱ.As of the publication date of the annual report, any damages, possible influences and countermeasures due to significant cyber security events, which are unable to estimate reasonably, shall state the facts:The Company had no significant cyber security event occurred.

7. Major contracts

April 30, 2022

Contract Property	Affiliated Person	Start/Expiration date of Contract	Contents	Restrictions
Long-term loan	Hua Nan Bank of Xizhi Branch	2006/10/2 ~ 2026/10/2	Borrowed from October 2006, and Principal is payable monthly in installments from the next month.	Land and Buildings
Long-term loan	CTBC Bank	2012/11/1 ~ 2022/11/1	Borrowed from November 2012, and Principal is payable monthly in installments from the next month.	Land and Buildings
Long-term loan	Land Bank of Taiwan of Xindian Branch	2012/11/1 ~ 2022/11/1	Borrowed from November 2012, and Principal is payable	Land and Buildings

Contract Property	Affiliated Person	Start/Expiration date of Contract	Contents	Restrictions
			monthly in installments from the next month.	
Long-term loan	First Bank of Xizhi Branch	2012/11/20 ~ 2022/11/20	Borrowed from November 2012, and Principal is payable monthly in installments from the next month.	Land and Buildings
Long-term loan	CTBC Bank	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Land Bank of Taiwan of Xindian Branch	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Chang Hwa Bank of Nankang Science Industial Park Branch	2017/9/15 ~ 2027/9/15	Borrowed from September 2017, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	CTBC Bank	2019/3/22 ~ 2029/3/22	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Land Bank of Taiwan of Xindian Branch	2019/3/22 ~ 2027/9/15	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings
Long-term loan	Chang Hwa Bank of Nankang Science Industial Park Branch	2019/3/22 ~ 2027/9/15	Borrowed from March 2019, and Principal is payable monthly in installments from the next month	Land and Buildings

VI. Financial Summary

1. Summarized financial information for the last 5 years:

(1) Summary balance sheet and statement of comprehensive income

Summary balance sheet - IFRS-compliant (consolidated)

Unit: NTD thousands

Item \ Year		Financial information for the last 5 years					Financial information as at March 31, 2022
		2017	2018	2019	2020	2021	
Current assets		4,642,709	4,462,217	3,992,640	3,802,748	4,498,204	4,399,846
Property, plant, and equipment		3,709,007	3,910,074	4,116,520	3,960,373	3,793,271	3,751,279
Right-of-use assets		-	-	103,297	99,036	89,707	84,056
Intangible assets		228	4,946	4,228	3,131	3,117	2,660
Other assets		251,002	369,733	199,884	179,430	215,705	188,663
Total assets		8,602,946	8,746,970	8,416,569	8,044,718	8,600,004	8,426,504
Current liabilities	Before distribution	2,175,802	2,062,215	1,712,084	1,648,889	2,060,527	2,373,158
	After distribution	915,389	726,177	804,587	1,043,891	2,816,775 (Note 2)	2,373,158 (Note 2)
Non-current liabilities		1,035,455	878,954	941,087	769,850	568,270	537,949
Total liabilities	Before distribution	3,211,257	2,941,169	2,653,171	2,418,739	2,628,797	2,911,107
	After distribution	1,950,844	1,605,131	1,745,674	1,813,741	3,385,045 (Note 2)	2,911,107 (Note 2)
Equity attributable to parent company shareholders		5,391,689	5,805,801	5,763,398	5,625,979	5,971,207	5,515,397
Share capital		504,165	504,165	504,165	504,165	504,165	504,165
Capital reserves		526,000	526,000	526,000	526,000	526,000	526,000
Retained earnings	Before distribution	4,362,760	4,774,037	4,734,719	4,601,667	4,950,416	4,490,790
	After distribution	3,102,347	3,437,999	3,827,222	3,996,669	3,385,045 (Note 2)	2,911,107 (Note 2)
Other equity items		(1,236)	1,599	(1,486)	(5,853)	(9,374)	(5,558)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	5,391,689	5,805,801	5,763,398	5,625,979	5,971,207	5,515,397
	After distribution	4,131,276	4,469,763	4,855,901	5,020,981	5,214,959 (Note 2)	5,515,397 (Note 2)

Note 1: All above financial information has been audited or auditor-reviewed.

Note 2: The 2021 earnings distribution has been approved by the board of directors.

Summary statement of comprehensive income - IFRS-compliant (consolidated)

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years					Financial information as at March 31, 2022
	2017	2018	2019	2020	2021	
Operating revenues	6,417,887	6,675,912	6,346,670	5,006,588	5,401,607	1,345,762
Gross profit	2,544,591	2,496,398	2,126,714	1,372,656	1,611,152	394,780
Operating profit	2,071,303	2,008,574	1,649,811	1,000,649	1,231,287	299,189
Non-operating income and expenses	(106,267)	83,880	(35,067)	(59,354)	(77,628)	71,632
Profit before tax	1,965,036	2,092,454	1,614,744	941,295	1,153,659	370,821
Current net income	1,589,214	1,667,501	1,287,234	745,109	947,759	296,622
Loss from discontinued operations	-	-	-	-	-	-
Current net income (loss)	1,589,214	1,667,501	1,287,234	745,109	947,759	296,622
Other current comprehensive income (net, after tax)	(13,701)	7,024	6,401	24,969	2,467	3,816
Total comprehensive income - current	1,575,513	1,674,525	1,293,635	770,078	950,226	300,438
Net income attributable to parent company shareholders	1,589,214	1,667,501	1,287,234	745,109	947,759	296,622
Net income attributable to non-controlling shareholders	-	-	-	-	-	-
Comprehensive income attributable to: Parent company shareholders	1,575,513	1,674,525	1,293,635	770,078	950,226	300,438
Comprehensive income attributable to: Non-controlling shareholders	-	-	-	-	-	-
Earnings per share	31.52	33.07	25.53	14.78	18.80	5.88

Note 1: All above financial information has been audited or auditor-reviewed.

Summary balance sheet - IFRS-compliant (standalone)

Unit: NTD thousands

Item \ Year		Financial information for the last 5 years				
		2017	2018	2019	2020	2021
Current assets		4,541,884	4,357,111	3,884,650	3,690,418	4,383,971
Equity-accounted investments		104,762	107,918	112,678	113,595	115,916
Property, plant, and equipment		3,708,116	3,909,404	4,116,009	3,960,046	3,793,101
Right-of-use assets		-	-	103,269	98,308	89,678
Intangible assets		228	4,946	4,228	3,131	3,117
Other assets		250,841	369,633	199,824	179,400	215,682
Total assets		8,605,831	8,749,012	8,420,658	8,044,898	8,601,465
Current liabilities	Before distribution	2,178,687	2,064,257	1,716,173	1,649,069	2,061,988
	After distribution	918,274	728,219	808,676	1,044,071	2,818,236 (Note 2)
Non-current liabilities		1,035,455	878,954	941,087	769,850	568,270
Total liabilities	Before distribution	3,214,142	2,943,211	2,657,260	2,418,919	2,630,258
	After distribution	1,953,729	1,607,173	1,749,763	1,813,921	3,386,506 (Note 2)
Equity attributable to parent company shareholders		5,391,689	5,805,801	5,763,398	5,625,979	5,971,207
Share capital		504,165	504,165	504,165	504,165	504,165
Capital reserves		526,000	526,000	526,000	526,000	526,000
Retained earnings	Before distribution	4,362,760	4,774,037	4,734,719	4,601,667	4,950,416
	After distribution	3,102,347	3,437,999	3,827,222	3,996,669	4,194,168 (Note 2)
Other equity items		(1,236)	1,599	(1,486)	(5,853)	(9,374)
Treasury stock		-	-	-	-	-
Non-controlling shareholders		-	-	-	-	-
Total equity	Before distribution	5,391,689	5,805,801	5,763,398	5,625,979	5,971,207
	After distribution	4,131,276	4,469,763	4,855,901	5,020,981	5,214,959 (Note 2)

Note 1: All above financial information has been audited or auditor-reviewed.

Note 2: The 2021 earnings distribution has been approved by the board of directors

Summary statement of comprehensive income - IFRS-compliant (standalone)

Unit: NTD thousands

Item \ Year	Financial information for the last 5 years				
	2017	2018	2019	2020	2021
Operating revenues	6,416,031	6,675,912	6,346,670	5,006,588	5,401,607
Gross profit	2,543,272	2,497,033	2,127,866	1,373,706	1,615,082
Operating profit	2,071,812	2,009,713	1,643,861	995,984	1,227,926
Non-operating income and expenses	(106,776)	82,741	(29,361)	(55,138)	(74,367)
Profit before tax	1,965,036	2,092,454	1,614,500	940,846	1,153,559
Current net income	1,589,214	1,667,501	1,287,234	745,109	947,759
Loss from discontinued operations	-	-	-	-	-
Current net income (loss)	1,589,214	1,667,501	1,287,234	745,109	947,759
Other comprehensive income for the current period (net, after-tax)	(13,701)	7,024	6,401	24,969	2,467
Total comprehensive income - current	1,575,513	1,674,525	1,293,635	770,078	950,226
Earnings per share	31.52	33.07	25.53	14.78	18.80

Note 1: All above financial information has been audited or auditor-reviewed.

(2) Names of auditors and audit opinions for the last 5 years

Year	Name of accounting firm	Name of CPA	Audit opinion
2017	PwC Taiwan	A-Shen Liao, Audrey Tseng	Unqualified opinion
2018	PwC Taiwan	A-Shen Liao, Sheng-Wei Teng	Unqualified opinion
2019	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2020	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion
2021	PwC Taiwan	Sheng-Wei Teng, Shu-Fen Yu	Unqualified opinion

2. Financial analysis for the last 5 years

Financial analysis - IFRS-compliant (consolidated)

Analysis	Year	Financial analysis for the last 5 years					Financial information as at March 31, 2022
		2017	2018	2019	2020	2021	
Financial structure	Debt to asset ratio (%)	37.32	33.62	31.52	30.06	30.56	34.54
	Long-term capital to property, plants and equipment (%)	173.28	170.96	162.86	161.49	172.39	161.36
Solvency	Current ratio (%)	213.37	216.37	233.20	230.62	218.30	185.40
	Quick ratio (%)	177.54	159.51	158.53	160.93	158.16	135.33
	Interest coverage ratio (times)	188.89	131.09	102.89	70.84	110.71	143.67
Operating efficiency	Receivables turnover (times)	7.32	7.38	7.89	6.49	5.98	6.27
	Average cash collection (days)	50	49	46	56	61	58
	Inventory turnover (times)	5.52	4.60	3.66	3.12	3.29	3.25
	Payables turnover (times)	10.90	10.31	13.16	12.55	11.99	12.85
	Average inventory turnover (days)	66	79	100	117	111	112
	Property, plant and equipment turnover (times)	1.73	1.70	1.54	1.26	1.42	1.43
	Total asset turnover (times)	0.74	0.76	0.75	0.62	0.62	0.63
Profitability	Return on assets (%)	20.03	19.37	15.15	9.18	11.48	14.03
	Return on equity (%)	30.07	29.78	22.25	13.08	16.34	20.65
	Pre-tax profit to paid-up capital (%)	389.76	415.03	320.28	186.70	228.82	294.20
	Net profit margin (%)	24.76	24.97	20.28	14.88	17.54	22.04
	Earnings per share (NTD)	31.52	33.07	25.53	14.78	18.80	5.88
Cash flow	Cash flow ratio (%)	81.19	81.44	80.21	51.34	60.16	52.38
	Cash flow adequacy ratio (%)	105.31	97.84	93.45	84.34	75.96	90.82
	Cash reinvestment ratio (%)	4.90	4.78	0.41	(0.68)	6.82	13.97
Degree of leverage	Operating leverage	2.83	2.99	3.44	4.47	3.95	4.05
	Financial leverage	1.00	1.00	1.00	1.01	1.00	1.00

Reasons for changes in financial ratios in the last 2 years. (unnecessary if the variation was less than 20%)

1. Interest coverage ratio (times): Due to better profits in 2021, the ability to repay interest is relatively high.
2. Return on assets (%)：Due to better profits in 2021, the return on assets is relatively high.
3. Return on equity (%)：Due to better profits in 2021, the return on equity is relatively high.
4. Pre-tax profit to paid-up capital (%)：Due to better profits in 2021, this ratio is relatively high. 。
5. Cash reinvestment ratio (%)：Due to better profits in 2021, caused the cash from operating is related high. 。.

Note 1: All above financial information was calculated based on audited consolidated financial statements..

Financial analysis - IFRS-compliant (standalone)

Analysis	Year	Financial analysis for the last 5 years				
		2017	2018	2019	2020	2021
Financial structure	Debt to asset ratio (%)	37.34	33.64	31.55	30.06	30.57
	Long-term capital to property, plants and equipment (%)	173.32	170.99	162.88	161.50	172.40
Solvency	Current ratio (%)	208.46	211.07	226.35	223.78	212.60
	Quick ratio (%)	172.71	154.29	151.89	154.13	152.53
	Interest coverage ratio (times)	188.89	131.09	102.91	70.87	110.75
Operating efficiency	Receivables turnover (times)	7.44	7.39	7.90	6.49	5.98
	Average cash collection (days)	49	49	46	56	61
	Inventory turnover (times)	5.52	4.60	3.66	3.12	3.29
	Payables turnover (times)	10.90	10.31	13.16	12.55	11.97
	Average inventory turnover (days)	66	79	100	117	111
	Property, plant and equipment turnover (times)	1.73	1.70	1.54	1.26	1.42
	Total asset turnover (times)	0.74	0.76	0.75	0.62	0.62
Profitability	Return on assets (%)	20.03	19.37	15.14	9.18	11.49
	Return on equity (%)	30.07	29.78	22.25	13.08	16.34
	Pre-tax profit to paid-up capital (%)	389.76	415.03	320.23	186.61	228.80
	Net profit margin (%)	24.76	24.97	20.28	14.88	17.54
	Earnings per share (NTD)	31.52	33.07	25.53	14.78	18.80
Cash flow	Cash flow ratio (%)	80.96	81.60	79.65	50.76	59.94
	Cash flow adequacy ratio (%)	105.62	97.92	93.27	84.06	75.77
	Cash reinvestment ratio (%)	4.87	4.84	0.34	(0.79)	6.78
Degree of leverage	Operating leverage	2.82	2.98	3.44	4.48	3.94
	Financial leverage	1.00	1.00	1.00	1.01	1.00
Reasons for changes in financial ratios in the last 2 years. (unnecessary if the variation was less than 20%) Sames as the reason of "Financial analysis - IFRS-compliant (consolidated)."						

Below are the formulas used in various financial analyses:

1. Financial structure
   (1) Debt to asset ratio = total liabilities/ total assets.
   (2) Long-term capital to property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = cost of sales/average inventory balance.
   (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total asset turnover = net sales/average total assets.

4. Profitability
   (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on equity = net income / average shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
6. Degree of leverage:
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

3. Audit Committee’s Review Report of the latest (2021) financial report: Please refer to Pages 84.
4. Latest (2021) financial statements: Please refer to Pages 95 to 148.
5. The latest (2021) audited standalone financial statements: Please refer to Pages 149 to 198.
6. Financial distress encountered by the company and affiliated enterprises in the last year (2021), up until the publication date of this annual report: None.

Audit Committee's Review Report

TO：2022 Annual General Meeting
St. Shine Optical Co., Ltd.

The Board of Directors has prepared the Company's 2021 business report, financial statements (including consolidated financial statements), and proposal for distribution of earnings. The CPA firm of PricewaterhouseCoopers, Taiwan has audited the financial statements (including consolidated financial statements) and issued the audit reports. The above business report, financial statements (including consolidated financial statements), and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of St. Shine Optical Co., Ltd. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

St. Shine Optical Co., Ltd.
Convener of the Audit Committee: Chang-Chou Li

March 22, 2022

VII. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

1. Financial position

Comparative analysis of financial position

Unit: NTD thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	4,498,204	3,802,748	695,456	18.29
Property, plant, and equipment	3,793,271	3,960,373	(167,102)	(4.22)
Right-of-use assets	89,707	99,036	(9,329)	(9.42)
Intangible assets	3,117	3,131	(14)	(0.45)
Other assets	215,705	179,430	36,275	20.22
Total assets	8,600,004	8,044,718	555,286	6.90
Current liabilities	2,060,527	1,648,889	411,638	24.96
Non-current liabilities	568,270	769,850	(201,580)	(26.18)
Total liabilities	2,628,797	2,418,739	210,058	8.68
Share capital	504,165	504,165	-	-
Capital reserves	526,000	526,000	-	-
Retained earnings	4,950,416	4,601,667	348,749	7.58
Other equity items	(9,374)	(5,853)	(3,521)	60.16
Total equity	5,971,207	5,625,979	345,228	6.14

Explanation of majordifferences:

1. Other assets: Equipment prepaid in 2021 increased compared to 2020。
2. Current liabilities: Short-term borrowings and other payables in 2021 increased compared to 2020.
3. Non-current liabilities: The decrease in 2021 compared to 2020 is due to the year-on-year decrease in long-term borrowings repayments and amortization of lease liabilities.
4. Other equity items: Differences in accumulated translation adjustments for long-term investments in two years.

2. Financial performance

(1) Comparative analysis of financial performance

Unit: NTD thousands

Item / Year	2021	2020	Amount change	Ratio change(%)
Operating revenues	5,401,607	5,006,588	395,019	7.89
Operating costs	3,790,455	3,633,932	156,523	4.31
Gross profit	1,611,152	1,372,656	238,496	17.37
Operating expenses	379,865	372,007	7,858	2.11
Operating profits	1,231,287	1,000,649	230,638	23.05
Non-operating income and expenses	(77,628)	(59,354)	(18,274)	30.79
Profit before tax	1,153,659	941,295	212,364	22.56
Income tax expense	205,900	196,186	9,714	4.95
Current net income	947,759	745,109	202,650	27.20

•Explanation of major differences:

1. Operating items : Due to the slowdown of the epidemic in the second half of 2021 and the increase in operating income and production, the operating profit is better than in 2020.
2. Non-operating income and expenses : Due to appreciation of the NTD currency in 2021, which resulted the loss on foreign exchange.

•Expected sales, the basis of estimation, likely impacts on the Company's future financial position, and responsive plans: Please refer to "Report to Shareholders."

3. Cash flow

(1) Analysis of cash flow changes for the last year (2021)

Unit: NTD thousands

Item	2021	2020	Amount change	Ratio change(%)
Operating activities	1,239,817	846,627	393,190	46.44
Investing activities	(98,094)	(43,832)	(54,262)	123.80
Financing activities	(627,430)	(1,079,278)	451,848	(41.87)
Total	514,293	(276,483)	790,776	(286.01)

Explanation of major differences:

1. Operating activities : Due to the slowdown of the epidemic in the second half of 2021, operating income has increased, and cash inflow from operating activities has increased compared with 2020.
2. Investing activities : Due to the additional purchase of machinery and equipment in 2021, the cash outflow from investing activities increased compared to 2020.
3. Financing activities : Due to the increase in short-term borrowings and the decrease in dividend payments in 2021, the cash outflow from financing activities is lower than that in 2020.

(2) Liquidity analysis for the year

Item	December 31, 2021	December 31, 2020	Ratio change(%)
Cash flow ratio (%)	60.16	51.34	8.82
Cash flow adequacy ratio (%)	75.96	84.34	(8.38)

Cash reinvestment ratio (%)	6.82	(0.68)	7.5
Explanation of major differences: Did not change too much.			

(3) Liquidity analysis for the next year

Opening cash balance	Projected net cash flow from operating activities for the year	Expected cash outflow for the year	Expected cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Financing plans
2,354,692	864,856	1,502,945	1,716,603	-	-
1.Analysis of cash flow for the year: (1) The Company expects generate net cash inflow from operating activities for the next yeay due to growth of revenue. (2) Cash outflow: The Company expects to incur additional cash outflow in the coming year for acquisition of machinery and repayment of bank loans. 2. Financing of cash deficits: N/A.					

4. Material capital expenditures in the last year (2021) and impact on business performance:None

5. Causes of profit or loss incurred on investments in the last year (2021), and any improvements or investments planned for the next year

The Company invests overseas mainly for purposes such as local market development, information gathering, global marketing integration, and construction of after-sale service network. In an attempt to expand into the Greater China market, the Company founded a holding company - Shine Optical (Samoa) Holding Groups Inc., created Shine Optical HK Limited under the holding company, and invested a new Chinese company named Shanghai Ticon Optical Limited through the Hong Kong subsidiary. In addition, in order to increase the competitiveness of the Japanese market, the board of directors has approved the establishment of the Japanese reinvestment business on November 6, 2020, and the establishment has been completed in January 2021.

Among the all investees of the Company, Shine Optical B.V., a subsidiary company of the Netherlands, was liquidated on December 19, 2017 due to the completion of phased tasks, and the liquidation was completed in April 2022, and there was no significant profit or loss.

6. Evaluation of risk management issues in the last year (2021) up until the publication date of this annual report

(1) Impact of interest rate, exchange rate, and inflation on the company’s earnings, and responsive measures

1. Impacts of interest rate variations to the Company's profit and loss, and responsive measures in the future

①Interest rate changes:

The Company borrows short-term loan on credit and long-term loan against mortgage from banks to finance its working capital requirements. As a result, any change in interest rate would affect profitability in the given year. Effect of interest income and interest expense on the Company's operating profit in 2021 and 2020 is presented below:

Unit: NTD thousands

Item	2021	2020
Interest income A	2,223	6,159
Interest expense B	10,515	13,477
Operating profit C	1,231,287	1,000,649
Interest income as a percentage of operating profit (A/C)	0.18%	0.62%
Interest expense as a percentage of operating profit (B/C)	0.85%	1.35%

②Responsive measures for interest rate changes:

(1) The Company monitors interest rate changes on a daily basis, and takes appropriate measures in a timely manner.

(2) When interest rate falls, the Company borrows at a lower rate to re-finance higher interest rate loans; when interest rate rises to the point that is likely to erode overall profitability, the Company will consider raising capital through cash issue at premium.

2. Exchange rate changes

①Impact of exchange rate variation on the Company's revenues and profitability:

Unit: NTD thousands

Item	2021	2020
Net gain/loss on exchange A	(89,004)	(58,691)
Operating revenues B	5,401,607	5,006,588
Operating profit C	1,231,287	1,000,649
Net gain/loss on exchange as a percentage of operating revenues (A/B)	(1.65)%	(1.17)%
Net gain/loss on exchange as a percentage of operating profit (A/C)	(7.23)%	(5.87)%

The Company's product lines consist mainly of soft contact lens. Products are sold domestically and exported overseas to countries in Europe, America and Asia. Most export transactions are denominated in USD and EUR, therefore any change in exchange rate would affect profitability in the current period. As shown in the above table, the Company incurred 89,004 thousands NTD of loss on foreign exchange that represented 1.65% of operating revenues and 7.25% of operating profit in 2021 due to appreciation of the NTD currency.

②Hedging measures undertaken by the Company:

(1)The Treasury Department not only maintains close communication with foreign currency departments of various banks, but also monitors market exchange rates, trends and changes constantly to minimize adverse impacts.

(2)Effects of exchange rate variation are taken into consideration when offering quotes to customers. The Company adopts a conservative estimate and two-way exchange rate in this regard in order to minimize the impacts that exchange rate volatility may have on product margin.

(3)The Company has foreign currency time deposit accounts established with partnered banks. Foreign currency holding positions are adjusted as required to minimize impact of exchange rate changes.

3. Inflation/deflation

Increase in the price of resources and supplies worldwide in recent years produced slight inflationary pressure. However, the Company has yet to encounter any material impact from inflation.

The Company also pays constant attention to the price of raw materials and maintains close interaction with suppliers, which prevents the Company's profits from being eroded due to change in raw material costs.

(2) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures

Based on the principle of conservative, the Company did not engage in any high-risk, highly leveraged investment, endorsement and guarantee to third parties or derivative transaction in the last year (2021) and up until the publication date of this annual report. The Company also has established "Procedures for the Acquisition and Disposal of Assets" and "Loans and Endorsement & Guarantee Operational Procedures" for engaging in related operations.

(3) Future research and development plans and projected expenses

The Company is a professional manufacturer of contact lenses, and devotes resources into the research, development and production of safe, functional and comfortable contact lenses. By developing new materials/formula and production automation technology, the Company is able to bring new products into the market and increase the efficiency of existing production procedures. In the future, the Company will adhere to its R&D philosophy and continue to invest resources into reducing production cost and expanding product applications. The Company expects to incur approximately the same percentage of R&D expenses in 2022 as it had in 2021. (R&D expenses in 2021 accounted for approximately 1% of revenues)

(4) Financial impacts and responsive measures in the event of changes in local and foreign regulations

Changes in key policies and laws local and abroad did not have any material impact on the Company in the last year (2021) and up until the publication date of annual report.

(5) Financial impacts and responsive measures in the event of technological (including cyber security risks) or industrial changes

The company always pays attention to the technological changes and technological development trends related to the industry in which it operates, quickly grasps industry trends and information on competition in the industry, and strives to improve research and development capabilities and strengthen computer network security protection to maintain competitiveness. The company also strengthens the company's cyber security by implementing relevant measures such as the cyber security incident notification and related emergency response, and the implementation of cyber security education and training.

In the last year (2021) and up until the publication date of annual report, the changes in technology and industry have had no significant impact on the financial business of the Company.

(6) Crisis management, impacts, and responsive measures in the event of a change in corporate image

The Company has always maintained good reputation and encountered no significant change in the last year that resulted in corporate crisis.

(7) Expected benefits, risks and responsive measures in relation to mergers and acquisitions

The Company has no merger or acquisition planned in the last year (2021) or as of the publication date of this annual report.

(8) Expected benefits, risks and responsive measures associated with plant expansions: N/A

(9) Risks and responsive measures associated with concentrated sales or purchases

The Company strives to achieve diversification of its suppliers and customers, and therefore should not be exposed to any risk of concentrated sale or purchase.

(10) Impacts, risks and responsive measures following a major transfer of shareholding by directors,

supervisors, or shareholders with more than 10% ownership interest

There has been no major transfer of shares by any director, supervisor or shareholder with more than 10% ownership interest.

(11) Impacts, risks and responsive measures associated with a change of management

The management focuses on the Company's main businesses and has the assistance/support of directors and supervisors. The Company is not prone to any risk associated with a change of management.

(12) Litigation and non-contentious cases

Major litigations, non-contentious cases, or administrative litigations involving the Company's directors, supervisors, President, person-in-charge, any shareholder with more than 10% ownership interest, or any subsidiary in the last year (2021) up until the publication date of annual report, whether concluded or pending judgment, which may present significant impact to shareholders' interests or securities price: None.

(13) Other material risks and responsive measures: None.

7. Other material issues: None.

VIII. Special Remarks

1. Affiliated enterprises

(1) Consolidated business report

1. Affiliated enterprises chart

December 31, 2021

St.Shine Optical Co., Ltd.

Shine Optical Holding Groups Inc.

Subsidiary's shares held by the parent company: 100%; 8,800,000 shares
Parent company's shares held by the subsidiary: None
Amount invested: US$ 8,800,000

Shine Optical B.V.

Subsidiary's shares held by the parent company: 100%; 3,200 shares
Parent company's shares held by the subsidiary: None
Amount invested: EUR 340,000

Shine Optical (Samoa)Holding Groups, Inc.

Parent company's shareholding interest in the affiliated enterprise: 100%; 1,900,000 shares
Parent company's shares held by the subsidiary: None
Amount invested: US$ 1,900,000

Shine Optical HK Limited.

Parent company's shareholding interest in the affiliated enterprise: 100%; 1,850,000 shares
Parent company's shares held by the subsidiary: None
Amount invested: US$ 1,850,000

Shanghai Ticon Optical Limited

Parent company's shareholding interest in the affiliated enterprise: 100%
Parent company's shares held by the subsidiary: None
Amount invested: US$ 1,800,000

St. Shine Optical. Japan Co.,Ltd

Parent company's shareholding interest in the affiliated enterprise: 100%;800 shares
Parent company's shares held by the subsidiary: None
Amount invested: JPY 8,000,000

2. Profile of affiliated enterprises

Unit: thousands

Company name	Date of establishment	Address	Paid-in capital	Main business activities
Shine Optical Holding Groups Inc.	2002.09.13	Note 4 (1)	US$ 8,800	Investment and trading
Shine Optical B.V.	2002.12.12	Note 4 (2)	EUR 340	Sale of contact lens
Shine Optical (Samoa) Holding Groups, Inc.	2007.09.21	Note 4 (3)	US$ 1,900	Investment and trading
Shine Optical HK Limited	2007.10.31	Note 4 (4)	US$ 1,850	Investment and trading
Shanghai Ticon Optical Limited	2008.01.25	Note 4 (5)	US$ 1,800	Sale of contact lens
St.Shine Optical Japan Co.,Ltd	2021.01.06	Note 4 (6)	JPY 8,000	Contact lens import, export, retail and wholesale

Note 1: All affiliated enterprises have been disclosed regardless of their size.

Note 2: For affiliated enterprises with factories that manufacture and sell products amounting to 10% of operating revenues and above, the factory name, date of establishment, address and category of products manufactured are disclosed.

Note 3: For foreign affiliated enterprises, the company name, address and date of establish are presented in English, whereas the paid-up capital is presented in foreign currency (while showing exchange rate as at the date of report)

Note 4: (1)Beaufort House P.O. BOX 438 Road Town, Tortola, British Virgin Islands
(2)Mercurion 32-B,6903 Zevenaar PZ,the Netherlands
(3)P.O. Box 1225, Apia, Samoa
(4) Unit 1708 Dominion Centre, No. 43-59 Queen‘s Road East, Wanchai, Hong Kong
(5) Unit 1226, No. 58 Miaojing Road, Minhang District, Shanghai, People's Republic of China
(6) No. 6-62, Koshiya 1-chome, Koshiya City, Saitama Prefecture, Japan

3. Existence of controlling and subordinate relationship as defined in Article 369-3 of The Company Act:
As shown in the affiliated enterprises chart above, all of the affiliated enterprises are subsidiaries of the Company.

4. Coordination and job specialization among affiliated companies toward the common business activity:
(1) Common business activity among affiliated companies: Trading of contact lens, optical lens and accessories.
(2) Describe the nature of coordination or job specialization among affiliated enterprises:

The Company currently owns Shine Optical Holding Groups Inc., a holding company through which the Company founded Optical Connection Inc. in the U.S. and Shine Optical B.V. in the Netherlands, and the 2nd-tier subsidiary - Optical Connection Inc. had completed liquidation in June 2017, Shine Optical B.V. had completed liquidation in April 2022. The Company also founded a holding company - Shine Optical (Samoa) Holding Groups, Inc., and through which it created Shine Optical HK Limited, and Shanghai Ticon Optical Limited under the Hong Kong subsidiary and inveted in Japan to establish a subsidiary- St. Shine Optical. Japan Co.,Ltd. The Shanghai and Janpan subsidiary is being used for local market development, information gathering, global marketing integration, and construction of after-sale service network.

5. Directors, supervisors, and President of affiliated enterprises:

Company name	Title (Note 1)	Name or name of representative	Shares held (Notes 2+3)	
			Shares held	Shareholding percentage
Shine Optical Holding Groups Inc.	Director	St.Shine Optica Co., Ltd. Representative: Ming-Hsien Chen	8,800,000	100%
Shine Optical B.V.	Director	Adriaan Pieter Herman van Goinga	3,200	100%
	Director	Jason Ong		
Shine Optical (Samoa) Holding Groups, Inc.	Director	St.Shine Optica Co., Ltd. Representative: Ming-Hsien Chen	1,900,000	100%
Shine Optical HK Limited	Director	St.Shine Optica Co., Ltd.	1,850,000	100%
	Director	Ming-Hsien Chen		
Shanghai Ticon Optical Limited	Director	Min-Ping Chen	Capital contribution US$ 1,800,000	100%
	Director	Johnson Chou		
	Director	Yu-Yu Chou		
	Supervisor	Cheng-Yen Lee		
St.Shine Optical Japan Co.,Ltd	Representative Director	Johnson Chou	800	100%

Note 1: If the affiliated enterprise is a foreign company, equivalent position is disclosed.
Note 2: If the invested company is a limited liability company, the number and percentage of shares held are disclosed; for all other forms of entity, the amount and percentage of capital contribution are disclosed.
Note 3: All affiliated enterprises are 100%-owned subsidiaries of the Company.

6. Performance of affiliated enterprises:

Unit: NTD thousands

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits	Current period profit/loss (after-tax)	Earnings per share (after-tax, NTD)
Shine Optical Holding Groups Inc.	243,584	97,256	4,398	92,858	-	(49)	102	0.01
Shine Optical B.V.	10,653	4,398	-	4,398	-	-	-	-
Shine Optical (Samoa) Holding Groups, Inc.	52,592	21,134	-	21,134	-	(16)	3,539	1.86
Shine Optical HK Limited	51,208	19,983	-	19,983	-	(44)	3,555	1.92

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profits	Current period profit/loss (after-tax)	Earnings per share (after-tax, NTD)
Shanghai Ticon Optical Limited	55,402	21,228	1,609	19,619	17,349	3,470	3,599	Note4
St.Shine Optical Japan Co., Ltd	1,924	1,924	-	1,924	1,772	-	-	-

Note 1: All affiliated enterprises have been disclosed regardless of their size.

Note 2: For foreign affiliated enterprises, the figures are converted into NTD using exchange rate as at the date of report.

Note 3: The balance sheet exchange rates used are as follows: USD/NTD = 27.680, EUR/NTD = 31.320, RMB/NTD = 4.344 and JPY/NTD=0.2405. The income statement exchange rates used are as follows: USD/NTD =28.009, EUR/NTD = 33.157, RMB/NTD = 4.341 and JPY/NTD=0.2554.

Note4: Limited company has no shares issued, so not applicable。

(2) Enterprise reports: Refer to the consolidated report.

2. Private placement of securities in the last year (2021) up till the publication date of this annual report: None.

3. Holding or disposal of the Company's shares by subsidiaries in the last year (2021), up until the publication date of this annual report: None.

4. Other supplementary information: None.

IX. Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year (2021) Up Till the Publication Date of Annual Report: None.

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS’ REPORT

DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of St. Shine Optical Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of St. Shine Optical Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Key audit matter - Appropriateness of timing of sales revenue recognition

Description

Refer to Note 4(23) for accounting policy on revenue recognition and Note 6(13) for the details of sales revenue.

The Group's revenue is primarily from export of goods. Sales revenue is recognised when the control of the products has transferred to the customers based on the information listed in the export declaration. As the procedures for the timing of revenue recognition involves the manual checking of the status of delivery and related documents, this may lead to some errors in the timing of revenue recognition near the end of the financial reporting date. Thus, we considered the appropriateness of timing of sales revenue recognition as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of, assessed and tested management's internal control procedures on revenue recognition, and confirmed whether the related internal controls were reasonable and operating effectively.
2. Performed cut-off test on sales revenue transactions, including checking the order terms, export declaration and delivery information in order to confirm whether the accounting treatment of revenue recognition timing was appropriate.

Key audit matter - Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(11) for the accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for the details of allowance for inventory valuation losses.

The Group is primarily engaged in manufacturing and trading of contact lenses. As the contact lenses market is competitive, frequent releases of new products result in potential price fluctuations and product marginalization in the market. These factors may affect the estimation of the net realisable values of inventories.

The Group's inventories are measured at the lower of cost and net realisable value, which involves subjective judgment resulting in a high degree of estimation uncertainty. Thus, we considered the assessment of allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates.
2. Tested the statements prepared by the Group to verify whether the information that the Group used to calculate inventory valuation loss was consistent with the Group's policy, sampled individual part numbers to verify whether the selling price and net realisable value were calculated correctly, and assessed the reasonableness of allowance for inventory valuation losses.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of St. Shine Optical Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Teng, Sheng-wei

Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan
March 22, 2022

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes		Amount	%		Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$	2,354,692	27	$	1,843,920	23
1150	Notes receivable, net	6(2)		3,971	-		4,203	-
1170	Accounts receivable, net	6(2)		899,123	10		811,599	10
1180	Accounts receivable due from related parties, net	7		2,277	-		4,717	-
1200	Other receivables			14,855	-		4,399	-
130X	Inventories	6(3)		1,175,911	14		1,089,187	14
1410	Prepayments			47,007	1		39,546	-
1470	Other current assets	6(1) and 8		368	-		177	-
11XX	**Total current assets**			4,498,204	52		3,802,748	47
	Non-current assets							
1600	Property, plant and equipment	6(4) and 8		3,793,271	44		3,960,373	50
1755	Right-of-use assets	6(5)		89,707	1		99,036	1
1780	Intangible assets			3,117	-		3,131	-
1840	Deferred income tax assets	6(20)		94,346	1		81,900	1
1900	Other non-current assets	6(9)		121,359	2		97,530	1
15XX	**Total non-current assets**			4,101,800	48		4,241,970	53
1XXX	**Total assets**		$	8,600,004	100	$	8,044,718	100

(Continued)

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current liabilities					
2100	Short-term borrowings	6(6)(23)	$ 400,000	5	$ 200,000	3
2130	Contract liabilities - current	6(13)	21,165	-	13,796	-
2150	Notes payable		218,707	3	218,551	3
2170	Accounts payable		108,453	1	86,509	1
2200	Other payables	6(7)	823,523	10	701,441	9
2230	Current income tax liabilities		240,104	3	197,081	2
2280	Lease liabilities - current	6(23)	39,562	-	37,620	-
2320	Long-term liabilities, current portion	6(8)	192,037	2	177,940	2
2399	Other current liabilities		16,976	-	15,951	-
21XX	**Total current liabilities**		2,060,527	24	1,648,889	20
	Non-current liabilities					
2540	Long-term borrowings	6(8)(23) and 8	494,689	6	686,726	9
2570	Deferred income tax liabilities	6(20)	22,551	-	20,826	-
2580	Lease liabilities - non-current	6(23)	51,030	1	62,298	1
25XX	**Total non-current liabilities**		568,270	7	769,850	10
2XXX	**Total liabilities**		2,628,797	31	2,418,739	30
	Equity attributable to owners of the parent					
	Share capital	6(10)				
3110	Ordinary share		504,165	6	504,165	6
	Capital surplus	6(11)				
3200	Capital surplus		526,000	6	526,000	7
	Retained earnings	6(12)				
3310	Legal reserve		1,758,420	20	1,680,975	21
3320	Special reserve		5,853	-	1,486	-
3350	Unappropriated retained earnings		3,186,143	37	2,919,206	36
	Other equity interest					
3400	Other equity interest		(9.374)	-	(5,853)	-
3XXX	Total equity		5,971,207	69	5,625,979	70
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 8,600,004	100	$ 8,044,718	100

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			For the years ended December 31,			
			2021		2020	
	Items	Notes	Amount	%	Amount	%
4000	Operating revenue	6(13) and 7	$ 5,401,607	100	$ 5,006,588	100
5000	Operating costs	6(3) (4) (5) (9) (18) (19)	(3,790,455)	(70)	(3,633,932)	(73)
5900	Gross profit		1,611,152	30	1,372,656	27
	Operating expenses	6 (4) (5) (9) (18) (19) and 7				
6100	Selling expenses		(197,426)	(4)	(177,837)	(3)
6200	General and administrative expenses		(149,807)	(3)	(145,825)	(3)
6300	Research and development expenses		(53,742)	(1)	(43,830)	(1)
6450	Expected credit impairment gain (loss)	12(2)	21,110	1	(4,515)	-
6000	Total operating expenses		(379,865)	(7)	(372,007)	(7)
6900	Operating profit		1,231,287	23	1,000,649	20
	Non-operating income and expenses					
7100	Interest income	6(14)	2,223	-	6,159	-
7010	Other income	6(15)	19,661	1	6,872	-
7020	Other gains and losses	6(16)	(88,997)	(2)	(58,908)	(1)
7050	Finance costs	6(5) (17)	(10,515)	-	(13,477)	-
7000	Total non-operating income and expenses		(77,628)	(1)	(59,354)	(1)
7900	**Profit before income tax**		1,153,659	22	941,295	19
7950	Income tax expense	6(20)	(205,900)	(4)	(196,186)	(4)
8200	**Profit for the year**		$ 947,759	18	$ 745,109	15
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plans	6(9)	$ 7,486	-	$ 36,670	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	(1,498)	-	(7,334)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(3,521)	-	(4,367)	-
8300	**Other comprehensive income, net**		$ 2,467	-	$ 24,969	-
8500	**Total comprehensive income for the year**		$ 950,226	18	$ 770,078	15
	Profit attributable to:					
8610	Owners of the parent		$ 947,759	18	$ 745,109	15
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 950,226	18	$ 770,078	15
	Basic earnings per share (in dollars)					
9750	Profit for the year	6(21)	$	18.80	$	14.78
	Diluted earnings per share (in dollars)					
9850	Profit for the year	6(21)	$	18.67	$	14.68

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent						
				Retained earnings				
	Notes	Ordinary share	Capital surplus - share premium	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
For the year ended December 31, 2020								
Balance at January 1, 2020		$ 504,165	$ 526,000	$ 1,552,252	$ -	$ 3,182,467	($ 1,486)	$ 5,763,398
Profit for the year		-	-	-	-	745,109	-	745,109
Other comprehensive income (loss) for the year		-	-	-	-	29,336	(4,367)	24,969
Total comprehensive income (loss) for the year		-	-	-	-	774,445	(4,367)	770,078
Appropriations and distribution of 2019 retained earnings	6(12)							
Legal reserve		-	-	128,723	-	(128,723)	-	-
Special reserve		-	-	-	1,486	(1,486)	-	-
Cash dividends		-	-	-	-	(907,497)	-	(907,497)
Balance at December 31, 2020		$ 504,165	$ 526,000	$ 1,680,975	$ 1,486	$ 2,919,206	($ 5,853)	$ 5,625,979
For the year ended December 31, 2021								
Balance at January 1, 2021		$ 504,165	$ 526,000	$ 1,680,975	$ 1,486	$ 2,919,206	($ 5,853)	$ 5,625,979
Profit for the year		-	-	-	-	947,759	-	947,759
Other comprehensive income (loss) for the year		-	-	-	-	5,988	(3,521)	2,467
Total comprehensive income (loss) for the year		-	-	-	-	953,747	(3,521)	950,226
Appropriations and distribution of 2020 retained earnings	6(12)							
Legal reserve		-	-	77,445	-	(77,445)	-	-
Special reserve		-	-	-	4,367	(4,367)	-	-
Cash dividends		-	-	-	-	(604,998)	-	(604,998)
Balance at December 31, 2021		$ 504,165	$ 526,000	$ 1,758,420	$ 5,853	$ 3,186,143	($ 9,374)	$ 5,971,207

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,153,659	$ 941,295
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(4) (5) (18)	307,541	302,416
Amortisation	6(18)	12,458	27,316
Expected credit impairment (gain) loss	12(2)	(21,110)	4,515
Interest expense	6(17)	10,515	13,477
Interest income	6(14)	(2,223)	(6,159)
Net (gains) losses on disposals of property, plant and equipment	6(16)	(36)	187
Amount of prepaid equipment transferred to expenses		1,125	-
Overdue payables transferred to income	6(15)	(8,567)	-
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Notes receivable		289	391
Accounts receivable		(66,471)	(198,384)
Accounts receivable due from related parties		2,440	(1,006)
Other receivables		(5,403)	4,239
Inventories		(86,724)	78,394
Prepayments		(17,185)	(3,177)
Other current assets		(191)	35
Changes in liabilities relating to operating activities			
Contract liabilities		7,369	10,024
Notes payable		156	28,019
Accounts payable		21,944	3,374
Other payables		112,734	(231,354)
Other current liabilities		1,016	(3,814)
Cash inflow generated from operations		1,423,336	969,788
Receipt of interest		2,172	6,135
Payment of interest		(10,599)	(13,662)
Payment of income tax		(175,092)	(115,634)
Net cash from operating activities		1,239,817	846,627
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(22)	(78,311)	(40,505)
Proceeds from disposal of property, plant and equipment		36	2
Acquisition of intangible assets		(2,203)	(1,541)
Increase in other non-current assets		(17,616)	(1,788)
Net cash used in investing activities		(98,094)	(43,832)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(23)	600,000	350,000
Decrease in short-term borrowings	6(23)	(400,000)	(300,000)
Repayments of long-term borrowings	6(23)	(177,940)	(177,486)
Payments of lease liabilities	6(23)	(44,492)	(44,295)
Cash dividends paid	6(12)	(604,998)	(907,497)
Net cash used in financing activities		(627,430)	(1,079,278)
Effects of foreign currency exchange		(3,521)	(4,454)
Increase (decrease) in cash and cash equivalents		510,772	(280,937)
Cash and cash equivalents at beginning of year	6(1)	1,843,920	2,124,857
Cash and cash equivalents at end of year	6(1)	$ 2,354,692	$ 1,843,920

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

ST. SHINE OPTICAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) St. Shine Optical Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of Republic of China (R.O.C.) on September 24, 1986. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in manufacturing and trading of contact lenses (soft and hard), optical lenses and its related products.

(2) Starting from March 2004, the Company's stock was listed on the Taiwan Over-The-Counter Securities Exchange.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 22, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond 30 June 2021'	April 1, 2021 (Note)

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. The consolidated financial statements have been prepared under the historical cost convention, except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiaries that do not result in the parent losing control of the subsidiary (transactions with non-controlling interest) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) December 31, 2021	Ownership (%) December 31, 2020	Description
St. Shine Optical Co., Ltd.	Shine Optical Holding Groups Inc.	Investment and trading business	100	100	
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Investment and trading business	100	100	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Import and export service, retail and wholesale of contact lenses and consulting business	100	-	Note
Shine Optical Holding Groups Inc.	Shine Optical B.V.	Trading of contact lenses (soft and hard) and optical lenses	100	100	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Investment and trading business	100	100	
Shine Optical HK Limited	Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	100	100	

Note: Established on January 6, 2021.

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

D. Adjustments for subsidiaries with different balance sheet dates: Not applicable.

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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.

Otherwise they are classified as non-current liabilities.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

(10) Leasing arrangements (lessor)－operating leases

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

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 ~ 55 years
Machinery and equipment	3 ~ 13 years
Transportation equipment	3 ~ 6 years
Office equipment	4 ~ 6 years
Other equipment	3 ~ 15 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(14) Intangible assets

Intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 2~20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) <u>Income tax</u>

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are resolved by the Company’s shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

Sales of goods

A. The Group manufactures and sells a range of contact lenses. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

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

Critical accounting estimates and assumptions - evaluation of inventories

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

As of December 31, 2021, the carrying amount of inventories was $1,175,911.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 253	$ 253
Checking accounts and demand deposits	1,827,495	1,220,609
Cash equivalents - time deposits	526,944	623,058
	$ 2,354,692	$ 1,843,920

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

B. The Group classified restricted cash and cash equivalents pledged to others for bank financing as other current assets. Please refer to Note 8 for details.

(2) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 3,983	$ 4,272
Less: Allowance for uncollectible accounts	(12)	(69)
	$ 3,971	$ 4,203
Accounts receivable	$ 927,746	$ 861,275
Less: Allowance for uncollectible accounts	(28,623)	(49,676)
	$ 899,123	$ 811,599

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

	December 31, 2021	December 31, 2020
Not past due	$ 828,148	$ 779,329
Up to 30 days	78,702	66,168
31 to 60 days	4,449	109
61 to 90 days	2,886	-
91 to 180 days	869	852
Over 181 days	16,675	19,089
	$ 931,729	$ 865,547

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to $931,729, $865,547, and $667,554, respectively.

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

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

(3) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 263,294	($ 7,859)	$ 255,435
Work in progress	760,113	-	760,113
Finished goods	168,852	(8,489)	160,363
	$ 1,192,259	($ 16,348)	$ 1,175,911

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 258,309	($ 8,589)	$ 249,720
Work in progress	673,209	-	673,209
Finished goods	177,974	(11,716)	166,258
	$ 1,109,492	($ 20,305)	$ 1,089,187

A. None of the above inventory was pledged to others.

B. The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	$ 3,813,490	$ 3,640,430
Loss on decline in market value and obsolescence	28,635	28,426
Revenue from sale of scraps	(51,670)	(34,924)
	$ 3,790,455	$ 3,633,932

(4) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
At January 1, 2021							
Cost	$1,510,760	$1,592,554	$ 2,674,109	$ 11,831	$ 1,784	$ 771,468	$ 6,562,506
Accumulated depreciation and impairment	-	(245,886)	(1,884,640)	(8,624)	(1,251)	(461,732)	(2,602,133)
	$1,510,760	$1,346,668	$ 789,469	$ 3,207	$ 533	$ 309,736	$ 3,960,373
2021							
January 1	$1,510,760	$1,346,668	$ 789,469	$ 3,207	$ 533	$ 309,736	$ 3,960,373
Additions	-	-	57,318	-	-	38,636	95,954
Reclassifications (Note)	-	-	1,554	-	-	(1,562)	(8)
Depreciation	-	(32,926)	(178,419)	(1,116)	(203)	(50,382)	(263,046)
Net exchange differences	-	-	-	(1)	-	(1)	(2)
December 31	$1,510,760	$1,313,742	$ 669,922	$ 2,090	$ 330	$ 296,427	$ 3,793,271
At December 31, 2021							
Cost	$1,510,760	$1,592,554	$ 2,728,221	$ 11,824	$ 1,782	$ 807,885	$ 6,653,026
Accumulated depreciation and impairment	-	(278,812)	(2,058,299)	(9,734)	(1,452)	(511,458)	(2,859,755)
	$1,510,760	$1,313,742	$ 669,922	$ 2,090	$ 330	$ 296,427	$ 3,793,271

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
At January 1, 2020							
Cost	$1,510,760	$1,592,554	$ 2,593,209	$ 11,817	$ 1,781	$ 753,341	$ 6,463,462
Accumulated depreciation and impairment	-	(212,960)	(1,710,311)	(7,428)	(1,044)	(415,199)	(2,346,942)
	$1,510,760	$1,379,594	$ 882,898	$ 4,389	$ 737	$ 338,142	$ 4,116,520
2020							
January 1	$1,510,760	$1,379,594	$ 882,898	$ 4,389	$ 737	$ 338,142	$ 4,116,520
Additions	-	-	28,292	-	-	10,937	39,229
Reclassifications (Note)	-	-	53,908	-	-	8,378	62,286
Disposals	-	-	-	-	-	(189)	(189)
Depreciation	-	(32,926)	(175,629)	(1,185)	(204)	(47,535)	(257,479)
Net exchange differences	-	-	-	3	-	3	6
December 31	$1,510,760	$1,346,668	$ 789,469	$ 3,207	$ 533	$ 309,736	$ 3,960,373
At December 31, 2020							
Cost	$1,510,760	$1,592,554	$ 2,674,109	$ 11,831	$ 1,784	$ 771,468	$ 6,562,506
Accumulated depreciation and impairment	-	(245,886)	(1,884,640)	(8,624)	(1,251)	(461,732)	(2,602,133)
	$1,510,760	$1,346,668	$ 789,469	$ 3,207	$ 533	$ 309,736	$ 3,960,373

Note: Mainly pertain to transfers from prepayments for business facilities (shown as other non-current assets) and reclassified to prepayments.

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

B. The Group has no borrowing costs capitalised as part of property, plant and equipment.

(5) Leasing arrangements - lessee

A. The Group leases various assets including buildings, other equipment, business vehicles and multifunction printers, etc. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2021	December 31, 2020
	Book value	Book value
Buildings	$ 87,450	$ 91,989
Transportation equipment	2,257	4,679
Other equipment	-	2,368
	$ 89,707	$ 99,036

	For the years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Buildings	$ 40,796	$ 41,235
Transportation equipment	2,422	2,422
Other equipment	1,277	1,280
	$ 44,495	$ 44,937

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $36,198 and $40,679, respectively.

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

	For the years ended December 31,	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,224	$ 1,487
Expense on short-term lease contracts	54	248
Expense on leases of low-value assets	38	31

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was $45,808 and $46,061, respectively.

(6) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank loan - credit borrowings	$ 400,000	0.65%~0.70%	None

Type of borrowings	December 31, 2020	Interest rate range	Collateral
Bank loan - credit borrowings	$ 200,000	0.68%	None

As of December 31, 2021 and 2020, the credit lines of short-term borrowings amounted to $1,140,000 and $990,000, respectively.

(7) Other payables

	December 31, 2021	December 31, 2020
Salaries and bonus payable	$ 498,637	$ 451,343
Employees' compensation payable	90,000	72,000
Labor and health insurance fees payable	35,350	31,807
Payable on equipment	20,794	3,151
Others	178,742	143,140
	$ 823,523	$ 701,441

(8) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2021
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are paid monthly.	Land, buildings and structures	$ 686,726
Less: Current portion of long-term borrowings			(192,037)
			$ 494,689
Interest rate range			0.93%~1.10%

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2020
Long-term bank borrowings			
Secured borrowings	Borrowing period is from October 2, 2006 to March 22, 2029; principal and interest are paid monthly.	Land, buildings and structures	$ 864,666
Less: Current portion of long-term borrowings			(177,940)
			$ 686,726
Interest rate range			0.93%~1.5%

A. As of December 31, 2021 and 2020, the undrawn borrowing facilities expiring within one year amounted to $710,130 and $787,590, respectively, and there were no undrawn borrowing facilities expiring beyond one year.

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

(9) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 166,793	$ 188,722
Fair value of plan assets	(263,866)	(277,168)
Net defined benefit asset	($ 97,073)	($ 88,446)

(c) Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
For the year ended December 31, 2021			
Balance at January 1	$ 188,722	($ 277,168)	($ 88,446)
Current service cost	1,592	-	1,592
Interest expense (income)	754	(1,109)	(355)
	191,068	(278,277)	(87,209)
Remeasurements:			
Change in demographic assumptions	171	-	171
Change in financial assumptions	(5,667)	-	(5,667)
Experience adjustments	1,954	(3,944)	(1,990)
	(3,542)	(3,944)	(7,486)
Pension fund contribution	-	(2,378)	(2,378)
Paid pension	(20,733)	20,733	-
Balance at December 31	$ 166,793	($ 263,866)	($ 97,073)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
For the year ended December 31, 2020			
Balance at January 1	$ 220,327	($ 270,108)	($ 49,781)
Current service cost	1,976	-	1,976
Interest expense (income)	1,542	(1,891)	(349)
	223,845	(271,999)	(48,154)
Remeasurements:			
Change in financial assumptions	6,072	-	6,072
Experience adjustments	(33,459)	(9,283)	(42,742)
	(27,387)	(9,283)	(36,670)
Pension fund contribution	-	(3,622)	(3,622)
Paid pension	(7,736)	7,736	-
Balance at December 31	$ 188,722	($ 277,168)	($ 88,446)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2021	2020
Discount rate	0.70%	0.40%
Future salary increase rate	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increase rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 4,394)	$ 4,563	$ 4,047	($ 3,927)
December 31, 2020				
Effect on present value of defined benefit obligation	($ 5,079)	$ 5,281	$ 4,682	($ 4,537)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to $0.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$	9,792
1-5 years		26,513
Over 5 years		49,575
	$	85,880

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiary, ShangHai Ticon Optical Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020 were $65,384 and $67,251, respectively.

(10) Share capital

As of December 31, 2021, the Company's authorised capital was $880,000 and paid-in capital was $504,165, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

For the years ended December 31, 2021 and 2020, the number of the Company's ordinary shares outstanding at the beginning and ending were both 50,416,516 shares.

(11) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(12) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. In addition, special reserve that has been appropriated or reversed in accordance with related regulations along with the unappropriated retained earnings can be proposed by Board of Directors for earnings appropriation of dividends. The proposal of appropriation should be approved by the shareholders if dividends would be distributed by issuing new shares; it should be resolved by the Board of Directors if dividends would be distributed in the form of cash.

B. The Company's dividend policy is summarised below:
In order to meet the future capital requirements, long-term financial plan and satisfy shareholders' need of cash flow, cash dividends shall be at least 10% of total dividends distributed, taking into account the business environment and growing stage of the Company.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The earnings distributions for 2020 and 2019 as resolved by the shareholders at the shareholders' meetings on July 2, 2021 and June 10, 2020, respectively, are as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 77,445	$ -	$ 128,723	$ -
Special reserve	4,367	-	1,486	-
Cash dividends	604,998	12.00	907,497	18.00
	$ 686,810	$ 12.00	$ 1,037,706	$ 18.00

F. The earnings distribution for 2021 has been proposed by the Board of Directors on March 22, 2022 but has not yet been resolved by the shareholders. The information is provided as follows:

	For the year ended December 31, 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 95,375	$ -
Special reserve	3,521	-
Cash dividends	756,248	15.00
	$ 855,144	$ 15.00

(13) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 5,401,607	$ 5,006,588

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following geographical regions:

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Asia	$ 4,109,158	$ 3,516,434
Europe	365,281	328,765
America	510,600	630,015
Taiwan	416,568	531,374
	$ 5,401,607	$ 5,006,588

B. Contract liabilities

As of December 31, 2021, December 31, 2020 and January 1, 2020, the revenue-related contract liabilities - advance receipts amounted to $21,165, $13,796 and $3,772, respectively. Revenue recognised that was included in the contract liability balance at the beginning of 2021 and 2020 was $13,617 and $3,234, respectively.

(14) Interest income

	For the years ended December 31,	
	2021	2020
Interest income from bank deposits	$ 2,223	$ 6,159

(15) Other income

	For the years ended December 31,	
	2021	2020
Rent income	$ 170	$ 241
Overdue payables transferred to income	8,567	-
Other income - others	10,924	6,631
	$ 19,661	$ 6,872

(16) Other gains and losses

	For the years ended December 31,	
	2021	2020
Gains (losses) on disposals of property, plant and equipment	$ 36	($ 187)
Net currency exchange losses	(89,004)	(58,691)
Others	(29)	(30)
	($ 88,997)	($ 58,908)

(17) Finance costs

	For the years ended December 31,	
	2021	2020
Interest expense		
Bank borrowings	$ 9,291	$ 11,990
Lease liabilities	1,224	1,487
	$ 10,515	$ 13,477

(18) Expenses by nature

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	$ 2,143,812	$ 173,914	$ 2,317,726
Depreciation charges	290,850	16,691	307,541
Amortisation charges	9,061	3,397	12,458

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense	$ 1,967,578	$ 157,445	$ 2,125,023
Depreciation charges	280,520	21,896	302,416
Amortisation charges	22,339	4,977	27,316

(19) Employee benefit expense

	For the years ended December 31,	
	2021	2020
Wages and salaries	$ 1,996,011	$ 1,807,147
Labor and health insurance fees	176,054	171,694
Pension costs	66,621	68,878
Directors' remuneration	12,676	10,698
Other personnel expenses	66,364	66,606
	$ 2,317,726	$ 2,125,023

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as follows: no lower than 3% for employees' compensation and no higher than 3% for directors' and supervisors' remuneration.

B. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, distribute the abovementioned employees' compensation and directors' and supervisors' remuneration which shall be reported to the shareholders during their meeting.

C. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $90,000 and $72,000, respectively; while directors' and supervisors' remuneration was accrued at $10,000 for both years. Employees' compensation will be distributed in the form of cash. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2021 and 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 and 2020 financial statements.

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

(20) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2021	2020
Current income tax	$ 218,119	$ 195,142
Deferred income tax	(12,219)	1,044
Income tax expense	$ 205,900	$ 196,186

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2021	2020
Remeasurement of defined benefit obligations	($ 1,498)	($ 7,334)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2021	2020
Tax calculated based on profit before income tax and statutory tax rate	$ 231,451	$ 189,165
Expenses disallowed by tax regulation	-	256
Prior year income tax overestimation	(22,154)	(2,241)
Change in assessment of realisation of deferred tax assets	(3,343)	-
Tax exempt income by tax regulation	(554)	(712)
Tax on undistributed surplus earnings	592	9,720
Others	(92)	(2)
Income tax expense	$ 205,900	$ 196,186

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	$ 4,061	($ 792)	$ -	$ 3,269
Unrealised foreign exchange loss	6,899	6,343	-	13,242
Long-term investment losses	48,007	(728)	-	47,279
Unrealised expense	12,209	3,764	-	15,973
Others	10,724	3,859	-	14,583
	81,900	12,446	-	94,346
-Deferred income tax liabilities:				
Prepayments on pensions	(18,349)	(227)	(1,498)	(20,074)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
	(20,826)	(227)	(1,498)	(22,551)
	$ 61,074	$ 12,219	($ 1,498)	$ 71,795

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	$ 10,084	($ 6,023)	$ -	$ 4,061
Unrealised foreign exchange loss	12,582	(5,683)	-	6,899
Long-term investment losses	49,064	(1,057)	-	48,007
Unrealised expense	-	12,209	-	12,209
Others	6,096	4,628	-	10,724
	77,826	4,074	-	81,900
-Deferred income tax liabilities:				
Prepayments on pensions	(5,897)	(5,118)	(7,334)	(18,349)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
	(8,374)	(5,118)	(7,334)	(20,826)
	$ 69,452	($ 1,044)	($ 7,334)	$ 61,074

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

(21) Earnings per share

	For the year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 947,759	50,416,516	$ 18.80
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	947,759	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	350,167	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 947,759	50,766,683	$ 18.67

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 745,109	50,416,516	$ 14.78
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	745,109	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	357,403	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 745,109	50,773,919	$ 14.68

(22) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31, 2021	2020
Purchase of property, plant and equipment	$ 95,954	$ 39,229
Add: Opening balance of payable on equipment	3,151	4,427
Less: Ending balance of payable on equipment	(20,794)	(3,151)
Cash paid during the year	$ 78,311	$ 40,505

(23) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2021	$ 200,000	$ 864,666	$ 99,918	$ 1,164,584
Changes in cash flow from financing activities	200,000	(177,940)	(44,492)	(22,432)
Changes in other non-cash items	-	-	35,172	35,172
Effect of foreign exchange	-	-	(6)	(6)
At December 31, 2021	$ 400,000	$ 686,726	$ 90,592	$ 1,177,318

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2020	$ 150,000	$ 1,042,152	$ 103,536	$ 1,295,688
Changes in cash flow from financing activities	50,000	(177,486)	(44,295)	(171,781)
Changes in other non-cash items	-	-	40,665	40,665
Effect of foreign exchange	-	-	12	12
At December 31, 2020	$ 200,000	$ 864,666	$ 99,918	$ 1,164,584

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
CAMAX OPTICAL CORP. (CAMAX)	Close family members of the Company's general manager

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31, 2021	2020
Sales of goods:		
CAMAX	$ 14,225	$ 35,896

The credit term is 95 days for the related parties.

B. Services expense (shown as research and development expense)

	For the years ended December 31,	
	2021	2020
Cost of services:		
CAMAX	$ -	$ 5,400

The Group entered into professional service agreements with related parties. The services expense represents the consideration paid to related parties. The agreement expired on September 30, 2020.

C. Commission and service expenses, etc. (shown as selling expenses)

	For the years ended December 31,	
	2021	2020
CAMAX	$ -	$ 11

D. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
CAMAX	$ 2,277	$ 4,717

The receivables from related parties arise mainly from sales of products. The credit term of the receivables is open account 95 days. The receivables are unsecured in nature and bear no interest. There is no allowance for uncollectible accounts held against receivables from related parties.

(3) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	$ 51,843	$ 49,943
Post-employment benefits	4	11
	$ 51,847	$ 49,954

8. PLEDGED ASSETS

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

	Book value		
Assets	December 31, 2021	December 31, 2020	Purpose
Other current assets			
Special reserve account	$ -	$ 43	Guarantee for bank financing facilities
Property, plant and equipment			
Land	1,137,288	1,203,693	Guarantee for bank financing facilities and letters of credit
Buildings and structures	1,100,348	1,153,068	Guarantee for bank financing facilities and letters of credit
	2,237,636	2,356,761	
	$ 2,237,636	$ 2,356,804	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 39,492	$ 7,923

B. As of December 31, 2021 and 2020, the Group's issued but unused letters of credit amounted $29,870 and $0, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(12).

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings is calculated as 'current and non-current borrowings' as shown in the consolidated balance sheet. Total capital is calculated as equity as shown in the consolidated balance sheet plus total borrowings.

During the year ended December 31, 2021, the Group's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 10% to 25%. The gearing ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 1,086,726	$ 1,064,666
Total equity	5,971,207	5,625,979
Total capital	$ 7,057,933	$ 6,690,645
Gearing ratio	15%	16%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 2,354,692	$ 1,843,920
Notes receivable	3,971	4,203
Accounts receivable (including related parties)	901,400	816,316
Other receivables	14,855	9,399
Restricted deposits (shown as other current assets)	-	43
Guarantee deposits paid (shown as other non-current assets)	7,871	7,797
	$ 3,282,789	$ 2,681,678
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 400,000	$ 200,000
Notes payable	218,707	218,551
Accounts payable	108,453	86,509
Other payables	823,531	701,441
Long-term borrowings (including current portion)	686,726	864,666
	$ 2,237,417	$ 2,071,167
Lease liabilities	$ 90,592	$ 99,918

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by the Group's treasury department ("Group treasury") under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating department. The Group provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

<u>Foreign exchange risk</u>

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

iii. The Group's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 68,081	27.68	$ 1,884,489
EUR : NTD	15,992	31.32	500,881
GBP : NTD	2,119	37.30	79,021
HKD : NTD	10,660	3.549	37,832
JPY : NTD	42,780	0.2405	10,288
RMB : NTD	21,198	4.344	92,082
EUR : USD	138	1.13	4,332
Non-monetary items			
USD : NTD	$ 4,118	27.68	$ 113,992
JPY : NTD	8,000	0.2405	$ 1,924
EUR : USD	140	1.13	4,398
RMB : USD	4,516	0.16	19,619

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 57,078	28.48	$ 1,625,588
EUR : NTD	6,978	35.02	244,354
GBP : NTD	1,704	38.90	66,279
HKD : NTD	5,370	3.673	19,725
JPY : NTD	37,509	0.2763	10,364
RMB : NTD	23,720	4.377	103,822
EUR : USD	138	1.23	4,851
Non-monetary items			
USD : NTD	$ 3,989	28.48	$ 113,595
EUR : USD	140	1.23	4,917
RMB : USD	3,689	0.15	16,145

iv. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020 amounted to $89,004 and $58,691, respectively.

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

	For the year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 18,845	$ -
EUR : NTD	1%	5,009	-
GBP : NTD	1%	790	-
HKD : NTD	1%	378	-
JPY : NTD	1%	103	-
RMB : NTD	1%	921	-
EUR : USD	1%	43	-

	For the year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 16,256	$ -
EUR : NTD	1%	2,444	-
GBP : NTD	1%	663	-
HKD : NTD	1%	197	-
JPY : NTD	1%	104	-
RMB : NTD	1%	1,038	-
EUR : USD	1%	49	-

Cash flow and fair value interest rate risk

i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2021 and 2020 would have decreased/increased by $6,867 and $8,647, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 181 days.

iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Group classifies customer's accounts receivable in accordance with customer types. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.

vi. The Group wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii.(i) The Group used the forecastability of global economic information to adjust historical and timely information to assess the default possibility of notes and accounts receivable arising from general credit rating customers. As of December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
Expected loss rate	0.23%-0.93%	2.26%-8.86%	20.32%-21.28%	52.52%-69.04%	68.04%-92.66%	100%	
Total book value	$ 828,148	$ 78,702	$ 4,449	$ 2,886	$ 869	$ 672	$ 915,726
Loss allowance	4,626	4,144	935	1,536	719	672	12,632

December 31, 2020	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 91 days past due	Total
Expected loss rate	1.14%-2.15%	14.5%-38.17%	44.26%-90.42%	85.76%-100%	100%	
Total book value	$ 779,329	$ 66,168	$ 109	$ -	$ 1,810	$ 847,416
Loss allowance	14,104	15,602	98	-	1,810	31,614

(ii) The Group individually assesses the customers that have low credit rating and default. As of December 31, 2021 and 2020, the carrying amount of accounts receivable with low credit rating amounted to $16,003 and $18,131, respectively, and the Group has provided loss allowance amounting to $16,003 and $18,131, respectively.

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	2021		2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
At January 1	$ 49,676	$ 69	$ 45,227	$ 3
Provision for impairment	-	-	4,449	66
Reversal of impairment loss	(21,053)	(57)	-	-
At December 31	$ 28,623	$ 12	$ 49,676	$ 69

For the years ended December 31, 2021 and 2020, the expected credit impairment (gain) loss on accounts and notes receivable arising from customers' contracts amounted to ($21,110) and $4,515, respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating departments of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities at maturity.

ii. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 100,648	$ 300,682	$ -	$ -	$ -
Notes payable	218,082	625	-	-	-
Accounts payable	60,938	47,515	-	-	-
Other payables	685,139	138,384	-	-	-
Lease liabilities	10,700	29,854	31,240	20,600	-
Long-term borrowings (including current portion)	46,241	151,799	107,271	314,086	85,486

Non-derivative financial liabilities

December 31, 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 50,335	$ 150,396	$ -	$ -	$ -
Notes payable	218,152	399	-	-	-
Accounts payable	28,869	57,640	-	-	-
Other payables	582,950	118,491	-	-	-
Lease liabilities	10,550	28,236	32,954	30,526	-
Long-term borrowings (including current portion)	46,888	140,820	201,288	331,835	197,999

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

(4) Impact of Covid-19

Based on the Group's assessment, the Covid-19 pandemic had no significant impact on the Group's operations and financial condition.

13. SUPPLEMENTARY DISCLOSURES

(Inter-company transactions between companies are eliminated when preparing consolidated financial statements. The following disclosures are for reference only.)

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: No transaction exceeding NT$50 million.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 1.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 2.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: No transaction exceeding NT$50 million.

(4) Major shareholders information

None.

14. OPERATING SEGMENTS INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. The Group's chief operating decision maker considers the business from a product type perspective. The revenue of the Group's disclosed operating segments mainly comes from cast molding lens and other products.

(2) Measurement of segment information

The chief operating decision maker evaluates each operating segment by their profit.

(3) Segment information

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

For the year ended December 31, 2021

	Cast-molding lens	Others (Note)	Total
Revenue from external customers	$ 5,401,607	$ -	$ 5,401,607
Inter-segment revenue	10,938	-	10,938
Total segment revenue	$ 5,412,545	$ -	$ 5,412,545
Profit before income tax	$ 1,153,659	$ -	$ 1,153,659
Depreciation and amortisation	$ 319,999	$ -	$ 319,999

For the year ended December 31, 2020

	Cast-molding lens	Others	Total
Revenue from external customers	$ 5,002,038	$ 4,550	$ 5,006,588
Inter-segment revenue	-	16,982	16,982
Total segment revenue	$ 5,002,038	$ 21,532	$ 5,023,570
Profit before income tax	$ 1,000,967	($ 318)	$ 1,000,649
Depreciation and amortisation	$ 329,730	$ 2	$ 329,732

Note: The Group discontinued its lathe-cut lens business in the first quarter of 2021. The Group currently operates business in a single segment.

(4) Reconciliation for segment income (loss)

The segment profit before tax reported to the chief operating decision maker is measured in a manner consistent with revenue and expenses in the statement of comprehensive income. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

(5) Information on products and services

Revenue from external customers is mainly from cast molding lens and other products. Details of revenue are as follows:

Sales revenue:

	For the years ended December 31, 2021	2020
Cast-molding lens	$ 5,397,800	$ 5,002,038
Others	3,807	4,550
	$ 5,401,607	$ 5,006,588

(6) Geographical information

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

	For the years ended December 31,			
	2021		2020	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 4,109,158	$ 221	$ 3,516,434	$ 1,083
Europe	365,281	-	328,765	-
America	510,600	-	630,015	-
Taiwan	416,568	4,007,233	531,374	4,158,987
	$ 5,401,607	$ 4,007,454	$ 5,006,588	$ 4,160,070

(7) Major customer information

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

	For the years ended December 31,	
	2021	2020
Name of customer	Revenue	Revenue
C	$ 1,296,327	$ 1,274,402
G	1,189,641	938,391
S	810,672	485,900
Q	500,022	620,528
E	336,938	380,350
A	144,694	147,219

St. Shine Optical Co., Ltd. and Subsidiaries

Names, locations and other information of investee copmanies (not including investees in Mainland China)

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2021	Initial investment amount: Balance as at December 31, 2020	Shares held as at December 31, 2021: Number of shares	Shares held as at December 31, 2021: Ownership (%)	Shares held as at December 31, 2021: Book value	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Note
St. Shine Optical Co., Ltd.	Shine Optical Holding Groups Inc.	British Virgin Islands	Investment and trading business	$ 296,627	$ 296,627	8,800,000	100	$ 92,858	$ 102	$ 102	
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Samoa	Investment and trading business	61,498	61,498	1,900,000	100	21,134	3,539	3,539	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Japan	Import and export business, retail and wholesale of contact lenses and consulting business	2,201	-	800	100	1,924	-	-	
Shine Optical Holding Groups Inc.	Shine Optical B.V.	Netherlands	Trading of contact lenses (soft and hard) and optical lenses	11,542	11,542	3,200	100	4,398	-	-	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Hong Kong	Investment and trading business	59,880	59,880	1,850,000	100	19,983	3,555	3,555	

St. Shine Optical Co., Ltd. and Subsidiaries

Information on investments in Mainland China - Basic information

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Investment Flows Outflow	Investment Flows Inflow	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Note
Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	$ 55,692	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	$ 55,692	$ -	$ -	$ 55,692	$ 3,599	100	$ 3,599	$ 19,619	$ -	

Note 1: The amount of investment profit or loss recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
St. Shine Optical Co., Ltd.	$ 55,692	$ 55,692	$ 3,582,724

Note 2: The total investment amount of USD 1.8 million was approved pursuant to the Jing-Shen-II-Zi Letter No.09600429730.

Note 3: Limitation is in accordance with (90) Tai-Cai-Zheng (1) Letter No. 006130 of Securities and Futures Commission, Ministry of Finance, R.O.C issued on November 16, 2001.

ST. SHINE OPTICAL CO., LTD.

PARENT COMPANY ONLY

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021 AND 2020

For the convenience of readers and for information purpose only, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of St. Shine Optical Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of St. Shine Optical Co., Ltd. (the "Company") as at December 31, 2021 and 2020, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, 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 at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 financial statements. 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 2021 parent company only financial statements are stated as follows:

Key audit matter - Appropriateness of timing of sales revenue recognition

Description

Refer to Note 4(23) for accounting policy on revenue recognition and Note 6(14) for the details of sales revenue.

The Company's revenue is primarily from export of goods. Sales revenue is recognised when the control of the products has transferred to the customers based on the information listed in the export declaration. As the procedures for the timing of revenue recognition involves the manual checking of the status of delivery and related documents, this may lead to some errors in the timing of revenue recognition near the end of the financial reporting date. Thus, we considered the appropriateness of timing of sales revenue recognition as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of, assessed and tested management's internal control procedures on revenue recognition, and confirmed whether the related internal controls were reasonable and operating effectively.
2. Performed cut-off test on sales revenue transactions, including checking the order terms, export declaration and delivery information in order to confirm whether the accounting treatment of revenue recognition timing was appropriate.

Key audit matter - Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(10) for the accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(3) for the details of allowance for inventory valuation losses.

The Company is primarily engaged in manufacturing and trading of contact lenses. As the contact lenses market is competitive, frequent releases of new products result in potential price fluctuations and product marginalization in the market. These factors may affect the estimation of the net realisable values of inventories.

The inventories of the Company are measured at the lower of cost and net realisable value, which involves subjective judgment resulting in a high degree of estimation uncertainty. Thus, we considered the assessment of allowance for inventory valuation losses as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Assessed the reasonableness of provision policies and procedures on allowance for inventory valuation losses, including inventory clearance, the reasonableness of obsolete inventory, and the consistency of accounting estimates.
2. Tested the statements prepared by the Company to verify whether the information that the Company used to calculate inventory valuation loss was consistent with the Company policy, sampled individual part numbers to verify whether the selling price and net realisable value were calculated correctly, and assessed the reasonableness of allowance for inventory valuation losses.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Teng, Sheng-wei	Yu, Shu-Fen

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2022

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance parent company only with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 2,241,105	26	$ 1,732,077	22
1150	Notes receivable, net	6(2)	3,971	-	4,203	-
1170	Accounts receivable, net	6(2)	899,123	10	811,599	10
1180	Accounts receivable due from related parties, net	7	2,277	-	4,717	-
1200	Other receivables		14,853	-	9,399	-
130X	Inventories	6(3)	1,175,911	14	1,089,187	14
1410	Prepayments		46,363	1	39,059	-
1470	Other current assets	6(1) and 8	368	-	177	-
11XX	**Total current assets**		4,383,971	51	3,690,418	46
	Non-current assets					
1550	Investments accounted for under equity method	6(4)	115,916	1	113,595	2
1600	Property, plant and equipment	6(5) and 8	3,793,101	44	3,960,046	49
1755	Right-of-use assets	6(6)	89,678	1	98,308	1
1780	Intangible assets		3,117	-	3,131	-
1840	Deferred income tax assets	6(21)	94,346	1	81,900	1
1900	Other non-current assets	6(10)	121,336	2	97,500	1
15XX	**Total non-current assets**		4,217,494	49	4,354,480	54
1XXX	**Total assets**		$ 8,601,465	100	$ 8,044,898	100

(Continued)

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

			December 31, 2021		December 31, 2020	
	Liabilities and Equity	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	6(7)(24)	$ 400,000	5	$ 200,000	3
2130	Contract liabilities - current	6(14)	21,165	-	13,796	-
2150	Notes payable		218,707	3	218,551	3
2170	Accounts payable		108,453	1	86,509	1
2200	Other payables	6(8) and 7	825,011	10	702,620	9
2230	Current income tax liabilities		240,096	3	196,794	2
2280	Lease liabilities - current	6(24)	39,562	-	36,918	-
2320	Long-term liabilities, current portion	6(9)	192,037	2	177,940	2
2399	Other current liabilities		16,957	-	15,941	-
21XX	**Total current liabilities**		2,061,988	24	1,649,069	20
	Non-current liabilities					
2540	Long-term borrowings	6(9)(24) and 8	494,689	6	686,726	9
2570	Deferred income tax liabilities	6(21)	22,551	-	20,826	-
2580	Lease liabilities - non-current	6(24)	51,030	1	62,298	1
25XX	**Total non-current liabilities**		568,270	7	769,850	10
2XXX	**Total liabilities**		2,630,258	31	2,418,919	30
	Equity					
	Share capital	6(11)				
3110	Ordinary share		504,165	6	504,165	6
	Capital surplus	6(12)				
3200	Capital surplus		526,000	6	526,000	7
	Retained earnings	6(13)				
3310	Legal reserve		1,758,420	20	1,680,975	21
3320	Special reserve		5,853	-	1,486	-
3350	Unappropriated retained earnings		3,186,143	37	2,919,206	36
	Other equity interest					
3400	Other equity interest		(9,374)	-	(5,853)	-
3XXX	Total equity		5,971,207	69	5,625,979	70
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 8,601,465	100	$ 8,044,898	100

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

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			For the years ended December 31,			
			2021		2020	
	Items	Notes	Amount	%	Amount	%
4000	Operating revenue	6(14) and 7	$ 5,401,607	100	$ 5,006,588	100
5000	Operating costs	6(3) (5) (6) (10) (19) (20)	(3,786,525)	(70)	(3,632,882)	(73)
5900	Gross profit		1,615,082	30	1,373,706	27
	Operating expenses	6 (5) (6) (10) (19) (20) and 7				
6100	Selling expenses		(212,021)	(4)	(188,787)	(3)
6200	General and administrative expenses		(142,503)	(3)	(140,590)	(3)
6300	Research and development expenses		(53,742)	(1)	(43,830)	(1)
6450	Expected credit impairment gain (loss)	12(2)	21,110	1	(4,515)	-
6000	Total operating expenses		(387,156)	(7)	(377,722)	(7)
6900	Operating profit		1,227,926	23	995,984	20
	Non-operating income and expenses					
7100	Interest income	6(15)	2,023	-	5,028	-
7010	Other income	6(16)	19,465	1	6,678	-
7020	Other gains and losses	6(17)	(88,986)	(2)	(58,663)	(1)
7050	Finance costs	6(6) (18)	(10,510)	-	(13,465)	-
7070	Share of profit (loss) of associates and joint ventures accounted for under equity method, net	6(4)	3,641	-	5,284	-
7000	Total non-operating income and expenses		(74,367)	(1)	(55,138)	(1)
7900	**Profit before income tax**		1,153,559	22	940,846	19
7950	Income tax expense	6(21)	(205,800)	(4)	(195,737)	(4)
8200	**Profit for the year**		$ 947,759	18	$ 745,109	15
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains on remeasurements of defined benefit plan	6(10)	$ 7,486	-	$ 36,670	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(1,498)	-	(7,334)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(4)	(3,521)	-	(4,367)	-
8300	**Other comprehensive income, net**		$ 2,467	-	$ 24,969	-
8500	**Total comprehensive income for the year**		$ 950,226	18	$ 770,078	15
	Basic earnings per share					
9750	Profit for the year	6(22)	$ 18.80		$ 14.78	
	Diluted earnings per share					
9850	Profit for the year	6(22)	$ 18.67		$ 14.68	

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

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Ordinary share	Capital surplus - share premium	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
For the year ended December 31, 2020								
Balance at January 1, 2020		$ 504,165	$ 526,000	$ 1,552,252	$ -	$ 3,182,467	($ 1,486)	$ 5,763,398
Profit for the year		-	-	-	-	745,109	-	745,109
Other comprehensive income (loss) for the year		-	-	-	-	29,336	(4,367)	24,969
Total comprehensive income (loss) for the year		-	-	-	-	774,445	(4,367)	770,078
Appropriations and distribution of 2019 retained earnings	6(13)							
Legal reserve		-	-	128,723	-	(128,723)	-	-
Special reserve		-	-	-	1,486	(1,486)	-	-
Cash dividends		-	-	-	-	(907,497)	-	(907,497)
Balance at December 31, 2020		$504,165	$ 526,000	$1,680,975	$ 1,486	$ 2,919,206	($ 5,853)	$ 5,625,979
For the year ended December 31, 2021								
Balance at January 1, 2021		$ 504,165	$ 526,000	$1,680,975	$ 1,486	$ 2,919,206	($ 5,853)	$ 5,625,979
Profit for the year		-	-	-	-	947,759	-	947,759
Other comprehensive income (loss) for the year		-	-	-	-	5,988	(3,521)	2,467
Total comprehensive income (loss) for the year		-	-	-	-	953,747	(3,521)	950,226
Appropriations and distribution of 2020 retained earnings	6(13)							
Legal reserve		-	-	77,445	-	(77,445)	-	-
Special reserve		-	-	-	4,367	(4,367)	-	-
Cash dividends		-	-	-	-	(604,998)	-	(604,998)
Balance at December 31, 2021		$504,165	526,000	$1,758,420	$ 5,853	$ 3,186,143	($ 9,374)	$ 5,971,207

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

ST. SHINE OPTICAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	For the years ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		$ 1,153,559	$ 940,846
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(5) (6) (19)	306,694	301,544
Amortisation	6(19)	12,442	27,267
Expected credit impairment (gain) loss	12(2)	(21,110)	4,515
Interest expense	6(18)	10,510	13,465
Interest income	6(15)	(2,023)	(5,028)
Gain on investments accounted for under equity method	6(4)	(3,641)	(5,284)
Net (gains) losses on disposals of property, plant and equipment	6(17)	(36)	187
Amount of prepaid equipment transferred to expenses		1,125	-
Overdue payables transferred to income	6(16)	(8,567)	-
Changes in assets and liabilities relating to operating activities			
Changes in assets relating to operating activities			
Notes receivable		289	391
Accounts receivable		(66,471)	(198,384)
Accounts receivable due from related parties		2,440	(1,006)
Other receivables		(5,403)	4,237
Inventories		(86,724)	78,394
Prepayments		(17,022)	(3,109)
Other current assets		(191)	35
Changes in liabilities relating to operating activities			
Contract liabilities		7,369	10,024
Notes payable		156	28,019
Accounts payable		21,944	3,374
Other payables		113,032	(234,526)
Other current liabilities		1,016	(3,814)
Cash inflow generated from operations		1,419,388	961,147
Receipt of interest		1,972	5,004
Payment of interest		(10,595)	(13,649)
Payment of income tax		(174,718)	(115,325)
Net cash provided by operating activities		1,236,047	837,177
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(4)	(2,201)	-
Acquisition of property, plant and equipment	6(23)	(78,311)	(40,505)
Proceeds from disposal of property, plant and equipment		36	2
Acquisition of intangible assets		(2,203)	(1,541)
Increase in other non-current assets		(17,607)	(1,770)
Net cash used in investing activities		(100,286)	(43,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(24)	600,000	350,000
Decrease in short-term borrowings	6(24)	(400,000)	(300,000)
Repayments of long-term borrowings	6(24)	(177,940)	(177,486)
Payments of lease liabilities	6(24)	(43,795)	(43,586)
Cash dividends paid	6(13)	(604,998)	(907,497)
Net cash used in financing activities		(626,733)	(1,078,569)
Increase (decrease) in cash and cash equivalents		509,028	(285,206)
Cash and cash equivalents at beginning of year	6(1)	1,732,077	2,017,283
Cash and cash equivalents at end of year	6(1)	$ 2,241,105	$ 1,732,077

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

ST. SHINE OPTICAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

(1) St. Shine Optical Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of Republic of China (R.O.C.) on September 24, 1986. The Company is primarily engaged in manufacturing and trading of contact lenses (soft and hard), optical lenses and its related products.

(2) Starting from March 2004, the Company's stock was listed on the Taiwan Over-The-Counter Securities Exchange.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 22, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021
Amendment to IFRS 16, 'Covid-19-related rent concessions beyond June 30, 2021'	April 1, 2021 (Note)

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A.The parent company only financial statements have been prepared under the historical cost convention, except for defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B.The preparation of financial statements 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.

(3) Foreign currency translation

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

A.Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

Otherwise they are classified as non-current assets.

B. Liabilities that meet one of the following criteria are classified as 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.

Otherwise they are classified as non-current liabilities.

(5) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(7) Impairment of financial assets

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

(8) Derecognition of financial assets

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

(9) Leasing arrangements (lessor)－operating leases

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

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials,direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method/ subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains and losses on the transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses in proportion to its ownership.

D. Pursuant to the Rules Governing the Preparation of Financial Statements by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 ~ 55 years
Machinery and equipment	3 ~ 13 years
Transportation equipment	3 ~ 6 years
Office equipment	4 ~ 6 years
Other equipment	3 ~ 15 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognise the difference between remeasured lease liability in profit or loss.

(14) Intangible assets

Intangible assets, mainly computer software, are amortised on a straight-line basis over their estimated useful lives of 2~20 years.

(15) Impairment of non-financial assets

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

(16) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(17) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(18) Derecognition of financial liabilities

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

(19) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on the defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(23) Revenue recognition

Sales of goods

A. The Company manufactures and sells a range of contact lenses. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts and sales discounts and allowances. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or services and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

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

Critical accounting estimates and assumptions - evaluation of inventories

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

As of December 31, 2021, the carrying amount of inventories was $1,175,911.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand	$ 210	$ 210
Checking accounts and demand deposits	1,796,991	1,194,250
Cash equivalents - time deposits	443,904	537,617
	$ 2,241,105	$ 1,732,077

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

B. The Company classified restricted cash and cash equivalents pledged to others for bank financing as other current assets. Please refer to Note 8 for details.

(2) Notes and accounts receivable

	December 31, 2021	December 31, 2020
Notes receivable	$ 3,983	$ 4,272
Less: Allowance for uncollectible accounts	(12)	(69)
	$ 3,971	$ 4,203
Accounts receivable	$ 927,746	$ 861,275
Less: Allowance for uncollectible accounts	(28,623)	(49,676)
	$ 899,123	$ 811,599

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

	December 31, 2021	December 31, 2020
Not past due	$ 828,148	$ 779,329
Up to 30 days	78,702	66,168
31 to 60 days	4,449	109
61 to 90 days	2,886	-
91 to 180 days	869	852
Over 181 days	16,675	19,089
	$ 931,729	$ 865,547

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to $931,729, $865,547 and $667,554, respectively.

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

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

(3) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 263,294	($ 7,859)	$ 255,435
Work in progress	760,113	-	760,113
Finished goods	168,852	(8,489)	160,363
	$ 1,192,259	($ 16,348)	$ 1,175,911

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 258,309	($ 8,589)	$ 249,720
Work in progress	673,209	-	673,209
Finished goods	177,974	(11,716)	166,258
	$ 1,109,492	($ 20,305)	$ 1,089,187

A. None of the above inventory was pledged to others.

B. The cost of inventories recognised as expense for the year:

	For the years ended December 31,	
	2021	2020
Cost of goods sold	$ 3,809,560	$ 3,639,380
Loss on decline in market value and obsolescence	28,635	28,426
Revenue from sale of scraps	(51,670)	(34,924)
	$ 3,786,525	$ 3,632,882

(4) Investments accounted under equity method

	2021	2020
At January 1	$ 113,595	$ 112,678
Increase in investments under the equity method	2,201	-
Share of profit or loss of investments accounted for under equity method	3,641	5,284
Effect of cumulative exchange rate translation	(3,521)	(4,367)
At December 31	$ 115,916	$ 113,595

Name of subsidiaries	December 31, 2021	December 31, 2020
SHINE OPTICAL HOLDING GROUPS INC.	92,858	95,830
SHINE OPTICAL (SAMOA) HOLDING GROUPS, INC.	21,134	17,765
ST. SHINE OPTICAL JAPAN CO., LTD.	1,924	-
	$ 115,916	$ 113,595

Information about the Company's subsidiaries is provided in Note 4(3) of the 2021 consolidated financial statements.

(5) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
At January 1, 2021							
Cost	$1,510,760	$1,592,554	$ 2,674,109	$ 11,035	$ 1,539	$ 771,182	$ 6,561,179
Accumulated depreciation and impairment	-	(245,886)	(1,884,640)	(8,016)	(1,034)	(461,557)	(2,601,133)
	$1,510,760	$1,346,668	$ 789,469	$ 3,019	$ 505	$ 309,625	$ 3,960,046
2021							
January 1	$1,510,760	$1,346,668	$ 789,469	$ 3,019	$ 505	$ 309,625	$ 3,960,046
Additions	-	-	57,318	-	-	38,636	95,954
Reclassifications (Note)	-	-	1,554	-	-	(1,562)	(8)
Depreciation	-	(32,926)	(178,419)	(1,009)	(200)	(50,337)	(262,891)
December 31	$1,510,760	$1,313,742	$ 669,922	$ 2,010	$ 305	$ 296,362	$ 3,793,101
At December 31, 2021							
Cost	$1,510,760	$1,592,554	$ 2,728,221	$ 11,035	$ 1,539	$ 807,604	$ 6,651,713
Accumulated depreciation and impairment	-	(278,812)	(2,058,299)	(9,025)	(1,234)	(511,242)	(2,858,612)
	$1,510,760	$1,313,742	$ 669,922	$ 2,010	$ 305	$ 296,362	$ 3,793,101

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
At January 1, 2020							
Cost	$1,510,760	$1,592,554	$ 2,593,209	$ 11,035	$ 1,539	$ 753,061	$ 6,462,158
Accumulated depreciation and impairment	-	(212,960)	(1,710,311)	(6,971)	(834)	(415,073)	(2,346,149)
	$1,510,760	$1,379,594	$ 882,898	$ 4,064	$ 705	$ 337,988	$ 4,116,009
2020							
January 1	$1,510,760	$1,379,594	$ 882,898	$ 4,064	$ 705	$ 337,988	$ 4,116,009
Additions	-	-	28,292	-	-	10,937	39,229
Reclassifications (Note)	-	-	53,908	-	-	8,378	62,286
Disposals	-	-	-	-	-	(189)	(189)
Depreciation	-	(32,926)	(175,629)	(1,045)	(200)	(47,489)	(257,289)
December 31	$1,510,760	$1,346,668	$ 789,469	$ 3,019	$ 505	$ 309,625	$ 3,960,046
At December 31, 2020							
Cost	$1,510,760	$1,592,554	$ 2,674,109	$ 11,035	$ 1,539	$ 771,182	$ 6,561,179
Accumulated depreciation and impairment	-	(245,886)	(1,884,640)	(8,016)	(1,034)	(461,557)	(2,601,133)
	$1,510,760	$1,346,668	$ 789,469	$ 3,019	$ 505	$ 309,625	$ 3,960,046

Note: Mainly pertain to transfers from prepayments for business facilities (shown as other non-current assets) and reclassified to prepayments.

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

B. The Company has no borrowing costs capitalised as part of property, plant and equipment.

(6) Leasing arrangements - lessee

A. The Company leases various assets including buildings, other equipment, business vehicles and multifunction printers, etc. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

	December 31, 2021	December 31, 2020
	Book value	Book value
Buildings	$ 87,421	$ 91,261
Transportation equipment	2,257	4,679
Other equipment	-	2,368
	$ 89,678	$ 98,308

	For the years ended December 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Buildings	$ 40,104	$ 40,553
Transportation equipment	2,422	2,422
Other equipment	1,277	1,280
	$ 43,803	$ 44,255

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $36,198 and $39,309, respectively.

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

	For the years ended December 31,	
	2021	2020
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,219	$ 1,475
Expense on short-term lease contracts	54	248
Expense on leases of low-value assets	38	31

E. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases were $45,106 and $45,340, respectively.

(7) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate	Collateral
Bank loan - credit borrowings	$ 400,000	0.65%~0.70%	None

Type of borrowings	December 31, 2020	Interest rate	Collateral
Bank loan - credit borrowings	$ 200,000	0.68%	None

As of December 31, 2021 and 2020, the credit lines of short-term borrowings amounted to $1,140,000 and $990,000, respectively.

(8) Other payables

	December 31, 2021	December 31, 2020
Salaries and bonus payable	$ 497,431	$ 450,175
Employees' compensation payable	90,000	72,000
Labor and health insurance fees payable	35,350	31,807
Payable on equipment	20,794	3,151
Others	181,436	145,487
	$ 825,011	$ 702,620

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2021
Long-term bank borrowings			
Secured borrowings	Principal and interest are payable monthly from October 2, 2006 to March 22, 2029	Land, buildings and structures	$ 686,726
Less: Current portion of long-term borrowings			(192,037)
			$ 494,689
Interest rate range			0.93%~1.10%

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2020
Long-term bank borrowings			
Secured borrowings	Principal and interest are payable monthly from October 2, 2006 to March 22, 2029	Land, buildings and structures	$ 864,666
Less: Current portion of long-term borrowings			(177,940)
			$ 686,726
Interest rate range			0.93%~1.5%

A. As of December 31, 2021 and 2020, the undrawn borrowing facilities expiring within one year amounted to $710,130 and $787,590, respectively, and there were no undrawn borrowing facilities with maturity date over one year.

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

(10) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2021	December 31, 2020
Present value of defined benefit obligations	$ 166,793	$ 188,722
Fair value of plan assets	(263,866)	(277,168)
Net defined benefit asset	($ 97,073)	($ 88,446)

(c) Movements in net defined benefit liabilities (assets) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
For the year ended December 31, 2021			
Balance at January 1	$ 188,722	($ 277,168)	($ 88,446)
Current service cost	1,592	-	1,592
Interest expense (income)	754	(1,109)	(355)
	191,068	(278,277)	(87,209)
Remeasurements:			
Change in demographic assumptions	171	-	171
Change in financial assumptions	(5,667)	-	(5,667)
Experience adjustments	1,954	(3,944)	(1,990)
	(3,542)	(3,944)	(7,486)
Pension fund contribution	-	(2,378)	(2,378)
Paid pension	(20,733)	20,733	-
Balance at December 31	$ 166,793	($ 263,866)	($ 97,073)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability (assets)
For the year ended December 31, 2020			
Balance at January 1	$ 220,327	($ 270,108)	($ 49,781)
Current service cost	1,976	-	1,976
Interest expense (income)	1,542	(1,891)	(349)
	223,845	(271,999)	(48,154)
Remeasurements:			
Change in financial assumptions	6,072	-	6,072
Experience adjustments	(33,459)	(9,283)	(42,742)
	(27,387)	(9,283)	(36,670)
Pension fund contribution	-	(3,622)	(3,622)
Paid pension	(7,736)	7,736	-
Balance at December 31	$ 188,722	($ 277,168)	($ 88,446)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31, 2021	2020
Discount rate	0.70%	0.40%
Future salary increases rate	3.00%	3.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases rate	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	($ 4,394)	$ 4,563	$ 4,047	($ 3,927)
December 31, 2020				
Effect on present value of defined benefit obligation	($ 5,079)	$ 5,281	$ 4,682	($ 4,537)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2022 amount to $0.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 11 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 9,792
1-5 years	26,513
Over 5 years	49,575
	$ 85,880

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2021 and 2020 were $65,263 and $67,146, respectively.

(11) Share capital

As of December 31, 2021, the Company's authorised capital was $880,000 and paid-in capital was $504,165 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

For the years ended December 31, 2021 and 2020, the number of the Company's ordinary shares outstanding at the beginning and ending were both 50,416,516 shares.

(12) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, shall be distributed as dividends to be proposed by the Board of Directors. The distribution of cash dividends shall be resolved by the Board of Directors while stock dividends shall be resolved by the shareholders during their meeting.

B. The Company's dividend policy is summarised below:
In order to meet the future capital requirements, long-term financial plan and satisfy shareholders' need of cash flow, cash dividends shall be at least 10% of total dividends distributed, taking into account the business environment and growing stage of the Company.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The earnings distributions for 2020 and 2019 as resolved by the shareholders at the shareholders' meetings on July 2, 2021 and June 10, 2020, respectively, are as follows:

	For the years ended December 31,			
	2020		2019	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 77,445	$ -	$ 128,723	$ -
Special reserve	4,367	-	1,486	-
Cash dividends	604,998	12.00	907,497	18.00
	$ 686,810	$ 12.00	$ 1,037,706	$ 18.00

F. The earnings distribution for 2021 has been proposed by the Board of Directors on March 22, 2022 but has not yet been resolved by the shareholders. The information is provided as follows:

	For the year ended December 31, 2021	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 95,375	$ -
Special reserve	3,521	-
Cash dividends	756,248	15.00
	$ 855,144	$ 15.00

(14) Operating revenue

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers	$ 5,401,607	$ 5,006,588

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	For the years ended December 31,	
	2021	2020
Revenue from contracts with customers		
Asia	$ 4,109,158	$ 3,516,434
Europe	365,281	328,765
America	510,600	630,015
Taiwan	416,568	531,374
	$ 5,401,607	$ 5,006,588

B. Contract liabilities

As of December 31, 2021, December 31, 2020 and January 1, 2020, the revenue-related contract liabilities - advance receipts amounted to $21,165, $13,796 and $3,772, respectively. Revenue recognised that was included in the contract liability balance at the beginning of 2021 and 2020 was $13,617 and $3,234, respectively.

(15) Interest income

	For the years ended December 31, 2021	2020
Interest income from bank deposits	$ 2,023	$ 5,028

(16) Other income

	For the years ended December 31, 2021	2020
Rent income	$ 170	$ 241
Overdue payables transferred to income	8,567	-
Other income - others	10,728	6,437
	$ 19,465	$ 6,678

(17) Other gains and losses

	For the years ended December 31, 2021	2020
Net gains (losses) on disposals of property, plant and equipment	$ 36	($ 187)
Net currency exchange losses	(89,022)	(58,476)
	($ 88,986)	($ 58,663)

(18) Finance costs

	For the years ended December 31, 2021	2020
Interest expense		
Bank borrowings	$ 9,291	$ 11,990
Lease liabilities	1,219	1,475
	$ 10,510	$ 13,465

(19) Expenses by nature

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Employee benefit expense	$ 2,143,812	$ 167,806	$ 2,311,618
Depreciation charges	290,849	15,845	306,694
Amortisation charges	9,061	3,381	12,442

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Employee benefit expense	$ 1,967,578	$ 152,042	$ 2,119,620
Depreciation charges	280,520	21,024	301,544
Amortisation charges	22,339	4,928	27,267

(20) Employee benefit expense

	For the year ended December 31, 2021		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 1,864,289	$ 125,913	$ 1,990,202
Labor and health insurance fees	166,501	9,469	175,970
Pension costs	62,608	3,892	66,500
Directors' remuneration	-	12,676	12,676
Other personnel expenses	50,414	15,856	66,270
	$ 2,143,812	$ 167,806	$ 2,311,618

	For the year ended December 31, 2020		
	Operating costs	Operating expenses	Total
Wages and salaries	$ 1,686,006	$ 116,001	$ 1,802,007
Labor and health insurance fees	163,042	8,579	171,621
Pension costs	64,774	3,999	68,773
Directors' remuneration	-	10,698	10,698
Other personnel expenses	53,756	12,765	66,521
	$ 1,967,578	$ 152,042	$ 2,119,620

A. For the years ended December 31, 2021 and 2020, the Company's average headcount totaled 3,016 and 3,220 employees, both including 6 non-employee directors, respectively.

B. (a) Average employee benefit expense for the years ended December 31, 2021 and 2020 were $764 and $656, respectively.

(b) Average employee wages and salaries for the years ended December 31, 2021 and 2020 were $661 and $561, respectively.

(c) Adjustment of average employee salaries was 17.83%.

(d) Supervisors' remuneration was $405 and $2,365 for the years ended December 31, 2021 and 2020, respectively.

(e) The Company set up an audit committee composed of independent directors during the shareholders' meeting on July 2, 2021. The committee replaces the supervisors.

(f) The compensation policy:

i. Employees' emoluments include salary, year-end bonus, employees' compensation and allowance. The salary range is determined based on the employees' responsibilities and contribution to the Company. Employees' bonus shall be paid in the middle of the year and the year-end bonus shall be paid at the end of the year according to the operating situation of current year, individual work performance, seniority and proportion of the length of employment, etc.

ii. Managers' emoluments include salary, year-end bonus, managers' compensation and allowance, which is reviewed based on managers' achievement of performance targets and contribution and determined by reference to the general pay levels in the industry by the remuneration committee.

iii. Directors' remuneration policy is set in the Articles of Incorporation of the Company and approved by the shareholders at their meeting, which was reviewed based on directors' operating participation and contribution and was determined by reference to the general pay levels in the industry by the remuneration committee.

C. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as follows: no lower than 3% for employees' compensation and no higher than 3% for directors' and supervisors' remuneration.

D. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, distribute the abovementioned employees' compensation and directors' and supervisors' remuneration which shall be reported to the shareholders during their meeting.

E. For the years ended December 31, 2021 and 2020, employees' compensation was accrued at $90,000 and $72,000, respectively; while directors' and supervisors' remuneration was accrued at $10,000 for both years. The aforementioned amounts were recognised in salary expenses.

Employees' compensation and directors' and supervisors' remuneration for 2021 and 2020 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 and 2020 financial statements.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the years ended December 31, 2021	For the years ended December 31, 2020
Current income tax	$ 218,019	$ 194,693
Deferred income tax	(12,219)	1,044
Income tax expense	$ 205,800	$ 195,737

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31, 2021	For the years ended December 31, 2020
Remeasurement of defined benefit obligations	($ 1,498)	($ 7,334)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31, 2021	2020
Tax calculated based on profit before income tax and statutory tax rate	$ 230,712	$ 188,169
Expenses disallowed by tax regulation	-	256
Prior year income tax overestimation	(22,161)	(2,408)
Change in assessment of realisation of deferred tax assets	(3,343)	-
Tax on undistributed surplus earnings	592	9,720
Income tax expense	$ 205,800	$ 195,737

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

2021	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	$ 4,061	($ 792)	$ -	$ 3,269
Unrealised foreign exchange loss	6,899	6,343	-	13,242
Long-term investment losses	48,007	(728)	-	47,279
Unrealised expense	12,209	3,764	-	15,973
Others	10,724	3,859	-	14,583
	81,900	12,446	-	94,346
-Deferred income tax liabilities:				
Prepayments for pensions	(18,349)	(227)	(1,498)	(20,074)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
	(20,826)	(227)	(1,498)	(22,551)
	$ 61,074	$ 12,219	($ 1,498)	$ 71,795

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred income tax assets:				
Allowance for inventory valuation loss	$ 10,084	($ 6,023)	$ -	$ 4,061
Unrealised foreign exchange loss	12,582	(5,683)	-	6,899
Long-term investment losses	49,064	(1,057)	-	48,007
Unrealised expense	-	12,209	-	12,209
Others	6,096	4,628	-	10,724
	77,826	4,074	-	81,900
-Deferred income tax liabilities:				
Prepayments for pensions	(5,897)	(5,118)	(7,334)	(18,349)
Provision for land revaluation increment tax	(2,477)	-	-	(2,477)
	(8,374)	(5,118)	(7,334)	(20,826)
	$ 69,452	($ 1,044)	($ 7,334)	$ 61,074

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

(22) Earnings per share

	For the year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 947,759	50,416,516	$ 18.80
Diluted earnings per share			
Profit attributable to ordinary shareholders	947,759	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	350,167	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 947,759	50,766,683	$ 18.67

	For the year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 745,109	50,416,516	$ 14.78
Diluted earnings per share			
Profit attributable to ordinary shareholders	745,109	50,416,516	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	357,403	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 745,109	50,773,919	$ 14.68

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	For the years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	$ 95,954	$ 39,229
Add: Opening balance of payable on equipment	3,151	4,427
Less: Ending balance of payable on equipment	(20,794)	(3,151)
Cash paid during the year	$ 78,311	$ 40,505

(24) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2021	$ 200,000	$ 864,666	$ 99,216	$ 1,163,882
Changes in cash flow from financing activities	200,000	(177,940)	(43,795)	(21,735)
Changes in other non-cash items	-	-	35,171	35,171
At December 31, 2021	$ 400,000	$ 686,726	$ 90,592	$ 1,177,318

	Short-term borrowings	Long-term borrowings	Lease liabilities	Total liabilities from financing activities
At January 1, 2020	$ 150,000	$ 1,042,152	$ 103,508	$ 1,295,660
Changes in cash flow from financing activities	50,000	(177,486)	(43,586)	(171,072)
Changes in other non-cash items	-	-	39,294	39,294
At December 31, 2020	$ 200,000	$ 864,666	$ 99,216	$ 1,163,882

7.RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
CAMAX OPTICAL CORP. (CAMAX)	Close family members of the Company's general manager
SHANGHAI TICON OPTICAL LTD.	Subsidiary
ST. SHINE OPTICAL JAPAN CO., LTD.	Subsidiary

(2) Significant related party transactions

A. Operating revenue

	For the years ended December 31,	
	2021	2020
Sales of goods:		
CAMAX	$ 14,225	$ 35,896

The credit term of goods sold to the domestic related parties is open account 95 days.

B. Services expense (shown as research and development expense)

	For the years ended December 31,	
	2021	2020
Cost of services:		
CAMAX	$ -	$ 5,400

The Company entered into professional service agreements with related parties. The services expense represents the consideration paid to related parties. The agreement expired on September 30, 2020.

C. Commissions and service expenses (shown as selling expenses)

	For the years ended December 31,	
	2021	2020
Subsidiaries	$ 19,759	$ 16,982
CAMAX	-	11
	$ 19,759	$ 16,993

Commissions and service expenses mainly arise from the handling of overseas sales transactions by the subsidiary on behalf of the Company and agency fee.

D. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
CAMAX	$ 2,277	$ 4,717

The receivables from related parties arise mainly from sales of products. The credit term of the receivables is open account 95 days. The receivables are unsecured in nature and bear no interest. There is no allowance for uncollectible accounts held against receivables from related parties.

E. Other payables

	December 31, 2021	December 31, 2020
Subsidiaries	$ 3,089	$ 2,603

Other payables mainly arise from payments made by the subsidiary on behalf of the Company in dealing with overseas sales transactions and agency fee.

(3) Key management compensation

	For the years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	$ 49,581	$ 48,290
Post-employment benefits	4	11
	$ 49,585	$ 48,301

8. PLEDGED ASSETS

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

	Book value		
Assets	December 31, 2021	December 31, 2020	Purpose
Other current assets			
Special reserve account	$ -	$ 43	Guarantee for bank financing facilities
Property, plant and equipment			
Land	1,137,288	1,203,693	Guarantee for bank financing facilities and letters of credit
Buildings and structures	1,100,348	1,153,068	Guarantee for bank financing facilities and letters of credit
	2,237,636	2,356,761	
	$ 2,237,636	$ 2,356,804	

(一)

9.SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 39,492	$ 7,923

B. As of December 31, 2021 and 2020, the Company's issued but unused letter of credit was $29,870 and $0, respectively.

10.SIGNIFICANT DISASTER LOSS

None.

11.SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(13).

12.OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total borrowings is calculated as 'current and non-current borrowings' as shown in the parent company only balance sheet. Total capital is calculated as equity as shown in the parent company only balance sheet plus total borrowings.

During the year ended December 31, 2021, the Company's strategy, which was unchanged from 2020, was to maintain the gearing ratio within 10% to 25%. The gearing ratios at December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Total borrowings	$ 1,086,726	$ 1,064,666
Total equity	5,971,207	5,625,979
Total capital	$ 7,057,933	$ 6,690,645
Gearing ratio	15%	16%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 2,241,105	$ 1,732,077
Notes receivable	3,971	4,203
Accounts receivable (including related parties)	901,400	816,316
Other receivables	14,853	9,399
Restricted deposit (shown as other current assets)	-	43
Guarantee deposits paid (shown as other non-current assets)	7,871	7,797
	$ 3,169,200	$ 2,569,835
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 400,000	$ 200,000
Notes payable	218,707	218,551
Accounts payable	108,453	86,509
Other payables (including related parties)	825,011	702,620
Long-term borrowings (including current portion)	686,726	864,666
	$ 2,238,897	$ 2,072,346
Lease liabilities	$ 90,592	$ 99,216

B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by the Company's treasury department ("Company treasury") under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating department. The Company provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD and EUR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require entities to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury.

iii. The Company's businesses involve some non-functional currency operations. The information on assets denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2021		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 68,081	27.68	$ 1,884,489
EUR : NTD	15,992	31.32	500,881
GBP : NTD	2,119	37.30	79,021
HKD : NTD	10,660	3.549	37,832
JPY : NTD	42,780	0.2405	10,288
RMB : NTD	21,198	4.344	92,082
Non-monetary items			
USD : NTD	$ 4,118	27.68	$ 113,992

	December 31, 2020		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	$ 57,078	28.48	$ 1,625,588
EUR : NTD	6,978	35.02	244,354
GBP : NTD	1,704	38.90	66,279
HKD : NTD	5,370	3.673	19,725
JPY : NTD	37,509	0.2763	10,364
RMB : NTD	23,720	4.377	103,822
Non-monetary items			
USD : NTD	$ 3,989	28.48	$ 113,595

iv. The unrealised exchange loss arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2021 and 2020 amounted to $89,022 and $58,476, respectively.

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

	For the year ended December 31, 2021		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 18,845	$ -
EUR : NTD	1%	5,009	-
GBP : NTD	1%	790	-
HKD : NTD	1%	378	-
JPY : NTD	1%	103	-
RMB : NTD	1%	921	-

	For the year ended December 31, 2020		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD : NTD	1%	$ 16,256	$ -
EUR : NTD	1%	2,444	-
GBP : NTD	1%	663	-
HKD : NTD	1%	197	-
JPY : NTD	1%	104	-
RMB : NTD	1%	1,038	-

Cash flow and fair value interest rate risk

i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During 2021 and 2020, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

iii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2021 and 2020 would have decreased/increased by $6,867 and $8,647, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Company manages its credit risk taking into consideration the entire entity's concern. According to the Company's credit policy, each operating department in the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 181 days.

iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company classifies customer's accounts receivable in accordance with customer types. The Company applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.

vi. The Company wrote-off the financial assets, which cannot reasonably be expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

vii.(i) The Company used the forecastability of global economic information to adjust historical and timely information to assess the default possibility of notes and accounts receivable arising from general credit rating customers. As of December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	Over 181 days past due	Total
Expected loss rate	0.23%-0.93%	2.26%-8.86%	20.32%-21.28%	52.52%~69.04%	68.04%~92.66%	100%	
Total book value	$ 828,148	$ 78,702	$ 4,449	$ 2,886	$ 869	$ 672	$ 915,726
Loss allowance	4,626	4,144	935	1,536	719	672	12,632

December 31, 2020	Not past due	1-30 days past due	31-60 days past due	61-90 days past due	Over 91 days past due	Total
Expected loss rate	1.14%-2.15%	14.5%-38.17%	44.26%-90.42%	85.76%~100%	100%	
Total book value	$ 779,329	$ 66,168	$ 109	$ -	$ 1,810	$ 847,416
Loss allowance	14,104	15,602	98	-	1,810	31,614

(ii) The Company individually assesses the customers that have low credit rating and default. As of December 31, 2021 and 2020, the carrying amount of accounts receivable with low credit rating amounted to $16,003 and $18,131, respectively, therefore, the Company provided loss allowance amounting to $16,003 and $18,131, respectively.

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	2021		2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
At January 1	$ 49,676	$ 69	$ 45,227	$ 3
Provision for impairment	-	-	4,449	66
Reversal of impairment loss	(21,053)	(57)	-	-
At December 31	$ 28,623	$ 12	$ 49,676	$ 69

For the years ended December 31, 2021 and 2020, the expected credit impairment (gain) loss on accounts and notes receivable arising from customers' contracts amounted to ($21,110) and $4,515, respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating departments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs and liabilities at maturity.

ii. Company treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 100,648	$ 300,682	$ -	$ -	$ -
Notes payable	218,082	625	-	-	-
Accounts payable	60,938	47,515	-	-	-
Other payables (including related parties)	686,627	138,384	-	-	-
Lease liabilities	10,700	29,854	31,240	20,600	-
Long-term borrowings (including current portion)	46,241	151,799	107,271	314,086	85,486

Non-derivative financial liabilities

December 31, 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Short-term borrowings	$ 50,335	$ 150,396	$ -	$ -	$ -
Notes payable	218,152	399	-	-	-
Accounts payable	28,869	57,640	-	-	-
Other payables (including related parties)	584,130	118,490	-	-	-
Lease liabilities	10,373	27,706	32,927	30,526	-
Long-term borrowings (including current portion)	46,888	140,820	201,288	331,835	197,999

iv. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

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

(4) Impact of COVID-19

Based on the Company’s assessment, the COVID-19 pandemic had no significant impact on the Company’s overall operations and financial position.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: None.
E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.
G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.
H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.
I. Trading in derivative instruments undertaken during the reporting periods: None.
J. Significant inter-company transactions during the reporting periods: None of exceeding $50 million transaction.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 1.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 2.
B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None exceeding $50 million.

(4) Major shareholders information

None.

14. SEGMENT INFORMATION

Not applicable.

Names, locations and other information of investee copmanies (not including investees in Mainland China)

For the year ended December 31, 2021

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

				Initial investment amount		Shares held as at December 31, 2021					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Note
St. Shine Optical Co., Ltd.	Shine Optical Holding Groups Inc.	British Virgin Islands	Investment and trading business	$ 296,627	$ 296,627	8,800,000	100	$ 92,858	$ 102	$ 102	
St. Shine Optical Co., Ltd.	Shine Optical (Samoa) Holding Groups, Inc.	Samoa	Investment and trading business	61,498	61,498	1,900,000	100	21,134	3,539	3,539	
St. Shine Optical Co., Ltd.	St. Shine Optical Japan Co., Ltd.	Japan	Import and export business, retail and wholesale of contact lenses and consulting business	2,201	-	800	100	1,924	-	-	
Shine Optical Holding Groups Inc.	Shine Optical B.V.	Netherlands	Trading of contact lenses (soft and hard) and optical lenses	11,542	11,542	3,200	100	4,398	-	-	
Shine Optical (Samoa) Holding Groups, Inc.	Shine Optical HK Limited	Hong Kong	Investment and trading business	59,880	59,880	1,850,000	100	19,983	3,555	3,555	

St. Shine Optical Co., Ltd.

Information on investments in Mainland China - Basic information

For the year ended December 31, 2021

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Investment Flows Outflow	Investment Flows Inflow	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Note
Shanghai Ticon Optical Ltd.	Trading of contact lenses (soft and hard) and optical lenses	$ 55,692	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	$ 55,692	$ -	$ -	$ 55,692	$ 3,599	100	$ 3,599	$ 19,619	$ -	

Note 1: The amount of investment profit or loss recognised was based on the financial statements that were audited by R.O.C. parent company's CPA firm.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 (Note 2)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
St. Shine Optical Co., Ltd.	$ 55,692	$ 55,692	$ 3,582,724

Note 2: The total investment amount of USD 1.8 million was approved pursuant to the Jing-Shen-II-Zi Letter No.09600429730.

Note 3: Limitation is in accordance with (90) Tai-Cai-Zheng (1) Letter No. 006130 of Securities and Futures Commission, Ministry of Finance, R.O.C issued on November 16, 2001.

St.Shine Optical Co., Ltd.

Chairman: Ming-Hsien Chen