Stock Code: 6789

VisEra Technologies Company Ltd.

2020 Annual Report

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Annual Report website of VisEra:
https://www.viseratech.com/investor/reports/annual-reports/

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Certifying CPA : CPA Shang-Chih Lin, CPA Ming-Yuan Chung
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One. Report to Shareholders

Ladies and gentlemen:

In 2020, the COVID-19 pandemic has caused a global economic decline. According to an IMF research report, the global economic growth rate declined by 3.5% compared to the previous year. A report from the market research institution TrendForce also indicated that the global smartphone output volume under the pandemic declined by 11% compared to the previous year. However, the rapid development of 5G network contributes to the trend of switching to 5G smartphones. The increase in the number of cameras on smartphones, high resolution camera modules, and the increase in the demand in in-display fingerprint recognition all lead to a steady growth of image sensor and biometric sensor markets.

In response to the growth of market demand and the development of advanced processing technology, VisEra continues to invest in processing equipment to increase productivity. In 2020, the overall 200 mm equivalent output volume increased by 100% compared to the previous year, and the most advanced 0.7 μm pixel size image sensor and multiple rise light sensor have entered mass production. The development of sub-millimeter lens processing technology has been completed, and the customer testing production project has been initiated.

Financial Performance

The Company's revenues in 2020 were NTD 6.946 billion, an increase of 105% compared to the NTD 3.396 billion in the previous year; the profit after tax was NTD 2.091 billion, an increase of 241% compared to the NTD 614 million in the previous year. The earnings per share were NTD 7.18. The Company's gross margin in 2020 was 45%, an increase of 11% compared to the 34% in the previous year; the operating margin was 37%, an increase of 16% compared to the 21% in the previous year. The net profit margin was 30%, an increase of 12% compared to the 18% in the previous year.

Technology Development

On top of the development on applications of optical sensors as well as the development trend of sensor miniaturization, the processing technology for 0.6 μm pixel size image sensors is expected complete development and enter mass production in 2021. The Company also invests in the research and development of processing for 100 megapixels or higher to provide customers with more advanced and high quality image sensors. Meanwhile, the Company also invests in: 1) optical elements in 3D sensing modules that provide miniaturization solutions for components required by customers; 2) research and development of high price-performance ratio and customized multiple rise ambient light sensor processing that meets the diverse customer demands for ambient light sensors; 3) development of under-display camera modules to meet the trend of full-view smartphones.

Future Outlook

When looking forward to 2021, the COVID-19 pandemic may gradually ease due to the distribution of coronavirus vaccines. In addition, all governments continue to carry out economic support

measures and political uncertainties in the United States and Europe are reduced. Economic growth will clearly surge on a global scale. Moreover, the rapid development of 5G and wide adaptation of its application on products will boost the overall sales of mobile devices. To cope with market demand, the Company continues to develop and optimize optical sensor technology as well as increase productivity in order to improve competitively in the market and create higher values for customers and shareholders.

We wish you good health and good luck.

VisEra Technologies Company Ltd.

Chairman: Robert Kuan President: S.C. Hsin Accounting Supervisor: Kevin Tsai

Two. Company Profile

I. Date of Incorporation:

December 1, 2003

II. Corporate History:

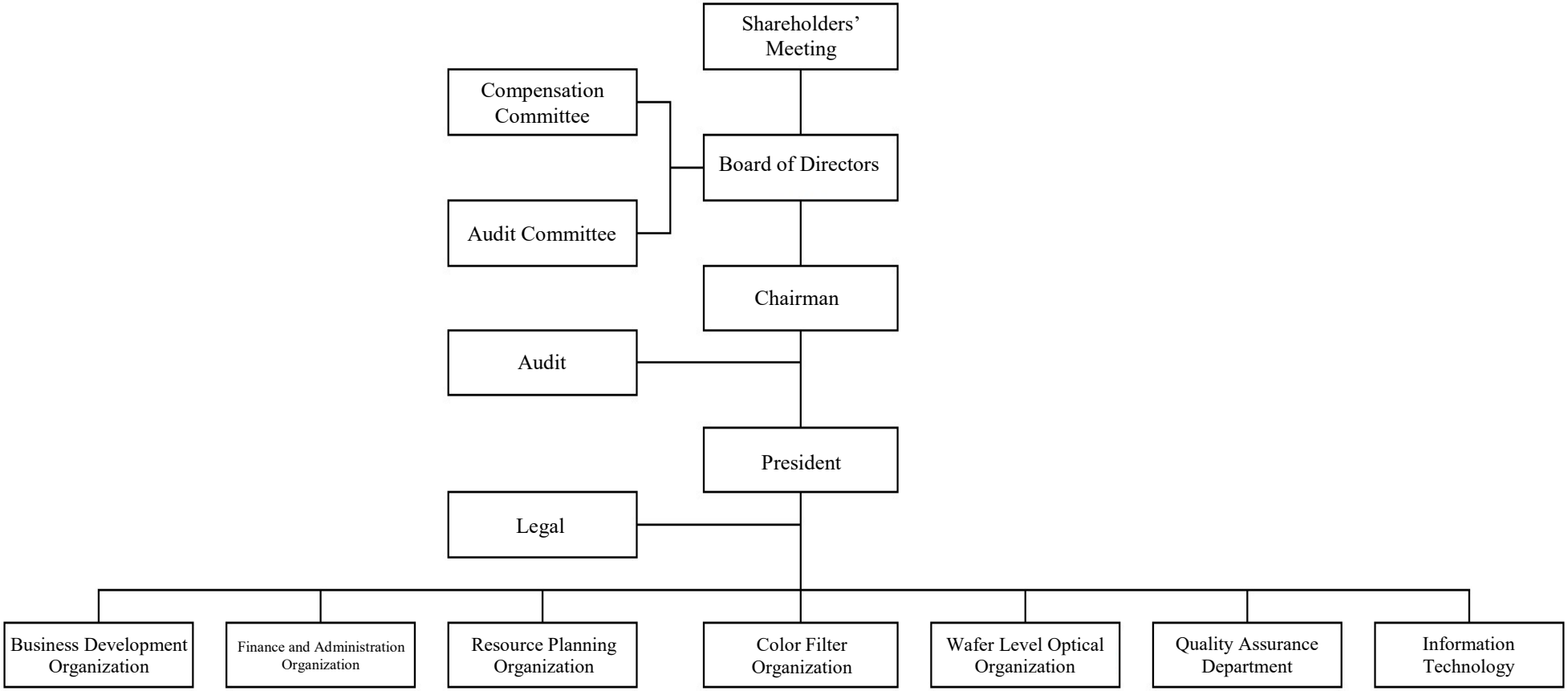
Year	Milestones
2003	◆VisEra Technologies Company Ltd. was founded, providing color filter services ◆Paid-in capital NTD 204,000 thousand
2005	◆Approved by the Science Park Bureau to invest in the establishment of a wafer-level color filter manufacturing plant in the Hsinchu Science Park ◆Purchased color filter production equipment from TSMC and leased part of TSMC's plant and plant facilities to engage in the manufacturing of color filters and micro-lenses ◆Issuance of common stock worth NTD 496,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NTD 700,000 thousand
2006	◆The color filter and micro-lens plant was officially put into operation and started mass production ◆The color filters and micro-lenses for automotive image sensors obtained the ISO quality certification ◆Issuance of common stock worth NTD 766,000 thousand to increase cash capital. After the capital increase, the paid-up capital amounted to NTD 1,466,000 thousand
2007	◆Issuance of common stock worth NTD 1,260,000 thousand to increase cash capital. Employee profit sharing to increase capital by NTD 98,097 thousand. After the capital increase, the paid-up capital amounted to NTD 2,824,097 thousand
2008	◆Employee profit sharing to increase capital by NTD 29,083 thousand. After the capital increase, the paid-up capital amounted to NTD 2,853,180 thousand ◆The Company owned plant in Hsinchu was officially put into operation
2009	◆Mass production of 8" backside illumination (BSI) color filters and micro-lenses ◆Employee profit sharing to increase capital by NTD 5,797 thousand. After the capital increase, the paid-up capital amounted to NTD 2,858,977 thousand
2010	◆Mass production of 12" color filters and micro-lenses
2011	◆Employee profit sharing to increase capital by NTD 17,327 thousand. After the capital increase, the paid-up capital amounted to NTD 2,876,304 thousand
2012	◆Mass production of first RGBC sensor of 12" color filters and micro-lenses ◆Employee profit sharing to increase capital by NTD 35,227 thousand. After the capital increase, the paid-up capital amounted to NTD 2,911,531 thousand
2015	◆Investment and development of on-chip multi-film technology
2016	◆Mass production of 12" 1.1μm color filters and 16 million pixel image sensors ◆Mass production of ambient light sensors
2017	◆Mass production of on-chip multi-film (OCMF)
2018	◆Mass production of optical fingerprint sensors (OFP) ◆Mass production of proximity light sensors

Year	Milestones
2019	◆Mass production of 12” 0.8μm color filters and 48 million pixel image sensors ◆Development of ambient optical sensing elements to apply on-chip multi-film (OCMF) technology to smartphones ◆Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification
2020	◆Mass production of 12” 0.7μm color filters ◆Mass production of new generation ambient light sensors ◆Set a production record for the year to 1 million pieces of equivalent 8” wafers ◆Application for becoming a public company effective in July 2020
2021	◆Registered as an emerging stock company in April 2021

Three. Corporate Governance Report

I. Organization and main departments

(I) Organization chart:



(II) Responsibilities of main departments:

Name of department	Responsibilities
Board of Directors	Executes resolutions made in shareholder meetings, and determines operational and investment plans for the Company to the scope authorized by Shareholders' Meeting.
Audit Committee	Supervises the quality of accounting, finance, and audit procedures and effective implementation of internal control; assists the Board of Directors in improving corporate governance performance.
Compensation Committee	1. Establishment the overall compensation policies of the Company. 2. Evaluation and review of directors' and managers' performance, as well as compensation policies, systems, standards, and structures.
Audit	1. The Audit is an independent and objective unit that contributes and adds value to the organization through consultation services. 2. Assesses and improves effectiveness of risk control and corporate governance practices. 3. Provides reasonable assurance to the management about the accomplishment of various control targets, including: operational performance and efficiency, reliability of financial report, asset security, and compliance.
Business Development Organization	1. Monitors market trends, price changes, and new technologies launched by peers; keeps the management informed of market trends and technological changes. 2. Devises solutions and helps customers resolve issues concerning to product and technical system application. 3. Produces promotional materials for special production procedures, and thereby convey the value, advantage, and application of various technologies owned by the Company. 4. Explores customers for existing products offered by the Company, and assists customers in the development and mass production of new products. 5. Markets a diverse range of services to support customers' business activities, and increases customers' revenue contribution to the Company. 6. Issues quotation forms and manages customers' orders. 7. Answers customers' inquiries concerning delivery date and shipping status.
Resource Planning Organization	1. Oversees procurement, logistics, plant affairs, capacity improvement, and new plant construction. 2. Purchase of raw materials, supplies, and equipment. 3. Capacity calculation and productivity improvement. 4. Enforcement and assessments of safety and health, and environmental protection issues. 5. Assessment and execution of plant affairs raised by various departments. 6. Ensures compliance with the Company's work safety and environmental protection rules and relevant laws and regulations. 7. Planning and preparation of new plants and production capacity.

Name of department	Responsibilities
Wafer Level Optical Organization	1. Responsible for the development of new products and new process technologies for mass production. 2. Responsible for the development of advanced modules for mass production. 3. Maintains productive interaction with customers, learns customers' requirements, and solves customers' problems. 4. Planning, preparation, and coordination of production capacity. 5. Improvement of multi-film yield. 6. Responsible for the implementation of multi-film production equipment. 7. Provides customers with production specifications, procedures, and controls for various products.
Color Filter Organization	1. Responsible for the management of production procedures, manufacturing, equipment, and inter-department coordination. 2. Planning, preparation, and coordination of production capacity. 3. Executes total control over production procedures to meet customers' product requirements, and thereby improve customer satisfaction. 4. Maintenance, servicing, and ongoing improvement of production and measuring equipment. 5. Improvement of yields for various production procedures.
Finance and Administration Organization	1. Performs administrative tasks such as operational planning, organization, guidance, coordination, control, and evaluation for subordinate departments. 2. Oversees funding and supervises/reviews financial and accounting practices to ensure compliance with internal control and regulations. 3. Reviews annual budget and operational performance, and proposes recommendations for financial/taxation/investment/funding decisions. 4. Oversees details concerning the convention of shareholders’ meeting. 5. Makes annual human resource capacity plans. 6. Designs the compensation/welfare system and ensures compliance with laws and regulations. 7. Establishes employee training program and executes deal assessment. 8. Management of employee relations and labor-management relations.
Quality Assurance Department	1. Leads the Quality Engineering Department, Reliability Engineering Department, and Quality System and Customer Quality Assurance Department. 2. Project management of major abnormalities related to FAB quality issues. 3. Enforces quality culture and strategies throughout the Company. 4. Planning, promote, and assessment of activities for various departments under the Quality & Reliability Assurance Division.

Name of department	Responsibilities
	5. Coordinates plants, divisions, and departments within the Company to assist the Quality & Reliability Assurance Division in various initiatives. 6. Represents the Company in negotiating quality-/reliability-related matters with customers.
Information Technology	1. Provides good computers and network operation platform to improve operating efficiency and quality. 2. Development and design of an e-commerce system for improved customer satisfaction. 3. Establishment of a cybersecurity system to ensure security of information used within the Company. 4. Responsible for the integration, use, and promotion of information technologies within the Company.
Legal	1. Reviews and drafts legal documents to be issued or signed by various departments in the Company's name for an external party. 2. Handles submission, review, reward, and management of patents. 3. Assists various departments with compliance matters and offers recommendations. 4. Serves secretarial duties for the Board of Directors, and oversees board meeting affairs.

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

(I) Background information of directors and supervisors

April 24, 2021; shares; %

Position	Nationality or place of registration	Name	Gender	Date elected (appointed)	Tenure	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relation
Chairman	R.O.C.	TSMC (Note 1)	-	06/14/2019	3 years	11/19/2003	253,120,000	86.94	213,619,000	73.37	-	-	-	-	-	-	-	-	-
		Representative: Robert Kuan (Note 2)	Male	03/04/2021		05/16/2011	-	-	54,600	0.02	-	-	-	-	Master, Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	Note 5	-	-	-
Directors	R.O.C.	TSMC	-	06/14/2019	3 years	11/19/2003	253,120,000	86.94	213,619,000	73.37	-	-	-	-	-	-	-	-	-
		Representative: George Liu (Note 2)	Male	03/04/2021		12/03/2015	-	-	-	-	-	-	-	-	Master, Electrical Engineering, Arizona State University TSMC-Senior Director Vanguard International Semiconductor Corporation - Vice President Intel Corporation - Director	Note 5	-	-	-
Directors	R.O.C.	TSMC	-	06/14/2019	3 years	11/19/2003	253,120,000	86.94	213,619,000	73.37	-	-	-	-	-	-	-	-	-
		Representative: C.S. Yoo (Note 3)	Male	06/14/2019		11/01/2018	-	-	-	-	-	-	-	-	Ph.D., Worcester Polytechnic Institute TSMC-Vice President	Note 5	-	-	-
Directors	R.O.C.	TSMC	-	06/19/2020	2 years	11/19/2003	253,120,000	86.94	213,619,000	73.37	-	-	-	-	-	-	-	-	-
		Representative: Sylvia Fang (Note 3)	Female	06/19/2020		06/19/2020	-	-	-	-	-	-	-	-	Master, Comparative Law, School of Law, University of Iowa, U.S. Attorney in Taiwan TSMC-Vice President and General Counsel Senior Associate, Taiwan International Patent and Law Office	Note 5	-	-	-
Directors	R.O.C.	TSMC	-	06/19/2020	2 years	11/19/2003	253,120,000	86.94	213,619,000	73.37	-	-	-	-	-	-	-	-	-
		Representative: Diane Kao (Note 2)	Female	03/04/2021		06/19/2020	-	-	-	-	-	-	-	-	MBA, University of California, Berkeley TSMC-Senior Director	Note 5	-	-	-
Supervisor	R.O.C.	Wendell Huang (Note 4)	Male	06/14/2019	3 years	06/15/2012	-	-	-	-	-	-	-	-	MBA, Cornell University, U.S TSMC - Vice President and CFO	Note 5	-	-	-

Position	Nationality or place of registration	Name	Gender	Date elected (appointed)	Tenure	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor		
							Shares	%	Shares	%	Shares	%	Shares	%			Position	Name	Relation
Supervisor	R.O.C.	Morris Cheng (Note 4)	Male	06/19/2020	2 years	06/19/2020	-	-	-	-	14,000	0.00	-	-	Ph.D., Law, University of California, Berkeley Attorney in Taiwan and USA TSMC - Director Taiwan Hsinchu District Court - Judge	Note 5	-	-	-
Independent Director	R.O.C.	Laura Huang (Note 2)	Female	03/04/2021	3 years	03/04/2021	-	-	-	-	-	-	-	-	Bachelor, International Trade, Fu Jen Catholic University MBA, University of Missouri UBS - Director and President/Head of Taiwan Region, Ultra High Net Worth Department Merrill Lynch - Director and President China Development Financial Holding Corporation - Senior VP/Head of Investment Banking	-	-	-	-
Independent Director	R.O.C.	Emma Chang (Note 2)	Female	03/04/2021	3 years	03/04/2021	-	-	-	-	-	-	-	-	Bachelor, Law, National Taiwan University Master of Law, University of Washington MediaTek Inc. - Head of Legal Affairs and Intellectual Property Department Standard Chartered Bank - Chief Legal Officer TSMC - Deputy Director of Legal Affairs	-	-	-	-
Independent Director	R.O.C.	Peng-Heng Chang (Note 2)	Male	03/04/2021	3 years	03/04/2021	-	-	-	-	-	-	-	-	Ph.D., Materials Engineering, Purdue University Motech - Chairman TSMC - Vice President WSMC - Vice President	Note 5	-	-	-

Note1: The full name is Taiwan Semiconductor Manufacturing Co., Ltd.

Note 2: Service commenced following the director election held during the extraordinary shareholders' meeting dated March 4, 2021.

Note 3: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021; change of shareholding reflected information as of the time of departure.

Note 4: The Company assembled an Audit Committee on March 4, 2021, hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default. Change of shareholding reflected information as of the time of departure.

Note 5: Concurrent duties in other companies

Position	Name	Concurrent duties in the Company and in other companies
Chairman	Representative of TSMC: Robert Kuan	VisEra Technologies Chief Executive Officer The Chairman of the Company, also serving as the Chief Executive Officer, is responsible for the operational judgment, business management, crisis management, as well as the operation plan of the Company, with an international market perspective, exercising the ability of leadership and decision-making, and persistent in accommodating the business operation to the market changes, by which to enable the sustainable development of the Company. The Chairman answers to the Board of Directors, implementing their resolutions and directions, achieving targets pre-set by them, and reporting the implementation status to the same. Meanwhile, the President is appointed in charge of the day-to-day management, effecting annual operation plans and investment projects, as well as confirming, and overseeing the execution of, plans for annual budgets, final statements, profit distribution, and deficit offset. The Chairman, also the Chief Executive Officer, carries out the sustainable development goals and the operation blueprint made by the Board; the President establishes and improves the management system and organizational structure, handles daily operation and management, and reaches the operation and management goals and development objectives. Two roles work together, ensuring hierarchical responsibilities and enhancing overall operation efficiency. In addition, more than half of the Directors of the Board do not concurrently serve as employees or managers. Each functional committee is composed of independent Directors who, after thorough discussions, advise the Board on critical issues, so as to ensure corporate governance and prove overall operational performance.
Directors	Representative of TSMC: George Liu	TSMC Senior Director
Directors	Representative of TSMC: C.S. Yoo	TSMC Vice President
Directors	Representative of TSMC: Diane Kao	TSMC Senior Director
Directors	Representative of TSMC: Sylvia Fang	TSMC- Vice President and General Counsel Subsidiaries of TSMC - Director/Supervisor
Supervisor	Wendell Huang	TSMC- Vice President and CFO Subsidiaries of TSMC - Director/Supervisor/President
Supervisor	Morris Cheng	TSMC- Head of Department
Independent Director	Peng-Heng Chang	MediaTek Inc. - Independent Director Chairman of -Ruei-Yang Solar Corp. -Chi-Kuang Solar Energy Corp. -Ruei-Rih Solar Corp. -Lumos Corporation (Japan) Representative of juristic person director, Big Sun Technology Inc.

(II) Major shareholders of corporate shareholders

Name of corporate shareholder	Major shareholders of corporate shareholders	Shareholding percentage
TSMC	ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	20.52%
	National Development Fund, Executive Yuan	6.38%
	Citibank (Taiwan) Ltd. in custody for Government of Singapore	2.56%
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.54%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.33%
	New Labor Pension Fund	1.08%
	Fubon Life Insurance Co., Ltd	0.95%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	0.83%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Invesco Oppenheimer Developing Markets Fund	0.81%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for New Perspective Fund	0.80%

Directors' and supervisors' expertise and independence

April 24, 2021

Criteria / Name	Having more than 5 years work experience and professional qualifications listed below			Independence criteria (Note 1)												Number of positions as independent director in other public companies
	Lecturer (or above) of commerce, legal, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional capacity that is necessary for company business.	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Robert Kuan (Note 2)	-	-	✓	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	0
George Liu (Note 2)	-	-	✓	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	0
C.S. Yoo (Note 3)	-	-	✓	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	0
Sylvia Fang (Note 3)	-	✓	✓	-	-	✓	✓	-	-	✓	-	✓	✓	✓	-	0
Diane Kao (Note 2)	-	-	✓	-	✓	✓	✓	-	-	✓	✓	✓	✓	✓	-	0
Wendell Huang (Note 4)	-	-	✓	-	-	✓	✓	-	-	✓	-	✓	✓	✓	✓	0
Morris Cheng (Note 4)	-	✓	✓	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	0
Laura Huang (Note 2)	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Emma Chang (Note 2)	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Peng-Heng Chang (Note 2)	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: A "✓" is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

(1) Not employed by the Company or any of its affiliated enterprises.

(2) Not a director or supervisor of the Company or any of its affiliated enterprises (this restriction does not apply to concurrent independent director positions in the Company, its parent company, subsidiary, or another subsidiary of the parent that is compliant with the Act or local laws).

(3) Does not aggregately hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.

(4) Not a manager listed in (1), or a spouse, 2nd-degree relative or closer or 3rd-degree direct relative or closer to any personnel listed in (2) or (3).

(5) Not a director, supervisor, or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).

(6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its

parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).

(7) Does not assume concurrent duty as chairman, president or equivalent role, and is not a director, supervisor, or employee of another company or institution owned by spouse. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws.)

(8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).

(9) Not a professional who provides audit service, or commercial, legal, financial, accounting or related services for an accumulated sum of less than NTD 500,000 in the last 2 years, to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. This excludes roles as Compensation Committee, Public Acquisition Review Committee or M&A Special Committee member appointed in accordance with the Securities and Exchange Act or Business Mergers And Acquisitions Act.

(10) Not a spouse or relative of second degree or closer to any other directors.

(11) Does not meet any of the conditions stated in Article 30 of The Company Act.

(12) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

Note 2: Service commenced following the director election held during the extraordinary shareholders' meeting dated March 4, 2021.

Note 3: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021; change of shareholding reflected information as of the time of departure.

Note 4: The Company assembled an Audit Committee on March 4, 2021, hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default. Change of shareholding reflected information as of the time of departure.

(III) Background information of the President, vice presidents, assistant vice presidents, and heads of various departments and branches

April 24, 2021; shares; %

Position	Nationality or place of registration	Name	Gender	Date elected (appointed)	Current shareholding		Shareholding of spouse and underage children		Shares held by proxy		Main career (academic) achievements	Concurrent duties in the Company and in other companies	Spouse or relatives of second degree or closer acting as manager, director or supervisor			Remarks
					shares	%	shares	%	share	%			Position	Name	Relation	
Chairman and CEO	R.O.C	Robert Kuan	Male	05/16/2011	54,600	0.02	-	-	-	-	Master, Materials Science and Engineering, National Tsing Hua University TSMC-Plant Manager SSMC -VP of Operations	-	-	-	-	-
President	R.O.C	S.C. Hsin	Male	03/15/2011	-	-	-	-	-	-	Master, Physics, National Tsing Hua University TSMC-Director Philips Taiwan. Manager	-	-	-	-	-
Vice President	R.O.C	Kevin Tsai	Male	07/10/2006	-	-	592,500	0.20	-	-	Bachelor, Accounting, Soo Chow University Win Semi-CFO TSMC-Department Manager TI-Acer Semiconductor Manufacturing Corp-Department Manager	-	-	-	-	-
Vice President	R.O.C	H.J. Tsai	Male	11/12/2010	335,060	0.12	-	-	-	-	Master, Materials, National Tsing Hua University Zhongwei Semi-Department Manager TSMC- Manager	-	-	-	-	-
Vice President	R.O.C	K.P. Lin	Male	03/06/2020	54,736	0.02	-	-	-	-	Bachelor, Chemical Engineering, National Tsing Hua University TSMC-Principal Engineer	-	-	-	-	-
Vice President	R.O.C	W.R. Huang	Male	03/06/2020	-	-	-	-	-	-	Master, Industrial Engineering, National Tsing Hua University HOYA Taiwan.-Vice President TSMC-Deputy Director	-	-	-	-	-
Assistant vice president	R.O.C	C.C. Chen	Male	06/01/2011	100	-	44,391	0.02	-	-	Master, Materials, National Taiwan University FuPo Electronic-Senior Manager TSMC- Deputy Manager	-	-	-	-	-
Assistant vice president	R.O.C	Ben Fun	Male	07/01/2011	-	-	-	-	-	-	Ph.D., Industrial Engineering and Management, National Tsing Hua University GlobalFoundries-Deputy Director TSMC-Department Manager	-	-	-	-	-
Assistant vice president	R.O.C	J.C. Hsieh	Male	09/01/2011	32,981	0.01	-	-	-	-	Master, Chemical Engineering, National Cheng Kung University TSMC- Project Manager	-	-	-	-	-

III. Compensation paid to directors, supervisors, the President, and vice presidents in 2020

(I) Compensation to directors

Unit: NTD thousand; %

Position	Name	Directors' compensation								Sum of A, B, C, and D as a percentage of net income		Compensation received as employee								Sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Severance payment and pension (B)		Director remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc. (E)		Severance payment and pension (F)		Employee remuneration (G)						
																The Company		All companies included in the financial report				
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares	The Company	All companies included in the financial report	
Chairman	TSMC. Representative: Robert Kuan	-	-	-	-	-	-	-	-	-	-	6,367	6,367	-	-	14,221	-	14,221	-	0.98	0.98	None
Directors	TSMC. Representative: George Liu																					
Directors	TSMC. Representative: C.S. Yoo (Note)																					
Directors	TSMC. Representative: Sylvia Fang (Note)																					
Directors	TSMC. Representative: Diane Kao																					
Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None																						

Note: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021.

Director Compensation Bracket Table

Range of compensation paid to directors	Name of director			
	Sum of first 4 compensations (A+B+C+D)		Sum of first 7 compensations (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial report H	The Company	All companies included in the financial report I
Below NTD 1,000,000	Robert Kuan, George Liu, C.S. Yoo, Sylvia Fang, Diane Kao	Robert Kuan, George Liu, C.S. Yoo, Sylvia Fang, Diane Kao	George Liu, C.S. Yoo, Sylvia Fang, Diane Kao	George Liu, C.S. Yoo, Sylvia Fang, Diane Kao
NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive)	-	-	-	-
NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive)	-	-	-	-
NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive)	-	-	-	-
NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive)	-	-	-	-
NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive)	-	-	-	-
NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive)	-	-	Robert Kuan	Robert Kuan
NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive)	-	-	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive)	-	-	-	-
NTD 100,000,000 and above	-	-	-	-
Total	5	5	5	5

(II) Supervisors' compensation:

Position	Name	Supervisors' compensation						Sum of A, B, and C as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Remuneration (B)		Fees for services rendered (C)				
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	
Supervisor	Wendell Huang	-	-	-	-	-	-	-	-	None
Supervisor	Morris Cheng	-	-	-	-	-	-	-	-	None

Note: The Company assembled an Audit Committee on March 4, 2021, hence supervisors Mr. Wendell Huang and Mr. Morris Cheng were discharged from duty by default.

Compensation Bracket Table

Range of compensation paid to supervisors	Name of supervisor	
	Sum of the first 3 compensations (A+B+C)	
	The Company	All companies included in the financial report D
Below NTD 1,000,000	Wendell Huang, Morris Cheng	Wendell Huang, Morris Cheng
NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive)	-	-
NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive)	-	-
NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive)	-	-
NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive)	-	-
NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive)	-	-
NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive)	-	-
NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive)	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive)	-	-
NTD 100,000,000 and above	-	-
Total	2	2

(III) Compensation to the President and vice presidents

Unit: NTD thousand

Position	Name	Salary (A)		Severance payment and pension (B) (Note 1)		Bonus and special allowances (C)		Employee remuneration (D)				Sum of A, B, C, and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
Chairman and CEO	Robert Kuan	18,960	18,960	664	664	13,328	13,328	53,005	-	53,005	-	4.11	4.11	None
President	S.C. Hsin													
Vice President	Kevin Tsai													
Vice President	H.J. Tsai													
Vice President	K.P. Lin													
Vice President	W.R. Huang													

Note 1: Represents pension contributions made in accordance with laws.

Compensation Bracket Table

Range of compensation to the President and vice presidents	Names of President and vice presidents	
	The Company	All companies included in the financial report
Below NTD 1,000,000	-	-
NTD 1,000,000 (inclusive) - NTD 2,000,000 (non-inclusive)	-	-
NTD 2,000,000 (inclusive) - NTD 3,500,000 (non-inclusive)	-	-
NTD 3,500,000 (inclusive) - NTD 5,000,000 (non-inclusive)	-	-
NTD 5,000,000 (inclusive) - NTD 10,000,000 (non-inclusive)	W.R. Huang	W.R. Huang
NTD 10,000,000 (inclusive) - NTD 15,000,000 (non-inclusive)	Kevin Tsai, H.J. Tsai, K.P. Lin	Kevin Tsai, H.J. Tsai, K.P. Lin
NTD 15,000,000 (inclusive) - NTD 30,000,000 (non-inclusive)	S.C. Hsin, Robert Kuan	S.C. Hsin, Robert Kuan
NTD 30,000,000 (inclusive) - NTD 50,000,000 (non-inclusive)	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (non-inclusive)	-	-
NTD 100,000,000 and above	-	-
Total	6	6

(IV) Names of managers entitled to employee remuneration and amount entitled:

Unit: NTD thousand

	Position	Name	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Managerial Personnel	Chief executive officer	Robert Kuan	-	71,440	71,440	3.42
	President	S.C. Hsin				
	Vice President	Kevin Tsai				
	Vice President	H.J. Tsai				
	Vice President	K.P. Lin				
	Vice President	W.R. Huang				
	Assistant vice president	C.C. Chen				
	Assistant vice president	Ben Fun				
	Assistant vice president	J.C. Hsieh				

(V)Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective percentages to standalone or consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks.

1. Directors', supervisors', President's, and vice presidents' compensations paid in the last two years as a percentage to net income

Position	2019 Total compensation as a percentage of net income		2020 Total compensation as a percentage of net income	
	The Company	All companies included in the financial report	The Company	All companies included in the financial report
Directors	-	-	-	-
Supervisor	-	-	-	-
President and vice presidents	5.78%	5.78%	4.11%	4.11%

2. Compensation policies, standards, packages, and procedures, and association with business performance and future risks

Remuneration for the Company's directors and supervisors has been outlined in the Articles of Incorporation; payment of which is resolved by the Board of Directors and reported in shareholders' meeting. Compensation for the President and vice presidents include salary, bonus, and employee remuneration; compensation packages are determined based on the role, responsibilities, and contribution of each individual while taking into consideration the peer level and overall performance of the Company. Compensations for directors, supervisors, the President, and vice presidents have all been determined after taking into consideration the Company's future prospects and risks. Compensations are positively correlated with business performance, and have been properly balanced against sustainability and risks.

IV. Corporate governance

(I) Functionality of the Board of Directors

The Board were convened a total of 4 regular meetings and 3 extraordinary meetings in 2020; details of directors' and supervisors' attendance are shown below:

Position	Name	No. of in-person attendance	Required attendance	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
Chairman	TSMC Representative: Robert Kuan	7	7	0	100%	
Directors	SMC Representative: George Liu	6	7	1	86%	
Directors	TSMC Representative: C.S. Yoo	6	7	1	86%	
Directors	TSMC Representative: Sylvia Fang	2	3	0	67%	Duty commenced on June 19, 2020
Directors	TSMC Representative: Diane Kao	2	3	1	67%	Duty commenced on June 19, 2020
Supervisor	Wendell Huang	7	7	0	100%	
Supervisor	Morris Cheng	3	3	0	100%	Duty commenced on June 19, 2020

Other mandatory disclosures:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions.
   (I) Conditions described in Article 14-3 of the Securities and Exchange Act: Not applicable.
   (II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

III. TWSE/TPEx listed companies are required to disclose the cycle, duration, scope, method, and details of board performance self (or peer) evaluations performed, and complete Table 2 section (2) Execution of Board Performance Evaluation: Not applicable.

IV. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of Audit Committee, improvement of information transparency etc.), and progress of such enhancements: The Company convenes board meetings in accordance with "Regulations Governing Procedure for Board of Directors Meetings"; an Audit Committee was assembled on March 4, 2021 to enforce corporate governance.

(II) Functionality of the Audit Committee: The Company did not assemble an Audit Committee in 2020.

(III) Supervisors' involvement in Board of Directors meetings:

The Board were convened a total of 4 regular meetings and 3 extraordinary meetings in 2020; details of supervisors' attendance are shown below:

Position	Name	No. of in-person attendance	Number of proxy attendance	Percentage of in-person attendance (%)	Remarks
Supervisor	Wendell Huang	7	0	100%	
Supervisor	Morris Cheng	3	0	100%	Duty commenced on June 19, 2020

Other mandatory disclosures:

1. Composition and duties of supervisors: Supervisors are elected from persons of adequate capacity or from corporate shareholder representatives during shareholder meetings. Supervisors' duties, as stated in Articles of Incorporation, include: (1) Review of the Company's business and financial status; (2) Audit of accounting records and documents; (3) Inspection of employees' duties and misconducts; (4) Review of budgets and closing accounts; (5) Review of earnings appropriation or loss reimbursement proposals; and (6) Other duties vested by law.
2. Supervisors' communication with employees and shareholders: Supervisors may communicate with employees, shareholders, or stakeholders directly whenever deemed necessary.
3. Communication between supervisors and internal/external auditors:
   Audit report and tracking report are prepared and submitted by the chief internal auditor, and forwarded to supervisors before the end of the month following the audit. The chief internal auditor responds to supervisors' queries in a timely manner, and the both parties have been able to communicate with each other in a productive manner. The chief internal auditor also maintains open communication with CPAs, and complies with instructions of the authority by providing CPAs with copies of next year's audit plan, progress report of previous year's audit plan, and reports of internal control defects identified as well as improvements made during the year once they have been filed.
4. Opinions expressed by supervisors in board meetings; state the date and type of the meeting held, the discussed motion, the board's resolution, and how the Company had responded to supervisors' opinions: None.

(IV) Deviation and causes of deviation of the Company's actual governance from 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 description	
I. 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 not established its own corporate governance code of conduct, but has implemented management policies in accordance with the corporate governance principle and regulations of the authority. These internal policies are reviewed and revised on a regular basis.	Relevant details are currently under discussion
II. Shareholding structure and shareholders' interests				
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations?	V		1. The Company encourages shareholders to participate in corporate governance, and accepts motion proposals from shareholders prior to shareholder meeting in a manner that complies with laws. 2. The Company has assigned dedicated personnel to handle matters concerning shareholders' recommendations, queries, and disputes.	No significant deviation is found
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		1. The Company monitors the identity of its major shareholders and the ultimate controller based on shareholder registry provided by the stock transfer agent. 2. The Company discloses the identities of shareholders and directors/supervisors with more than 10% ownership interest, and any pledge or transfer of shares by the above parties on a regular basis.	No significant deviation is found
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		The Company has implemented an appropriate organizational framework. The Company has developed written policies according to rules of the authority to regulate business and financial dealings with affiliated enterprises.	No significant deviation is found
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		The Company has "Insider Trading Prevention Policy" in place that prohibits insiders from trading securities against non-public information.	No significant deviation is found
III. Composition and responsibilities of the board of directors				
(I) Has the board devised and implemented policies to	V		Composition of the Board of Directors is determined after taking into consideration	No significant

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
ensure diversity of its members?			business scale, major shareholders, and practical needs of the Company. When shortlisting director candidates, the Company would observe a diversity policy and evaluate candidates' professional background, academic (career) experience, integrity, and relevant qualifications to ensure accomplishment of corporate governance goals.	deviation is found
(II) Apart from the Compensation Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	V		The Company assembled a Compensation Committee and an Audit Committee on March 4, 2021. Other functional committees will be assembled as needed.	No significant deviation is found
(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation and nomination decisions?		V	The Company currently reviews performance of the Board of Directors on an unscheduled basis, and will impose regular assessments as deemed necessary in the future.	Practices will be implemented as needed in the future
(IV) Are external auditors' independence assessed on a regular basis?	V		None of the financial statement auditors or accounting firm thereof were related parties or stakeholders of the Company. The auditors have performed services in the utmost independence. The Company evaluates auditors' independence on a regular basis; appointment of auditors is resolved annually in Board of Directors meeting.	No significant deviation is found
IV. Has the TWSE/TPEx listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder		V	The Company is not listed on TWSE or TPEx. The Legal Division serves secretarial duties for the board of directors, and handles matters relating to board meetings such as: preparation of meeting materials, convention, minutes-taking etc. The Legal Division also organizes unscheduled events to promote legal awareness and remind/assist directors, supervisors, and other insiders on compliance issues. The Finance Division collectively oversees details of shareholder meeting and executes changes of company registration.	New units will be created as needed

Assessment	Actual governance			Deviation and causes of deviation from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
meeting minutes)?				
V. 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 channels in place to ensure open communication with banks, creditors, shareholders, employees, customers, consumers, suppliers, and other stakeholders. The Company implements a spokesperson system and uploads information onto the Market Observation Post System in accordance with laws. The Company provides adequate information for all counterparties it has business with, so that stakeholders may have the means to make informed decisions for their best interest. Stakeholders are able to communicate with the Company directly whenever in need.	No significant deviation is found
VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs?	V		The Company has commissioned the Agency Department of CTBC Bank as the stock transfer agent, which is responsible for handling shareholder service and shareholder meeting affairs.	No significant deviation is found
VII. Information disclosure				
(I) Has the Company established a website to disclose financial, business, and corporate governance-related information?	V		The Company maintains a website to disclose product information, and discloses financial and business performance over the Market Observation Post System on a regular basis.	No significant deviation is found
(II) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)?	V		The Company has a spokesperson and acting spokesperson in place to communicate with the outside world.	No significant deviation is found
(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along	V		The Company makes public announcements and reports in accordance with Article 36 of Securities and Exchange Act and Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies.	No significant 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 description	
with the monthly business performance before the required due dates?				
VIII. 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, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?	V		1. Employee rights and care: The Company has implemented a comprehensive system to cater for employees' welfare from overall compensation, health management, club/recreational activities, welfare committee events, flexible leave of absence to career development. All relevant information has been disclosed on website and made accessible to employees. 2. Investor relations: The Company has a spokesperson and acting spokesperson in place to communicate with the outside world. 3. Supplier relations: Through activities such as supplier audit/supplier evaluation/raw material supply and demand tracking/contractor meeting/quality improvement meeting and ongoing exchange of opinions with the management, the Company works closely with key suppliers and contractors, and maintains productive relationships that would ensure better performance in the future. 4. Stakeholders' rights: The Company has channels in place to ensure open communication with banks, creditors, shareholders, employees, customers, consumers, suppliers, and other stakeholders. 5. Directors' and supervisors' ongoing education: The Company encourages directors to take up on-job training. 6. Risk management policies, practices, and risk assessment standards: The Company has established internal policies in accordance with laws to guide risk management and evaluation. 7. Execution of customer policy: The Company has assigned a dedicated unit to handle customers' complaints and issues. The unit abides by Corporate Governance Best-Practice Principles and protects consumers' interests.	No significant 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 description	
			8. Purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors and supervisors.	
IX. 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: Not applicable.				

(V) Disclose the composition, responsibilities, and functioning of Compensation Committee, if available: The Company had not assembled a Compensation Committee in 2020.

(VI) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
I. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality?		V	Although the Company has not established risk management policy or strategy for related issues, all departments have adopted risk assessment and control practices as part of their routine activities. Any issues that have the potential to cause significant uncertainty to business operations are discussed among heads of accountable and affected departments. Opinions from external consultants are sought as deemed necessary to enable more thorough assessment of risks and earlier adoption of preventive measures.	Relevant details are currently under discussion
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?		V	The Company currently does not have any unit that specializes (or is involved) in CSR practices, but has established a "Corporate Social Responsibility Management Handbook" and adopted a CSR management system to enforce relevant practices.	New units may be created as needed in the future
III. Environmental issues				
(I) Has the Company developed an appropriate	V		VisEra views pollution prevention as one of its top priorities, and is dedicated to	No significant

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
environmental management system, given its distinctive characteristics?			promoting environmental sustainability, green production, and building its reputation as the role model in environmental protection. VisEra adopted ISO 14001 - Environmental Management System in the early stage of plant construction and later adopted ISO 50001 - Energy Management System in 2014. Since then, the Company has been making annual improvements and taking the initiative to minimize environmental impacts of its production and operational activities from an environmental, energy management, and regulatory perspective.	deviation is found
(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		1. Low carbon manufacturing: The Company continues to adopt the best technologies to reduce greenhouse gas emission, and strives to become the industry's role model in low carbon manufacturing. 2. Use of renewable energy: The Company adopts the use of solar power system and is constantly searching for opportunities to make use of renewable energy. 3. Improving energy efficiency: The Company introduces new energy conservation measures each year and takes pro-active energy actions to raise energy efficiency. 4. Resilience to climate change: The Company has response and preventive measures in place to mitigate climate change risks.	No significant deviation is found
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		The Company actively supports green energy, carbon reduction, and environmental protection trends throughout the world, and fulfills its environmental duties as Earth's resident. In addition to controlling operating hours and temperatures of the central air conditioning system, energy-efficient lighting tubes are also being used throughout the Company.	No significant deviation is found
(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?	V		VisEra completed product life cycle, carbon footprint, and water footprint assessments and managed to obtain third-party certification in 2019. The organization has been certified for international standards including ISO 14040, ISO 14067, and ISO 14046. VisEra makes pro-active attempt at minimizing environmental footprint of its product, and continues to enforce green actions including greenhouse gas reduction, energy conservation, water conservation, waste reduction, resource recycling/reuse, and pollution prevention throughout the Company. 1. Greenhouse gas reduction and energy management VisEra implemented a greenhouse gas self-survey system in 2013 that enabled it to complete scope 1 and scope 2 greenhouse gas surveys annually for the previous year. Survey results are verified by an external party according to ISO 14064-1 standards and reported back to the parent company for consolidation. Greenhouse gas emission per unit of product in 2020 and 2019 was 59.5% and 13.5% lower than 2018, whereas PFCs emission per unit of product was 38.4% and 15.9% lower, respectively.	No significant 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 description	
			2. Water resource management: (1) Resource risk management: The Company executes climate risk mitigation solutions and takes progressive steps to conserve water and adjust to water shortage. Water usage per unit of product in 2020 and 2019 was 41.18% and 16.37% lower than 2018. (2) Diversified water resources: The Company continues to cut down production water usage and recycle water through integration of internal and external resources. The Company recycled 88% of production wastewater in 2020 and 2019. (3) Development of treatment technology: Advanced water treatment technologies are being adopted to ensure effective removal of TMAH and other pollutants in wastewater. TMAH concentration of wastewater discharged was measured at 12mg/L in 2020 and 17.65mg/L in 2019. 3. Waste management: (1) Reduction at the source: Suppliers are being requested to supply chemical machinery of low consumption, which helps reduce waste at the source. Volume of outsourced waste disposal per unit of wafer in 2020 and 2019 was 0.09kg and 0.08kg less than 2018, respectively. (2) Circular economy: The Company is constantly in search of new waste recycling technology to increase the volume of waste recycled and reused. In 2020 and 2019, the Company recycled 54% and 74% and landfilled 0.24% and 0.21% of waste, respectively. (3) Audit and counseling: The Company performs audit and joint evaluation/counseling according to Waste Management Service Provider Evaluation Standards for High-tech Industry.	
IV. Enforcement of public interest				
(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		The Company complies with labor regulations and has developed internal rules and worker/human rights policies accordingly. By adopting a robust personnel management system, the Company protects employees' legal rights and provides them with information that is relevant to their interest.	No significant deviation is found
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees'	V		The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company's sustainable development and promotes the following employee welfare measures: 1. Labor Insurance and National Health Insurance: All employees of the Company	No significant 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 description	
compensations?			participate in Labor Insurance and National Health Insurance. 2. Group Insurance: In addition to the employees themselves, their spouses, children and parents are also covered, so that colleagues and their families can be protected. 3. Employee welfare: The Company makes welfare fund contributions as per the "Employee Welfare Fund Act," and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work. 4. Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel is hired, and physicians are regularly arranged to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. A "Work-life Balance Subsidy Program" has been introduced to organize various types of health promotion classes. 5. Group meals: The Company has a canteen and coffee bar which provide various meals such as buffet, fast food, and wheat dishes. Lunch, dinner and supper are all subsidized by the Company. 6. Bonus system: The Company pays bonuses depending on performance results. 7. Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies.	
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		1. Fully featured work environment: *The plant completed in 2007 received Award of Excellence for Green Plant Initiative within the science park. *Safe and constant-temperature clean room environment. *Well-lit, comfortable, and accessible office environment where employees may communicate easily with each other. *Five-star fitness center featuring commercial-grade fitness equipment, aerobics rooms, pool table, and table tennis equipment. *Employees are entitled to car/scooter/bicycle parking lots.	No significant 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 description	
			2. Professional services: The Company has an infirmary that provides professional health consultation and nursing services; a nursery room has also been created to cater for the needs of working mothers. 3. Health events: The Company organizes regular health checkups and screenings that are more comprehensive than what the laws require, thereby allowing early identification of health problems. Complimentary health seminars, physique management courses, hiking events, and massage services are organized for employees' benefit. 4. The Company complies with laws and makes ongoing efforts to promote employees' safety and health awareness. New recruits are subjected to safety and health training upon commencement of duty, and all employees are trained regularly on evacuation and use of fire extinguishers and fire hydrants. Practical CPR/AED training are also arranged for employees' safety.	
(IV) Does the Company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?	V		The Company values the opinions of its employees and provides a variety of channels to promote communication and coordination between labor and capital. A quarterly labor-management meeting is held to explain the Company's operational profile to labor representatives and participate in discussions concerning labor conditions and welfare matters. Employee communication meetings are held quarterly for direct and two-way interaction and communication. Important information and recent events are announced through the intranet (My VisEra). A channel for employee grievances has been established and the responsible segment and the Company's top management are informed based on the nature of the grievances. There is also an employee suggestion box for employees to give their comments about work and environmental issues and suggestions. Multiple channels for employee feedback are maintained, voices of employees are listened to, and responses and communication are made in a timely manner to promote labor-management harmony and achieve win-win for both the enterprise and employees.	No significant deviation is found
(V) Has the Company complied with laws and international standards with respect to customers' health, safety and privacy, marketing, and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	V		Not applicable as VisEra is not the end products manufacturer.	Not applicable.
(VI) Has the Company implemented a supplier management policy that regulates suppliers'	V		Plant affairs, quality management, and sales teams continue to work with suppliers on resolving various issues:	No significant 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 description	
conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis?			1. Restriction of Hazardous Substances: VisEra promotes "green purchase," an initiative that requires all raw material suppliers to issue statements assuring that their products contain no substances that are considered harmful to the environment or are banned internationally. In doing so, the Company ensures that its products comply with RoHS requirements of its customers, such as those in the EU. 2. "VisEra Supplier Code of Conduct" has been created based on "Responsible Business Alliance (RBA, formerly known as EICC) Code of Conduct" and "United Nations Guiding Principles on Business and Human Rights." It requires suppliers to conform with various requirements concerning: workers' human rights, terms of employment, workers' health, occupational safety and health, and environmental protection. 3. Management of conflict minerals: With regards to the management of conflict minerals, VisEra requires all suppliers to prohibit against using "minerals sourced from conflict regions," and to sign commitment to non-conflict minerals as per request of VisEra.	
V. Does the Company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Are the above mentioned reports supported by assurance or the opinion of a third-party certifier?		V	VisEra has always been committed to high standards of corporate social responsibility, and strives to fulfill its duties as a corporate citizen. The Company values sound employee relations, supplier management, corporate governance, commercial ethics, social care, and environmental protection as the foundation for sustainable growth. Below are the 7 policies that VisEra has adopted towards fulfilling corporate social responsibilities: 1. Uphold integrity and enforce corporate governance. 2. Comply with and act within the confines of laws, and refrain from violation. 3. Avoid corruption and favoritism; refrain from bribery and exploiting political affiliation. 4. Provide a satisfying work environment, including attractive compensations and challenging works, that cater for employees' physical and mental needs. 5. Emphasize and actively reward innovation. 6. Enforce environmental protection measures in response to climate change. 7. Care for the local community and support educational and cultural events on an ongoing basis. The Company currently does not prepare CSR reports, but has established a "Corporate Social Responsibility Management Handbook" and adopted a CSR management system to enforce relevant practices.	Practices will be implemented as needed or as required by laws in the future

Assessment	Actual governance			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
VI. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established a "Corporate Social Responsibility Management Handbook" based on its current practices, and takes progressive steps toward fulfilling corporate social responsibilities.				
VII. Other information useful to the understanding of corporate social responsibilities: Volunteer services: The Company has long been cooperating with local government agencies, schools, and non-profit organizations to support education, environmental protection, and charity. Through volunteer service, we aim to bring more positivity and hope to Taiwan's society. Industry-academia collaboration: The Company views education as the most worthy investment of all. Through industry-academia collaboration, we equip young students with the proper knowledge to grow and gain employment opportunities. At VisEra, we make it our responsibility to nurture the next generation of technology talents.				
VIII. Describe the criteria undertaken by any institution to certify the Company's CSR report: Not applicable.				

(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies:

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
I. Establishment of integrity policies and solutions				
(I) Has the Company established a set of board-approved business integrity policy, and stated in its Memorandum or external correspondence about the polices and practices it implements to maintain business integrity? Are the board of directors and the senior management committed to fulfilling this commitment?		V	"Integrity" lies at the very heart of VisEra's corporate culture. At VisEra, we conduct all business activities at high ethical standards. VisEra has a set of "Code of Ethics" that strictly requires every employee to abide by the integrity policy.	No significant deviation is found
(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of		V	Code of Ethics is VisEra's ultimate guideline towards fulfilling the above values. It requires all employees of VisEra Technologies to uphold high ethical standards, protect the Company's reputation, and comply with laws as part of their responsibilities. To keep employees informed on acts of integrity, VisEra Technologies not only publishes ethics-related policies and documents and makes them accessible on the Intranet, but also uses courses, posters, and short articles as means to convey the Company's core values and compliance systems. Furthermore, VisEra has put in place many	No significant 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 description	
"Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"?			whistleblowing channels that employees may utilize to report dishonest conducts, and thereby ensure compliance with laws and Code of Ethics. Any action that has the potential to violate professional ethics is taken seriously and investigated upon in VisEra. Violators are subjected to disciplinary actions such as termination of employment or business relationship, and legal actions may be taken at times deemed appropriate.	
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?		V	VisEra has created policies and guidelines under the Code of Ethics to address different compliance aspects, including: anti-corruption, anti-harassment, anti-discrimination, environmental protection, export control, financial statement preparation, insider trading, personal information protection (PIP), document preservation and destruction, and purchase of non-conflict minerals. The above rules are critical to enforcing the Code of Ethics within VisEra. Furthermore, VisEra requires all employees to develop thorough understanding of laws and policies that are relevant to their business activities, and make correct judgments from a commercial and ethical perspective. VisEra's internal audit department plays a critical role in ensuring employees' compliance with ethical standards and regulations. To ensure the correctness, reliability, and timeliness of financial, management, and operational information and employees' compliance with behavioral policies, standards, procedures, and laws, the internal audit department not only performs various audits according to annual audit plans approved by the Board of Directors, but also presents audit outcomes along with improvement solutions to the board of directors and the management.	No significant deviation is found
II. Enforcement of business integrity				
(I) 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?	V		VisEra takes pragmatic actions to help customers, suppliers, business partners, and any party that it has dealings with understand and identify with the organization's ethical standards and culture. For example, VisEra requires all key suppliers to issue written commitments of their respect and willingness to follow its ethical standards and culture.	No significant deviation is found
(II) Does the Company have a unit that enforces business integrity directly under the Board of Directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?		V	The Board of Directors of VisEra has created a wide variety of reporting and whistleblowing channels to support supervision of integrity. The Human Resource and Legal Department are the unit responsible for enforcing integrity within VisEra. The head of Legal Department reports compliance progress regularly in management meetings. In addition, internal audit personnel make regular reports to the Board of Directors on the outcome of audit activities. Managers of the Company, particularly the CEO and CFO, perform duties under the supervision of the board of directors, and are responsible for ensuring that any financial and accounting information disclosed by VisEra to the authority and the public is complete, fair, accurate, timely, and	New units will be created as needed

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			easy-to-understand. New units may be created as needed in the future to serve the purpose and make regular reports to the Board of Directors.	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		According to the Code of Ethics, all employees of VisEra are required to take the initiative to declare any conflict of interest. All employees regularly participate in conflict of interest surveys every year to avoid any possible conflict between their personal interests and the Company's interests.	No significant deviation is found
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		The Company has always been mindful of the correctness and completeness of financial information, as well as the control of its financial reporting procedures. Not only has the Company designed internal control systems for operating procedures of high integrity risk, internal audit personnel have also been assigned to devise risk-based annual audit plans and execute accordingly. Audit outcomes and improvement solutions are presented to the board of directors and the management. Furthermore, through annual internal control self-assessments, all departments of VisEra are required to perform self-inspections on the effectiveness of their internal control system design and execution.	No significant deviation is found
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		Compliance training is one of the most important elements of VisEra's compliance plan. Through regular introduction of regulation awareness and training courses, employees of VisEra are informed on the latest laws and rules that are most relevant to them. This knowledge helps enforce employees' commitment to business integrity.	No significant deviation is found
III. Whistleblowing system				
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	V		VisEra has implemented "Code of Ethics" and "Workplace Violation Prevention Policy" internally. Employees and outsiders are able to report misconducts relating to finance, laws, or integrity through the corporate website or directly to the CEO or President. Employees have the responsibility to report any suspicion of unethical practice to the line manager, the head of human resources, or through available whistleblowing channels.	No significant deviation is found
(II) Has the Company implemented any standard procedures for handling reported misconducts, and subsequent actions and confidentiality measures to be undertaken upon completion of an investigation?	V		VisEra handles all misconduct reports and conducts investigations at the highest confidentiality and discretion. This requirement is stipulated as part of internal policies.	No significant deviation is found
(III) Has the Company provided proper whistleblower protection?	V		VisEra strictly prohibits all forms of retaliation against people who raise misconduct reports out of good intention or assist in the investigation. This prohibition is stipulated as part of internal policies.	No significant deviation is found
IV. Enhanced information disclosure				

Assessment	Actual governance			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		VisEra has posted the terms of its integrity policy and related materials onto the Intranet, where employees may access it at anytime. Relevant information has also been disclosed on Market Observation Post System in accordance with laws.	No significant deviation is found
V. 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: VisEra has a set of Code of Ethics in place; all employees, managers, and members of the board are required to comply with the code as well as related policies. There is no deviation between the Company's Code of Ethics and the Best Practice Principles.				
VI. Other information useful to the understanding of business integrity: The Company pays constant attention to local and foreign integrity guidelines and encourage directors, supervisors, managers, and employees to make recommendations that would help improve the integrity policy and its implementation. The Company has also implemented a set of "Code of Ethics" that outlines patterns of dishonest conducts and prohibitions against them. This Code is duly enforced throughout the Company to promote integrity in business practices.				

(VIII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles should be disclosed: Not applicable.

(IX) Other information material to the understanding of corporate governance within the Company:

1. The Company has always been supportive of sound corporate governance since it was first founded. It adopts an operational strategy that not only conforms with the corporate governance spirit, but supports the Company's business activities and maximizes shareholders' interests as well. The Board of Directors consists of members with diverse expertise, including lawyer, researcher, scholar, industry veteran, and finance/investment professionals. The Board of Directors is considered to have functioned as intended.

2. The Company implements and executes a robust internal control system. It has self-inspection systems in place to check day-to-day operations, whereas the board of directors and the management conduct regular reviews on self-inspection reports submitted by individual departments and audit reports submitted by internal auditors. In doing so, the management ensures performance and efficiency of the Company's operations, the accuracy of financial statements prepared, and compliance throughout the organization.

(X) Execution of internal control system

1. Statement of Internal Control System:
VisEra Technologies Company Ltd.

Statement of Internal Control System

March 12, 2021

The following statement regarding the Company's internal control system has been made based on its 2020 self-assessment:

I. The Company acknowledges and understands that establishment, implementation, and maintenance of the internal control system are the responsibility of the Board of Directors 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 and efficiency (including profitability, performance, asset security etc), reliable, timely, and transparent financial reporting, and regulatory compliance.

II. 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. However, internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.

III. 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 assessment; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for details.

IV. The Company has adopted the above mentioned criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective at December 31, 2020. This system has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal no misrepresentations or nondisclosures 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.

VII. This Statement was passed unanimously without objection by all 6 Directors present at the Board meeting dated March 12, 2021.

VisEra Technologies Company Ltd.

Chairman: Robert Kuan

President: S.C. Hsin

2. If the internal control system has been reviewed by an external CPA, the result of such review should be disclosed: Not applicable.

(XI) 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 printed date of annual report that may significantly impact shareholders' interest or security price: None.

(XII) Major resolutions passed in shareholders' meetings and Board of Directors meetings in the most recent year up until the printed date of annual report:

1. Major resolutions of the 2020 annual general meeting

Major resolutions	Execution progress
Approving of 2019 business report and financial statements.	Completed according to shareholders' meeting resolution
Approving of 2019 earnings appropriation proposal	Completed according to shareholders' meeting resolution
Passed amendments to the Company's "Articles of Incorporation"	Amendments completed and implemented according to shareholders' meeting resolution

2. Major resolutions of the 2021 first extraordinary shareholders' meeting

Major resolutions	Execution progress
Total re-election of directors	Election completed in shareholders' meeting
Passed amendments to the Company's "Articles of Incorporation"	Amendments completed and implemented according to shareholders' meeting resolution
Approved removal of restrictions on competing business involvement for new directors	Removal of restrictions on competing business involvement for new directors approved in shareholders' meeting
Approved amendments to " Procedures for the Acquisition or Disposal of Assets "	Amendments completed and implemented according to shareholders' meeting resolution
Approved amendments to " Procedures for Derivative Transactions "	Amendments completed and implemented according to shareholders' meeting resolution
Approved amendments to "Endorsement and Guarantee Procedures"	Amendments completed and implemented according to shareholders' meeting resolution
Approved amendments to "Lending Funds to Other Parties Procedures"	Amendments completed and implemented according to shareholders' meeting resolution
Approved amendments to " Regulation Governing the Election of Directors "	Amendments completed and implemented according to shareholders' meeting resolution
Approved amendments to "Rules of Procedure for Shareholders' Meeting "	Amendments completed and implemented according to shareholders' meeting resolution

3. Major Board of Directors resolutions made in 2020 up until the printed date of annual report

Date	Major resolutions
Extraordinary Board of Directors meeting dated January 10, 2020	Approved capital budget for plant construction and capacity expansion
Regular Board of Directors meeting dated March 6, 2020	1. Approved 2019 business report and financial statements 2. Approved 2019 earnings appropriation proposal 3. Approved allocation of employee remuneration for 2019 4. Approved routine capital budget for the first half of 2020 5. Approved the decision to sign contracts and maintain medium/long term credit limits with banks 6. Approved to apply for initial public offering of shares with the securities authority 7. Approved amendments to Articles of Incorporation 8. Approved amendments to the "Procedures for the Acquisition or Disposal of Assets", "Procedures for Derivative Transactions", " Regulation Governing the Election of Directors and Supervisors " and "Rules of Procedure for Shareholders' Meetings" 9. Approved the establishment of "Procedures for Lending Funds to Others" and "Procedures for Endorsement and Guarantee" 10. Approved the "Regulations Governing Board Meetings" and "Regulations Governing Intercompany Financial Operations of Affiliated Companies" 11. Approved the increase of the CPA's audit fee for the year 2020 12. Proposal to elect 2 additional directors and 1 additional supervisor 13. Approved convention of the 2020 annual general meeting. 14. Approved the amendment of the " 2019 Employee Stock Options Issuance and Exercise Provisions " 15. Approved the third issuance of employee stock options in accordance with the " 2019 Employee Stock Options Issuance and Exercise Provisions " 16. Approved the promotion of Mr. K.P. Lin and the appointment of Mr. W.R. Huang as Vice President
Extraordinary Board of Directors meeting dated March 27, 2020	Approved to acquire right-of-use over land located in Longtan Science Park from Hsinchu Science Park Bureau
Extraordinary Board of Directors meeting dated April 24, 2020	Approved capital budget for capacity expansion

Date	Major resolutions
Regular Board of Directors meeting dated June 19, 2020	1. Approved the amendment of the "Internal Control System" and "Implementation Rules for Internal Auditing" of the Company 2. Approved the "Statement of Internal Control System" for 2019 3. Approved routine capital budget for the second half of 2020 4. Approved the appointment of CPA 5. Approved the 2019 financial report 6. Approved the establishment of the "Accounting System" 7. Approved the appointment of: (1) Mr. Kevin Tsai as the accounting officer of the Company; (2) Ms. Senia Wu as the auditing officer of the Company
Regular Board of Directors meeting dated August 14, 2020	1. Approved incremental routine capital budget for the second half of 2020 2. Approved capital budget for capacity expansion and acquisition of machinery
Regular Board of Directors meeting dated November 13, 2020	1. Approved the audit plan for 2021 2. Approve the financial plan for 2021 3. Approved capital budget for plant construction and capacity expansion 4. Approved to rent plant premise and office from Xintec Inc. located in Zhongli District, Taoyuan City 5. Approved routine capital budget for the first quarter of 2021 6. Approved the annual fee for the services of CPA

Date	Major resolutions
Extraordinary Board of Directors meeting dated January 26, 2021	1. Approved capital budget for acquisition of machinery and equipment 2. Approved to apply for registration on the Emerging Stock Market board with the securities authority 3. Approved the full-scale issuance of shares without entity and authorize the chairman to set the record date for the exchange 4. Approved to host an early election to elect a total of 6 directors (including 3 independent directors) 5. Approved to convene the first extraordinary shareholder meeting in 2021 and set the duration and venue for accepting independent director nominees from shareholders 6. Approved assembly of the Audit Committee and the establishment of the "Audit Committee Organization Regulations" 7. Approved assembly of Compensation Committee and the establishment of the " Compensation Committee Organizational Regulations" 8. Approved amendments to Articles of Incorporation 9. Approved the amendments to the "Procedures for Acquisition or Disposal of Assets", "Procedures for Derivative Transactions", "Procedures for Endorsements and Guarantees", "Procedures for Lending of Funds to Others", "Rules of Procedure for Shareholders' Meetings", and "Regulation Governing the Election of Directors" 10. Approved the amendments to the "Rules Governing Board Meetings" and "Rules Governing Intercompany Financial Operations of Affiliated Companies" 11. Approved the establishment of the "Procedures for Suspension and Resumption of Over-the-Counter Stock Trading" 12. Approved the amendments to the "Internal Control System" and "Implementation Rules for Internal Auditing" of the Company
Extraordinary Board of Directors meeting dated March 4, 2021	1. Elected Mr. Robert Guan as the Chairman of the Company 2. Approved members for the first Compensation Committee

Date	Major resolutions
Regular Board of Directors meeting dated March 12, 2021	1. Approved 2020 business report and financial statements 2. Approved 2020 earnings appropriation proposal 3. Approved allocation of employee remuneration for 2020 4. Approved the "Statement of Internal Control System" for 2020 5. Approved convention of the 2021 annual meeting 6. Approved capital budget for capacity expansion and acquisition of machinery 7. Approved routine capital budget for the second quarter of 2021 8. Approved the "Regulations Governing the Payment of Directors' Compensation, Emoluments and Travel Expenses" 9. Approved the overall compensation plan for 2021 10. Approved the performance of manger with the identity of director and managers for 2020 and the salary adjustment and fixed compensation for 2021 11. Approved the evaluation of the performance of manager with the identity of director and managers for 2021

(XIII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up until the printed date of annual report: None.

(XIV) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D in the most recent year up until the printed date of annual report: None.

V. Disclosure of CPA remuneration

(I) Non-audit fees to financial statement auditors, accounting firms, and affiliated enterprises that amount to one-quarter or higher of audit remuneration:

Unit: NTD thousand

Accounting firm	Name of CPA	Audit Fee	Non-audit Fee					Audit period	Remarks
			System Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	1,760	-	-	-	1,146	1,146	2020	Note

Note：The non-audit fees are mainly for Internal Control System Project Review.

(II) Any replacement of accounting firm that resulted in the reduction of audit remuneration paid, as compared to the previous year: None.

(III) Any reduction in audit remuneration by more than 10% compared to the previous year: None.

VI. Change of CPA: None.

VII. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated enterprise within the most recent year: None.

VIII. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest:

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

Unit: shares

Position	Name	2020		2021 up until April 24	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman/ Major Shareholders	TSMC	-	-	(39,501,000)	-
	Representative: Robert Kuan (Note 1)	-	-	-	-
Director/ Major Shareholders	TSMC	-	-	(39,501,000)	-
	Representative: George Liu (Note 1)	-	-	-	-
Director/ Major Shareholders	TSMC	-	-	(39,501,000)	-
	Representative: C.S. Yoo (Note 2)	-	-	-	-
Director/ Major Shareholders	TSMC	-	-	(39,501,000)	-
	Representative: Sylvia Fang (Note 2)	-	-	-	-
Director/ Major Shareholders	TSMC	-	-	(39,501,000)	-
	Representative: Diane Kao (Note 1)	-	-	-	-
Supervisor	Wendell Huang (Note 3)	-	-	-	-

Position	Name	2020		2021 up until April 24	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Supervisor	Morris Cheng (Note 3)	-	-	-	-
President	S.C. Hsin	-	-	-	-
Independent Director	Laura Huang (Note 1)	-	-	-	-
Independent Director	Emma Chang (Note 1)	-	-	-	-
Independent Director	Peng-Heng Chang (Note 1)	-	-	-	-
Vice President	Kevin Tsai	-	-	-	-
Vice President	H.J. Tsai	-	-	-	-
Vice President	K.P. Lin	-	-	-	-
Vice President	W.R. Huang	-	-	-	-
Assistant Vice President	C.C. Chen	-	-	-	-
Assistant Vice President	Ben Fun	(28,380)	-	-	-
Assistant Vice President	J.C. Hsieh	-	-	(2,000)	-

Note 1: Service commenced following the director election held during the extraordinary shareholders' meeting dated March 4, 2021.
Note 2: Mr. C.S. Yoo and Madam Sylvia Fang departed from duty as director representatives on March 4, 2021; change of shareholding reflected information as of the time of departure.
Note 3: Mr. Wendell Huang and Mr. Morris Cheng departed from duty as supervisors on March 4, 2021; change of shareholding reflected information as of the time elected.

(II) Transfer of shares where the counterparty is a related party: None.
(III) Pledge of shares where the counterparty is a related party: None.

IX. Relationships characterized as spouse or second-degree relative or closer among top-ten shareholders: There was no relationship among the Company's top-10 shareholders that was characterized as spouse or second-degree relative or closer.

X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and shareholding in aggregate of the above parties: None.

Four. Capital Overview

I. Capital and shares

(I) Source of capital:

1. Source of capital

Unit: shares; NTD

Month/Year	Issued price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital increased by assets other than cash	Others
December 2003	10	81,600,000	816,000,000	20,400,000	204,000,000	Initial investment	Technology share 102,000 thousand	Note 1
December 2005	10	81,600,000	816,000,000	70,000,000	700,000,000	Cash issue: 49,600 thousand shares	None	Note 2
July 2006	10	81,600,000	816,000,000	81,600,000	816,000,000	Cash issue: 11,600 thousand shares	None	Note 3
November 2006	10	300,000,000	3,000,000,000	146,600,000	1,466,000,000	Increased authorized capital: 218,400 thousand shares Cash issue: 65,000 thousand shares	None	Note 4
June 2007	10	300,000,000	3,000,000,000	272,600,000	2,726,000,000	Cash issue: 126,000 thousand shares	None	Note 5
July 2007	10	300,000,000	3,000,000,000	282,409,715	2,824,097,150	Capitalization of employee profit sharing: 9,810 thousand shares	None	Note 6
August 2008	10	300,000,000	3,000,000,000	285,317,988	2,853,179,880	Capitalization of employee profit sharing: 2,908 thousand shares	None	Note 7
July 2009	10	300,000,000	3,000,000,000	285,897,696	2,858,976,960	Capitalization of employee profit sharing: 580 thousand shares	None	Note 8
July 2011	10	300,000,000	3,000,000,000	287,630,386	2,876,303,860	Capitalization of employee profit sharing: 1,733 thousand shares	None	Note 9
August 2012	10	300,000,000	3,000,000,000	291,153,119	2,911,531,190	Capitalization of employee profit sharing: 3,523 thousand shares	None	Note 10
June 2020	10	400,000,000	4,000,000,000	291,153,119	2,911,531,190	Increased authorized capital: 100,000 thousand shares	None	Note 11

Note 1: Approved under Letter No. Shou-Zhong-09233022800.
Note 2: Approved under Letter No. Yuan-Shang-0940035746.
Note 3: Approved under Letter No. Yuan-Shang-0950019783.
Note 4: Approved under Letter No. Yuan-Shang-0950031023.
Note 5: Approved under Letter No. Yuan-Shang-0960014670.

Note 6: Approved under Letter No. Yuan-Shang-0960018082.
Note 7: Approved under Letter No. Yuan-Shang-0970021565.
Note 8: Approved under Letter No. Yuan-Shang-0980020771.
Note 9: Approved under Letter No. Yuan-Shang-1000021018.
Note 10: Approved under Letter No. Yuan-Shang-1010024106.
Note 11: Approved under Letter No. Zhu-Shang-1090017893.

2. Share categories

April 24, 2021, unit: shares

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common shares	291,153,119	108,846,881	400,000,000	-

3. Information relevant to the aggregate reporting policy: None.

(II) Shareholder structure:

April 24, 2021; unit: shares; parties; %

Shareholder structure / Quantity	Government institutions	Financial institution	Other juridical persons	Individual	Foreign institutions or foreigners	Total
Count	-	5	54	9,058	25	9,142
No. of shares held	-	4,575,000	219,317,532	37,086,853	30,173,734	291,153,119
Shares Ratio	-	1.57	75.33	12.74	10.36	100.00

(III) Diversity of ownership

April 24, 2021; unit: shares; parties; %

Shareholding range	Number of shareholders	No. of shares held	Shares Ratio
1 to 999	3,931	648,472	0.22
1,000 to 5,000	4,326	7,450,110	2.57
5,001 to 10,000	373	2,989,570	1.03
10,001 to 15,000	121	1,552,275	0.53
15,001 to 20,000	92	1,677,110	0.58
20,001 to 30,000	82	2,015,851	0.69
30,001 to 40,000	48	1,671,576	0.57
40,001 to 50,000	27	1,229,623	0.42
50,001 to 100,000	71	5,080,020	1.74
100,001 to 200,000	26	3,529,365	1.21
200,001 to 400,000	21	5,451,149	1.87
400,001 to 600,000	13	7,287,500	2.50
600,001 to 800,000	1	627,450	0.22
800,001 to 1,000,000	1	856,656	0.29
1,000,001 and above	9	249,086,392	85.56
Total	9,142	291,153,119	100.00

(IV) List of major shareholders: shareholders with more than 5% ownership interest or are among the top 10

April 24, 2021; unit: shares; %

Shares / Name of major shareholder	No. of shares held	Shares Ratio
Taiwan Semiconductor Manufacturing Co., Ltd.	213,6190,000	73.37
GIC Private Limited	11,670,000	4.01
SMALLCAP World Fund, Inc.	11,090,000	3.81
Fidelity Funds	4,152,689	1.43
Fidelity Investment Funds	2,061,237	0.71
Cathay Life Insurance Co., Ltd.	1,700,000	0.58
Fubon Life Insurance Co., Ltd.	1,700,000	0.58
Heng-Hao Kuo	1,611,918	0.55
Chun-Chi Lin	1,481,548	0.51
Yuanta Securities Co., Ltd.	856,656	0.29

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

Unit: NTD except for weighted average outstanding shares and analysis of investment return

Unit: thousand shares; NTD

Item \ Year			2019	2020
Market price per share	Highest		Unlisted	Unlisted
	Lowest		Unlisted	Unlisted
	Average		Unlisted	Unlisted
Net worth per share	Before dividend		17.81	25.01
	After dividend		17.81	23.01
Earnings per Share	Weighted average outstanding shares (in thousands) (Before adjustment)		291,153	291,153
	EPS (before adjustment)		2.11	7.18
	EPS (after adjustment)		2.11	7.18
Dividend per share	Cash dividends		0.0	2.0
	Stock dividends	-	-	-
		-	-	-
	Cumulative unpaid dividends		-	-
Analysis of investment returns	Price earnings ratios		Unlisted	Unlisted
	Price-to-dividends ratio		Unlisted	Unlisted
	Cash dividend yield		Unlisted	Unlisted

Source: Based on audited financial statements and data compiled by the Company.

(VI) Dividend policy and execution:

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

A company shall not pay dividends or bonuses, if there is no surplus earnings. When allocating earnings, the Company shall first estimate and retain a portion of its earnings for taxation and reimbursement of previous losses. The residual balance plus non-net income items is then added to unappropriated earnings in the current year, and the sum of which is subject to a 10% provision for statutory reserves, unless the Company has already accumulated statutory reserves to an amount equal to paid-up capital. Next, provisions for special reserve are to be made according to laws or instructions of the authority.

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

Distribution of employee remuneration is subject to resolution in a board meeting with more than two-thirds of the board present, and voted in favor by more than half of all attending directors. This decision shall be reported in shareholders' meeting.

After making mandatory allocations according to the Articles of Incorporation, the residual earnings can be added to unappropriated earnings carried from previous years

and distributed as shareholder dividends/profit sharing at Board of Director's proposal, subject to resolution in a shareholders' meeting.

The Company may choose to distribute all distributable earnings after taking into account financial, business, and operational factors. Dividends from earnings can be paid in cash or in shares. Cash distribution should take precedence, and while dividends can be paid in shares, stock dividends should not amount to more than 50% of total dividends. The Company may distribute all or part of its capital surplus, subject to compliance with laws and the authority's instructions, in situations where the Company has no earning to distribute, or if the amount of earnings is far less than the amount distributed in the previous year, or for whatever financial, business, and operational concerns the Company may have. Where distribution is made in cash, the Board of Directors may resolve and execute the decision according to Article 241 of The Company Act and report the decision in a subsequent shareholders' meeting without seeking shareholders' acknowledgment.

2. Dividends proposed (approved) for the current year

The Company had NTD 2,673,175 thousand of earnings available for distribution as of the end 2020; after proposing cash dividends at NTD 2 per share, the Company was left with unappropriated earnings of NTD 2,090,869 thousand at the end of the period. This appropriation proposal was passed during the Board of Directors meeting held on March 12, 2021, and will be raised for acknowledgment during the annual meeting on June 22, 2021.

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

(VIII) Employee, directors' and supervisors' remuneration:

1. Percentage and range of employee, directors' and supervisors' remuneration stated in the Articles of Incorporation.

When allocating earnings, the Company shall allocate no more than 2% of current period profit as director remuneration, and no less than 1% of current period profit as employee remuneration. However, profits must first be taken to offset cumulative losses if any.

2. Basis of calculation for employee, directors' and supervisors' remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

The Company estimates employee and directors' remuneration by applying certain percentages to current period profit. If the amount estimated is different from

the amount paid, the difference will be treated as a change in accounting estimates and recognized in the year the payment is made.

3. Remuneration passed by the Board of Directors

(1) Employee, directors' and supervisors' remuneration, in cash or in shares. Disclose the amount, causes and treatment of any differences between the amount paid and the amount estimated in the year the expense was recognized

Employee remuneration totaling NTD 418,109 thousand and directors' and supervisors' remuneration of NTD 0 were estimated for 2020. The 2020 employee, directors' and supervisors' remuneration was resolved during the Board of Directors meeting held on March 12, 2021, and a decision was approved to pay employee remuneration of NTD 418,109 thousand and directors' and supervisors' remuneration of NTD 0 in cash.

The amount of employee remuneration resolved during the Board of Directors meeting held on March 12, 2021 was not significantly different from the amount recognized in the 2020 financial statements.

(2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: None.

4. Remuneration reported in shareholders' meeting and the outcome

The Company will be reporting its 2020 employee, director, and supervisor remuneration proposal during the annual general meeting held on June 22, 2021. Employee remuneration of NTD 418,109 thousand and directors' and supervisors' remuneration of NTD 0 have been proposed to be paid in cash.

5. Actual payment of employee profit sharing and directors' and supervisors' 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)

(1) The 2019 employee remuneration was paid at NTD 122,768 thousand in cash, directors' and supervisors' remuneration for the year was NTD 0.

(2) Employee remuneration for 2019 was previously recognized at NTD 122,754 thousand. Difference between the amount paid and the amount previously estimated was treated as change in accounting estimate and accounted in the year payment was made. The amounts of directors' and supervisors' remuneration paid and previously recognized were both NTD 0.

(IX) Buyback of company shares: None.

II. Disclosure relating to corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Status of employee stock option:

(I) Employee stock options unexpired and outstanding as at the printed date of annual report, and impacts to shareholders' equity

April 24, 2021

Type of Employee Stock Option	2019 First Employee Stock Option	2019 Second Employee Stock Option	2019 Third Employee Stock Option
Effective date of announcement	Not applicable.	Not applicable.	Not applicable.
Issuance date	July 1, 2019	December 1, 2019	April 1, 2020
Duration	6 years	6 years	6 years
No. of units to be issued	5,424 units (1,000 shares/unit)	72 units (1,000 shares/unit)	460 units (1,000 shares/unit)
Subscribable shares as a percentage of total outstanding shares	1.86%	0.02%	0.16%
Exercise period	July 1, 2019 to June 30, 2025	December 1, 2019 to November 30, 2025	April 1, 2020 to March 31, 2026
Method of delivery	New issuance of common shares	New issuance of common shares	New issuance of common shares
Period and percentage (%) of exercise restriction	After two years: 50%, after three years: 75%, and after four years: 100%	After two years: 50%, after three years: 75%, and after four years: 100%	After two years: 50%, after three years: 75%, and after four years: 100%
No. of shares acquired through exercise	-	-	-
Amount of shares subscribed through exercise	-	-	-
Number of unexercised shares	5,424,000 shares	72,000 shares	460,000 shares
Subscription price per unexercised share	NTD 20	NTD 20	NTD 20
Number of unexercised shares as a percentage of total outstanding shares (%)	1.86%	0.02%	0.16%

Type of Employee Stock Option	2019 First Employee Stock Option	2019 Second Employee Stock Option	2019 Third Employee Stock Option
Effect on shareholders' interests	The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 1.86% of outstanding shares, there should be no material dilutive effect.	The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account for only 0.02% of outstanding shares, there should be no material dilutive effect.	The Options were offered to attract and retain talents for the Company, and provide the incentives needed to unite employees toward the best interests of the Company and shareholders. Considering that unexercised shares account only for 0.16% of outstanding shares, there should be no material dilutive effect.

(II) Names of managers receiving employee stock option, names of employees ranking top ten in terms of exercisable shares, amount acquired, and amount exercised

April 24, 2021 Unit: thousand shares; NTD thousand

	Position	Name	Exercisable shares	Exercisable shares as a percentage of total outstanding shares	Exercised				Not exercised			
					Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares	Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares
Managerial Personnel	CEO	Robert Kuan	1,100 units	0.38%	-	-	-	-	1,100	20	22,000	0.38%
	President	S.C. Hsin										
	Vice President	Kevin Tsai										
	Vice President	H.J. Tsai										
	Vice President	K.P. Lin										
	Vice President	W.R. Huang										
	Assistant Vice President	Ben Fun										
	Assistant Vice President	C.C. Chen										
	Assistant Vice President	J.C. Hsieh										

	Position	Name	Exercisable shares	Exercisable shares as a percentage of total outstanding shares	Exercised				Not exercised			
					Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares	Exercise quantity	Exercise price (NTD)	Exercise amount	Exercise quantity as a percentage of total outstanding shares
Employee	Senior Head of Department	Tsun-Hui Chiang	728 units	0.25%	-	-	-	-	728	20	14,560	0.25%
	Senior Head of Department	Chien-Pang Lin										
	Head of Department	Han-Lin Wu										
	Head of Department	Kai-Wen Chen										
	Head of Department	Ching-Chung Chen										
	Head of Department	Kuo-Hsing Teng										
	Deputy Head of Department	Shih-Liang Ku										
	Deputy Head of Department	Hsin-Sung Lin										
	Deputy Plant Manager	Chia-Chi Chou										
	Department Manager	San-Yuan Chung										

VI. Issuance of new restricted employee shares: None.

VII. New shares issued for merger or acquisition: None.

VIII. Progress on planned use of capital: None.

Five. Operation Overview

I. Business Content

(I) Business Scope

1. The main business contents of the Company

①CC01080 Manufacture of Electronic Parts and Components

②I501010 Product Designing

③F401010 International Trade

[A. Research, design, development, manufacture and sale of the following products:

a. Color Filter

b. Image sensing components and modules

c. Light-emitting diode (LED) components and modules

d. Packaging and testing related to the above-mentioned products.

B. Concurrently in the import and export trade business related to the Company's business.]

2. Weight of each business

Unit: NTD thousand; %

Year / Item	2019		2020	
	Revenue	Percentage	Revenue	Percentage
Color filters and multi-films	3,305,347	97.34	6,829,617	98.32
Other (Note)	90,377	2.66	116,732	1.68
Total	3,395,724	100.00	6,946,349	100.00

Note: Other refers to the income from engineering products and testing services.

3. Current Products (Services) Items of the Company:

Item	Main products (service) items
Wafer-level color filter (CF) and micro-lens (ML) technology	Optical image sensors; mainly used in mobile phones, automotive, surveillance, medical, consumer electronics, etc.
On-chip multi-film (OCMF) technology	3D sensing elements Ambient light sensors, proximity light sensors
Integrated wafer-level color filter (CF) and multi-film technology	Optical Finger Print Sensor 3D sensor Optical biosensing elements
Other services	Image sensor engineering and testing service, wafer-level quantum efficiency testing, wafer-level oblique incident light measurement system, optical simulation and design, photomask design service

4. New Products (Services) Planned for Development

The Company plans to develop the next generation new of products and services

Items to be developed	Technologies	Applications	Market
Color filter (CF) and micro-lens (ML)	0.6μm pixel technology	Image sensors with advanced pixels (108 million pixels)	Smartphones

Items to be developed	Technologies	Applications	Market
Wafer-level optics - ToF sensing elements	Semiconductor optics integration technology	Next generation ToF sensing element	Smartphones, IoT, automotive, robot vacuums, industrial grade products
Wafer-level optics - Ambient light sensors	Semiconductor optics integration technology	New generation ambient light sensing element	Mobile devices, wireless Bluetooth headsets, smart TVs
Wafer-level optics - Optical Finger Print Sensor	Semiconductor optics integration technology	New generation ultra-thin under-display optical fingerprint sensors	Smartphones
Color filter (CF) and micro-lens (ML)	0.6μm pixel micro-lens PDAF	Image sensors with advanced pixels and fast focus	Smartphones
Color filter (CF) and micro-lens (ML)	Development of 0.56μm pixel micro-lens PDAF	Image sensors with advanced pixels and fast focus	Smartphones
Wafer-level optics - Biosensing elements	Semiconductor optics integration technology	Optical biosensing element	Medical market
Wafer-level optics - 3D sensing elements	Optical diffraction elements	Non-imaging optical element	Mobile devices

(II) Industry Overview

1. Current Situation and Development of the Industry

(1) Current situation and development of the optical sensor industry

With the spread of the wave of camera phones, the photo technology of mobile phones has made rapid progress in just ten years, which is comparable to the specifications of single-lens reflex cameras. However, due to the pursuit of lightweight appearances for mobile phones, hardware limitations make it difficult to effectively improve the shooting quality by simply increasing the resolution. Thus, image sensing has started to move in the direction of the development of multi cameras. In addition to the continuous increase of image resolution, with the multi-functional coordination of multi cameras, technologies such as optical zoom and focusing and shooting in low light can achieve a high level of performance that single cameras cannot. Therefore, considering that the current common smartphone has reached an average of 3.9 cameras per mobile phone, the carrying rate is

expected to continue rising. Within this context and with the tendency of image sensors to get larger and larger, the demand for wafers will be doubled.

Because the higher resolution and smaller pixel size technologies required by mobile devices can only be provided by Sony, Samsung and OmniVision and color filters and micro-lenses are one of the key technologies, VisEra is the main color filter and micro-lens supplier for fabless IC design houses.

In addition to image sensors, a more diversified demand and development can be seen in the markets driven by IoT and 5G communication, such as 3D sensing elements, light sensors, under-display optical fingerprint sensors, etc. Driven by the development of mobile devices (smartphones, AR/VR), the sensors will move to a more compact design. VisEra's multi-film technology integrates interferometric multi-film products such as IR cut filters and IR narrow band pass filters into the wafer-level photolithography process. The use of interferometric multi-film can provide a better spectral specification. Integrating the multi-film with organic types of color filters into the wafer structure via process integration will facilitate the development of a thinner product that meets the needs of the market.

VisEra's on-chip multi-film technology has been used ambient light sensors, ToF sensors, and biometric elements in smartphone. Among the biometric elements, the optical fingerprint sensors and 3D sensing elements are the ones with high market potential. VisEra is a leading manufacturer of optical structured processes for 3D sensing elements and optical fingerprint sensors.

As for the automotive market, with the introduction of autonomous driving system, CIS sensors are a necessary component and can support subsystems such as FCW (Forward Collision Warning), LDW (Lane Departure Warning), AEB (Autonomous Emergency Braking), PCW (Parking Collision Warning), BSD (Blind Spot Detection System), and ACC (Adaptive Cruise Control). In order to be able to support all the above-mentioned subsystems, 4 to 8 car-borne cameras will be needed. To further reach the level of autonomous cars, more car-borne lenses would be required.

VisEra's color filter and micro-lens technologies for automotive image sensors have obtained ISO quality certification in 2006. With more than 10 years of experience cooperating with major image sensor manufacturers and the recognition of customers in terms of quality and system, these products create a stable income for VisEra.

As for the IoT market, due to China's widespread surveillance system, there is an annual demand for more than 100 million units, which drives the demand for related CIS chips. In addition, products such as smart TVs, smart speakers and wearable devices have begun to focus on image and optical sensing features, which are expected to create an emerging demand for consumer imaging applications.

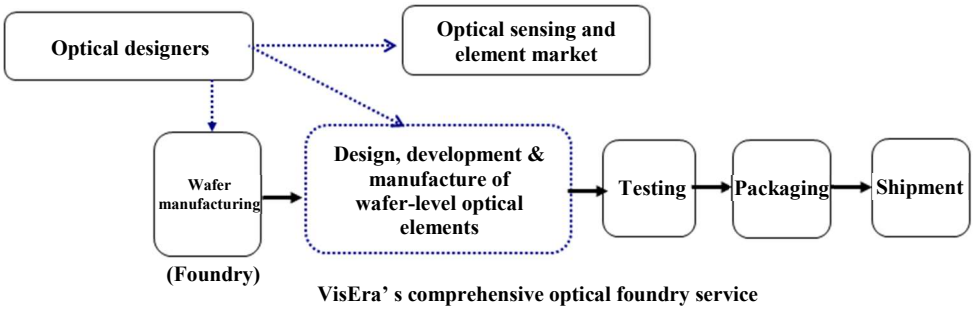
(2) Correlations among up-, mid-, and downstream of the optical sensor industry

Using CIS image sensing modules as an example, after the optical design manufacturer sends to the wafer manufacturer for foundry, the optical design and simulation will be carried out by VisEra, and the color filters and micro-lenses will be processed and produced. Then, the products will be packaged and tested in the later stage. For an IDM (such as Sony and Samsung), all the processes are completed in-house.

With the diversified applications of CIS chips, an IDM may not be able to have a comprehensive coverage in terms of application areas and corresponding commercial values. Taking the huge business potential into account, the amount of fabless IC design houses is therefore growing.

In addition, the manufacturing of CIS chips requires special processes. These can be divided into customized and standard product processes based on the different specifications or the final applications. As for the camera modules used on high-end mobile phones, most of them are from the customized manufacturing process. The customized process has more specific requirements for the products. In terms of the optical design of wafers, the defects during the process and the improvement of the process, close collaboration and cooperation is needed between the front end and the back end of the supply chain.

VisEra has many years of experience collaborating with upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry. As a result, VisEra's competitiveness in the optical field has increased as well.



(3) End-use electronic products development trends

Regarding the optical elements foundry services provided by the Company, the applications of the end-use electronic products can be roughly divided into consumer electronics (Consumer), automotive electronic products (Automotive), image surveillance products (Security) and medical products (Medical).

5G entered the stage of large-scale commercial use in 2020, which will first drive the development of 5G mobile phones. A 5G phone wave can be expected.

The high-speed transmission of 5G and the maturity of AI technology can provide consumers with a better audio and video experience, and support the development of more advanced and higher pixel image sensors and 3D sensors. Moreover, the development of OLED and full screen mobile phones has also driven the demand for ambient optical sensors to transition to color light sensors and under-display sensors (cameras, light sensors, fingerprint sensors). Thus, optical sensors will be developed with demands for higher sensitivity, lighter and slimmer forms, and miniaturization. This is in line with the development of VisEra.

The ultra-reliable low latency communications (uRLLC) features of 5G will also accelerate the development of the Internet of Vehicles and ADAS/autonomous driving, and provide high-speed, reliable and secure data transmission for emerging applications such as telemedicine and medical imaging. Furthermore, the rise of the Internet of Vehicles will facilitate more ADAS sensors and automotive image sensors to be installed in autonomous vehicles. Due to the rise of ADAS sensors, its specifications have moved towards the high-end image design used in smartphones. This is expected to trigger a new round of competition in the supply chain. VisEra obtained ISO automotive certification in 2006 and has accumulated considerable experience in automotive sensors. VisEra is confident in the development and manufacturing of automotive sensors for ADAS in the future.

In terms of medical products, VisEra had supplied products for medical imaging products (such as endoscopies). In recent years, biological detection has tended to shift to the development of optical technology, mainly providing testing chips for prenatal examination, cancer screening or rapid influenza diagnostic tests. VisEra is currently already collaborating with some customers, and the products developed are being verified. Before the market was emerged, VisEra prioritized its layout in 2019 and has obtained ISO 13485 certification for the medical supply chain.

Other IoT applications such as smart wearables, smart homes, smart cities, Internet of Vehicles and Industrial IoT will benefit from low-power and reliable light sensors and surveillance cameras. Among these, the demand for surveillance cameras is the highest. The rise of smart surveillance has also driven the demand for new types of sensors, which are currently being developed in cooperation with customers.

(4) Competition in the optical sensor foundry industry

The business model of the Company is based on professionalism in the field of the color filters and multi-film (8” and 12”), combined with the advanced integrated manufacturing of optical elements and testing services at the wafer level, to develop foundry services that are different from other competitors. The competition of the industry can be divided into two categories based on the types

of the main technologies.

①Color Filters (CF) and Micro-Lenses (ML)

In the current optical image sensing market, most of the optical sensing suppliers are fabless, except for Sony, Samsung and SK Hynix which have an IDM production model. VisEra is a Fabless optical design provider with optical design, simulation, and manufacturing capabilities.

Since the main application of optical sensors is in the smartphone market, aside from Sony and Samsung, VisEra is currently the only supplier among the non-IDM color filter and micro-lens manufacturers which can produce image sensors for the high-end market, i.e. more than 10 million pixels and less than 1.0μm pixel size. The main high-end products are products with a pixel size of less than 0.8μm, which require more precise process control and optical simulation design. VisEra has invested in DUV scanners in 2019 and stepped into 0.7μm–0.6μm pixels in line with the R&D schedules of customers. 0.7μm pixel size products started mass production in 2020 and 0.6μm pixel size products are expected to be mass-produced in 2021.

②Multi-Film Integration

VisEra is the main supplier for multi-film integration technology (8” and 12”). Different from the multi-film technologies that many competitors use for the current image sensors, such as blue glass, IR cut filters and IR narrow-band filters, VisEra’s multi-film technology can integrate the interferometric multi-film into the wafer-level photolithography process. The use of interferometric multi-film can provide a better spectral specification. Integrating the multi-film with organic types of color filters into the wafer structure via process integration will facilitate the development of a thinner product that meets the needs of the market.

VisEra has a greater competitive advantage than the current major competitors in terms of overall technologies and process capabilities. At the same time, regarding the investment of high-end machines and the construction of production equipment, VisEra can meet the needs of customers and maintain a good cooperative relationship with them.

III. Technology and R&D Overview

(1) Technical level, research and development

The Company focuses on the foundry production of image sensor and wafer-level optical element. We are one of the few foundries in the world that can concurrently provide color filters, micro-lenses and multi-film, and has the ability to integrate technologies for the foundries of product manufacturing.

①The technologies and R&D for the image sensor product foundry business are

described below

A. Regarding the technology of the color filter process, the 8-inch production line is mainly used for automotive sensors and surveillance cameras. In addition to improving pixel processing capabilities, the black filter process has been developed and started mass production as well. The resolution of automotive sensors and surveillance cameras has been enhanced. Customers have successfully entered the market with this process. The 12-inch plant continues to develop the micron pixel size and high-resolution processes to improve the resolution and film speed of color sensors. In terms of the R&D of the pixel miniaturization process, the 0.7μm pixel size process has been introduced in the middle 2020, and the 0.61 μm pixel size process is expected to be launched in 2021. In addition, the 0.5 μm pixel size process is also under development. In terms of the R&D to increase the resolution of sensors, the mass production of sensors with more than 60 million pixels has started in the second quarter of 2020, and the R&D of sensors with more than 100 million pixel used for 4K video recording is in progress. In the future, the Company will continue to develop the small pixel size color filter process and serve customers with high yield and high performance of the foundry's quality.

B. Regarding micro-lens technology, in addition to conventional reflow type micro-lens technology, the Company has also introduced etching type micro-lens technology. Etching type micro-lens technology will significantly improve the spherical accuracy of micro-lenses and the continuity between the micro-lenses, enhancing the light-gathering effect. Meanwhile, in order to improve the focusing speed of sensors, the Company has developed Phase Detection Auto Focus (PDAF) technology micro-lenses, which have been successfully introduced into the market by customers.

②The technologies and R&D for the wafer-level optical elements foundry business are described below

A. In optical fingerprint sensor technology, the ultra-thin under-display collimator type optical fingerprint sensor technology developed by the Company has entered mass production. The Company is the main supplier on the market with the ability to provide such foundry services. This process technology has been adopted by major manufacturers around the world and shipments continue to hit new highs.

B. As for 3D sensing elements, the high-quality coating technology has been verified and certified by the world's major manufacturers and has been applied to products of all generations. Shipments are maintained at a stable level at the moment.

C. In terms of other multi-film products, the newly developed multiple channel light sensor coating technology has been verified successfully. Trial production has started in the second quarter of 2020 and mass production can be expected in 2021.

In the future, in addition to continuing to improve color filter and multi-film technologies, the R&D of new technologies will focus on diffraction elements and bio-sensing chips in preparation of the next stage of the market. The Company will keep developing various optical process technologies to enhance the benefits of integration and provide customers with excellent optical elements foundry services through wafer-level semiconductor processes.

(2) Research and development personnel and their education and work experience

Unit: Person

Education \ Year	2019		2020		March 31, 2021	
	Number of people	%	Number of people	%	Number of people	%
Ph.D	8	7	13	8	17	10
Master's	104	86	133	85	138	83
Bachelor's	9	7	10	6	10	6
Senior high school and below	-	-	1	1	1	1
Total	121	100	157	100	166	100

Note: The above-mentioned number of people does not include the direct labor in the R&D segment which does not involve technical skills.

(3) Annual R&D expenses invested within the past five years

Unit: NTD thousand; %

Item \ Year	2016	2017	2018	2019	2020
R&D expense	164,980	181,621	239,746	346,489	366,794
Net Revenue	3,444,979	2,519,211	2,748,420	3,395,724	6,946,349
Proportion of R&D expense in profit before tax	20.73	81.97	47.12	46.61	14.35

Source: Financial report audited and certified by the certified public accountant.

(4) Technologies or products successfully developed within the last five years

Year	Technologies or products successfully developed
2016	◆Development of optical fingerprint sensor ◆Mass production of 12-inch 1.1μm color filters and 16 million pixel image sensors ◆Completed the development of phase detection auto-focus for micro-lenses (2x1 ML PDAF) ◆Mass production of ambient light sensors
2017	◆Mass production of 3D optical sensing elements to implement on-chip multi-film (OCMF) technology in smartphones ◆Mass production of under-display optical fingerprint sensors (OFP)

Year	Technologies or products successfully developed
	◆Mass production of 12-inch 1.0μm color filters and 20 million pixel image sensors
2018	◆Mass production of ultra-thin under-display optical fingerprint sensors (OFP) ◆Mass production of distance sensing elements to implement on-chip multi-film (OCMF) technology in smartphones ◆Mass production of 12-inch 0.9μm color filters and 24 million pixel image sensors
2019	◆Mass production of 12-inch 0.8μm color filters and 48 million pixel image sensors ◆Development of ambient optical sensing elements to apply on-chip multi-film (OCMF) technology to smartphones ◆Completed the development of optical biochips and obtained the ISO 13485 medical supply chain certification
2020	◆Mass production of 12-inch 0.7μm colors filter and 64 million pixel image sensors ◆Mass production of ambient optical sensing elements to apply on-chip multi-film (OCMF) technology to smartphones ◆Mass production of ToF (3D sensor) products

(IV) Long-term and Short-term Business Development Plans:

(1) Short-term business development plans

Continue to collaborate with major customers to develop 12-inch CIS image sensor technology and process capabilities, specifically for the high-resolution (100 million pixels and above) and small pixel size (0.6–0.56μm) sensor market required for high-end smartphones.

Develop the next generation of high-end ultra-thin (collimator) type optical fingerprint market, to consolidate a leading position in the market and meet the market specifications for 5G phones in the future.

Develop the second generation ambient light sensors with specific customers and will start mass production in 2021.

VisEra's current plant cannot fully satisfy the amounts required by customers. In response to market demand, in 2020, the Company start to build a second plant for the production lines of 12-inch wafer-level color filters, on-chip multi-film, high-end image sensors and for the development of high-end under-display optical fingerprint sensor technology. It is expected to start production in 2022.

(2) Long-term business development plans

Considering the high pressure due to the cost of investment at the initial stage of the new plant, the objectives for business development are:

① Expand and consolidate the existing customer base and market, and increase market share.

② Continue to develop new products, conduct R&D and innovate niche market technologies, and diversify market risks.

③ Conduct R&D to use existing machines for new processes, to reduce the investment pressure for high-end production capacity.

④ Develop customized processes together with customers, to secure the production capacity required by customers in the future.

II. Market and Production-Marketing Overview

(I) Market Analysis

(1) Areas where the main products (services) are sold (provided)

Unit: NTD thousand; %

Item \ Year		2019		2020	
		Sales	%	Sales	%
Domestic		783,307	23.07	1,359,257	19.57
Export	Asia	2,570,952	75.71	5,531,112	79.63
	America	14,792	0.44	15,490	0.22
	Europe	26,673	0.78	40,490	0.58
	Subtotal	2,612,417	76.93	5,587,092	80.43
Total		3,395,724	100.00	6,946,349	100.00

Source: Based on audited financial statements.

(2) Market share

Wafer-level color filter and micro-lens market

Image sensors are the main product of the wafer-level color filter and micro-lens market, which are used in the smartphone, automobile, and surveillance camera. VisEra' s image sensor technology mainly provides the sensors required in the mobile device, automobile, and surveillance camera markets. In particular, mobile devices occupy the largest share among them, accounting for 65% of VisEra's revenue in 2020. Overall shipments account for about 18% of the image sensor market, a substantial increase compared to the previous year. This is mainly due to the growth of high-end image sensors (above 48 million pixels) and the contribution from 2 million pixels and 13 million pixels in the mainstream market.

Integrated on-chip multi-film market

VisEra's integrated on-chip multi-film technology mainly includes under-display optical fingerprint sensors and 3D optical sensing elements.

Affected by the trend of full screen mobile phones, the market of under-display optical fingerprint sensors began to sprout in 2018. The adoption rate on mobile phones is 6.7% in 2019 (2 million units). According to the IHS report, the adoption rate is expected to reach 35% in 2023 (5 million units). VisEra's optical structure technology can be applied in the optical fingerprint sensors with ultra-thin design (<0.5mm), which has gradually become the

standard configuration for 5G mobile phones. VisEra also cooperates with the leading manufacturers of under-display fingerprint fields as their main supplier.

The mainstream technologies of 3D optical sensing elements include: stereo systems, structured light and ToF sensors. Because the structured light technology and patent layout are held by some specific manufacturers, all the mobile phone manufacturers have put their effort into the development of ToF sensor technology. VisEra is one of the suppliers of biometric sensing elements. At the same time, the Company also continues to collaborate with international manufacturers for the development and mass production of ToF sensor technology.

(3) Future supply and demand and growth of the market

According to the latest TSR report, the three main markets for CIS image sensors are the mobile phone market, the automotive market and the video surveillance market. In 2019, it has reached a market scale of 6.3 billion units, with a production value of 17 billion U.S. dollar. In the next five years, the market scale is expected to reach 9.3 billion units, with an average annual growth rate of more than 10%. It is expected that the production value may reach 27 billion U.S. dollar. Yet, the required resolutions are getting higher, the pixel size is getting smaller and the sensing area is getting larger. If the demand is calculated based on 8-inch wafers, the report by Yole shows that 5.7 million pieces are needed in 2018. It is estimated that it will reach 8 million pieces in 2024, with a compound annual growth rate of 7.5%.

In the second half of 2019, CIS image sensors have been reported to be out of stock. Although the market was affected by the COVID-19 pandemic in 2020, now, the demand is still greater than the supply. Seeing the high growth of CIS sensors in the next five years, the industry has one after another put the new 12-inch fab into operation to produce CIS sensors. However, the critical production lines of the high-end color filters and micro-lenses cannot be replicated and developed successfully in a short time. Many customers have proposed to collaborate with VisEra to develop next-generation products. This means that such technologies are very important and cannot be replaced within a short period of time.

As for integrated on-chip multi-film technology, the main market is the biometric sensor, including under-display optical fingerprint sensors and 3D sensing elements. Biometric sensors are an essential component of 5G smartphones, and they are currently in a stage of rapid growth. Under-display optical fingerprint sensors currently have an adoption rate in mobile phones of

about 20%, and it is expected that the adoption rate will increase year by year in the future.

As for the supply of biometric sensors, the Company currently has a long-term relationship with international manufacturers for the design and development of customized products. Sony takes 90% of the market share in terms of 3D ToF sensors. According to the technical trend analysis, 3D stacking and high resolutions are technical requirements in the market. At present, the Company collaborates with major customers in the development and is developing the corresponding technology and production capacity in line with the process R&D and schedule of customers. The two main technologies for under-display fingerprint are optical and ultrasonic fingerprint sensors. In particular, the optical fingerprint sensor has the highest penetration in 5G smartphones in the future.

In response to the strong demand for high-end optical products from the market and major customers, the plant has currently almost reaches its full capacity. The new plant is expected to be put into production in 2022.

(4) Competitive niche

①Optical one-stop service

Different from the foundries focusing solely on production, VisEra is an optical foundry, providing the design, simulation, development, and manufacturing of professional wafer-level optical elements. The Company provides a complete optical one-stop service for customers.

②Tight and strong upstream and downstream supply chain

VisEra has more than ten years of experience specializing in the field of optical sensing. We also have many years of experience cooperating with upstream professional wafer foundries and downstream packaging and testing plants, forming a tight supply chain relationship between the upstream and downstream of the industry.

③Close customer relationship and staying on top of industry trends

VisEra's partners and target customers are all major manufacturers with a leading position in the optical field, covering the United States, China, Japan, Europe and other places. Therefore, through technical cooperation, we can stay ahead of the market, deploy new technologies in advance and gain insights into the future trends of the market.

④Provide customized technology and production capacity

Considering the technical features and market requirements of the special specifications of high-end sensing products, VisEra has the ability to

provide customers with project-based, customized production models, and collaborative development of special optical materials, spectral characteristics, and the integration of special processes.

⑤Investment in talents and advanced equipment

VisEra is willing to invest in R&D technical talents and advanced optical equipment, follows up the market's requirements for high-end optical products, and has the ability to obtain potential future market opportunities in advance, to secure leading technology and manufacturing capabilities.

(5) Positive and negative factors for future development and the countermeasures

①Positive factors

A. Huge demand in the end market

The applications of market information, communication, and consumer-related products are continuously innovated and drive the continuous refinement of semiconductor process technologies. As for the current largest smartphone market, the biggest selling points for mobile phones are biometrics and 3D applications, which will lead to future development trends of the optical industry. This is in line with VisEra's direction of research and development in optical miniaturization products.

B. Support from long-term partnership with customers and the customers leading the technology market.

C. A strong management team, combined with advanced process R&D and an outstanding business team, demonstrating excellent operation performance.

②Negative factors and countermeasures

A. The Chinese government's support of the semiconductor industry causes the pressure of competition

In recent years, the Chinese government has committed to supporting the semiconductor industry, with the objective of building an end-to-end industry chain, actively investing in equipment, and recruiting talents. Within the context of an increase of production capacity from global foundries, the geographic location relative to the supply chain may face pressure from horizontal competition.

Countermeasures:

The Company will keep developing high-end optical products, establish long-term collaborative relationship with customers, and make good use of the advantages of the supply chain, avoiding the pressure of competition caused by the supply chain and Chinese policies.

B. Huge capital expenditure

The financial pressure at the initial stage of investment in a new plant.

Countermeasures:

Considering the long-term development, the Company maintains a good long-term relationship with the bank group to provide funds to support future growth in business.

C. Lack of control of critical materials

Some of the critical optical materials are in the hands of a few major manufacturers.

Countermeasures:

The Company will collaborate with suppliers to develop the optical material market, create a collaborative relationship for a long-term supply, establish exclusive rights or IP, and develop a second supplier to prevent plagiarism by other competitors.

D. The market of consumer electronics is easily affected by economic volatility

Miniaturized optical elements are mostly used in consumer electronics, and tend to be affected by the international situation, trade strategies and market volatility.

Countermeasures:

A business model of diversified products has been adopted, obtaining ISO certification for automobiles and medical care. A market with a stable supply has been established, reducing the impact on consumer products by market volatility.

(II) Important uses and production processes of main products

(1) Important uses of products produced through foundry services

①For image sensor related foundry services, the important uses of the main products are described below

The three main markets of image sensors (CIS, CMOS image sensors) are the applications in mobile devices, automotive and surveillance cameras. In terms of image sensors for mobile devices, with consumers' high expectations for the shooting performance of smartphone cameras in recent years, the number of camera modules and the pixels used in smartphones have also increased rapidly. Thus, the suppliers of camera modules have also raised their standards for the production process capability of the sensors and stability of mass production. On the other hand, with the rapid development of autonomous cars and safety awareness enhancements, the requirements for performance, specifications and supply stability of automotive electronics and image sensors used in security surveillance cameras have gradually risen. Automotive image sensors specifically emphasize sensing abilities in extreme environments, such as the glare of opposite cars' headlights, night time, and low illuminance on rainy days. Therefore, the process capability requirements of sensors used in automotive electronics and surveillance cameras are different from the

performance requirements of smartphone camera modules. After years of investment in research and development, the Company's capabilities in terms of processes and mass production are sufficient to meet the requirements of these two types of image sensor applications, and it has been selected as a long-term foundry partner by most customers.

②For the wafer-level optical elements related foundry services, the important uses of the main products are described below

Wafer-level optical elements are mainly used in mobile devices, in various sensors providing convenience and information security and other functions. For example, under-display optical finger

print sensors and 3D biometric modules offer quick unlock features and assure the security of payment information; ToF sensors and color ambient light sensors offer screen color and power management functions on mobile devices, improving power saving and comfort when using mobile devices. The Company's wafer-level optical element products have been adopted by light sensor suppliers. With the development of various technologies, they are gradually expanding the scope of customers' applications.

(2) Production processes of the main products

For the Company's foundry service products, the production process includes completing the circuit production on wafers in the front end wafer fabs, then the color filters and micro-lenses are produced on wafers by the Company, or on-chip optical multi-film coatings are applied. Then, the products will be sent to the downstream vendors for testing and packaging. The Company's process is similar to the process of a wafer foundry. All the main process modules will be carried out including the coating of photoresist, exposure, development, etching and coating. The clean room class is the same as that of a wafer foundry. This is a precision manufacturing production process equivalent to the semiconductor level.

(III) Supply situation of main materials

The Company's main raw materials are photoresist, chemicals and gases. The main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To disperse the problem of concentration of supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

(IV) Customers accounting for 10% or more of the total purchases (sales) in either of the two most recent fiscal years, and their purchase (sale) amount and percentage:

1. Suppliers accounting for 10% or more of the total purchases in either of the two most recent fiscal years

Unit: NTD thousand

	2019				2020			
Item	Supplier name	Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer	Supplier name	Amount	Percentage of the total net purchases of the year (%)	Relation to the issuer
1	Company A	216,892	40.99	None	Company A	431,115	42.00	None
2	Company B	58,572	11.07	None	Company B	89,471	8.71	None
	Others	253,621	47.94	-	Others	505,932	49.29	
	Net purchases	529,085	100.00		Net purchases	1,026,518	100.00	

Explanation of the changes: The purchase volume increased mainly due to the Company's business growth and the increase in production and sales. Also, the purchase prices of some raw materials increased due to market factors.

2. Customers accounting for 10% or more of the total sales in either of the two most recent fiscal years

Unit: NTD thousand

	2019				2020			
Item	Name	Amount	Percentage of the total net sales of the year (%)	Relation to the issuer	Name	Amount	Percentage of the total net sales of the year (%)	Relation to the issuer
1	Customer A	1,765,453	51.99	None	Customer A	3,050,156	43.91	None
2	Xintec	588,081	17.32	Other related party	Customer B	1,511,497	21.76	None
3	Customer B	369,661	10.89	None	Xintec	898,937	12.94	Other related party
	Others	672,529	19.80	-	Others	1,485,759	21.39	-
	Total	3,395,724	100.00	-	Total	6,946,349	100.00	-

Explanation of the changes: The Company maintains a stable, collaborative relationship with its major sales customers. At the same time, new products developed by the Company are successively put into mass production, which drives the shipment performance, the growth of sales, and the increase of revenue.

(V) The production volume for the two most recent fiscal years:

Unit: thousand pieces, NTD thousand

Production volume / Year / Main merchandise (or by segment)	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Color filters and multi-films	1,490	764	2,181,525	1,818	1,574	3,752,325
Other (Note)	-	-	66,857	-	-	83,126
Total	1,490	764	2,248,382	1,818	1,574	3,835,451

Note: Other refers to the income from engineering products and testing services.

Change analysis:

(1) The production capacity changed due to the higher complexity of processes for new products.

(2) The production volume and the production value increased mainly due to the continuous growth of the demands in the image sensor and biometric sensor markets.

(VI) The volume of units sold in the two most recent fiscal years:

Unit: thousand pieces, NTD thousand

Production volume / Year / Main merchandise (or by segment)	2019				2020			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Color filters and multi-films	125	766,011	639	2,539,336	247	1,322,358	1,327	5,507,259
Others (Note)	-	17,296	-	73,081	-	36,899	-	79,833
Total	125	783,307	639	2,612,417	247	1,359,257	1,327	5,587,092

Note: Other refers to the income from engineering products and testing services.

Change analysis:

The sales volume increased mainly due to the continuous growth of the demands in the markets.

III. The number of employees employed:

The data of employees employed for the two most recent fiscal years and up to the date of printed of the annual report

Item \ Year		2019	2020	April 24, 2020
Number of employees	Direct labor	412	516	535
	Indirect labor	519	717	771
	Total	931	1,233	1,306
Average age (year)		35.9	34.3	34.3
Average years of service (years)		6.6	5.0	4.9
Education level ratio (%)	Ph. D	1	1	2
	Master's	37	40	41
	Bachelor's	47	45	44
	Senior high school	15	14	13
	Senior high school and below	0	0	0

IV. Disbursements for environmental protection:

Any losses suffered by the company in the most recent fiscal year and up to the annual report printed 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 disclose 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:

The Company has always strictly observed the environmental protection laws and regulations and has the continuous reduction of pollution and emissions as the objective of environmental protection work in the plants. In the two most recent fiscal years and up to the annual report printed date, the Company has suffered no loss of disposition issued by the relevant authorities for any environmental pollution incidents. There are no pollution disputes that occurred in the two most recent fiscal years and up to the annual report printed date.

V. Labor relations

(I) The Company's employee welfare plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests:

1. List any employee welfare plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor agreements and measures for preserving employees' rights and interests

(1) Employee welfare plans

The Company is committed to maintaining a high standard of corporate social responsibility. It believes that the maintenance of good labor relations is the cornerstone of the Company's sustainable development and promotes the following employee welfare measures

①Labor Insurance and National Health Insurance: All employees of the Company participate in Labor Insurance and National Health Insurance.

②Group Insurance: In addition to the employees themselves, their spouses, children and parents will also be covered, so that colleagues and their families can be protected.

③Employee welfare: The Company appropriates welfare funds as per the "Employee Welfare Fund Act", and organizes an employee welfare committee to handle employee welfare matters. In addition to providing employees with various welfare measures and cash gifts for annual festivals, company trips, family days, year-end parties and other activities will be organized as well to maintain the friendship among employees, enhance the internal cohesion within the organization, and improve the morale at work.

④Employee health promotion: Various employee physical examinations and annual health check-ups are provided which are better than the statutory requirements, and appropriate health promotion programs are planned as needed. A health center and breastfeeding rooms have been set up, dedicated nursing personnel is hired, and physicians are regularly arranged to visit the plant to provide health consultations. Professional psychological counselors are engaged to take care of the mental health of employees. A "Work-life Balance Subsidy Program" has been introduced to organize various types of health promotion classes.

⑤Group meals: The Company has a canteen and coffee bar which provide various meals such as buffet, fast food, and wheat dishes. Lunch, dinner and supper are all subsidized by the Company.

⑥Bonus system: The Company issues bonuses based on operating conditions.

⑦Club activities: In order to encourage employees to engage in proper leisure activities, various clubs are organized by employees, and the Employee Welfare Committee provides budget subsidies.

(2) Continuing education and training

The Company pays attention to the self-cultivation of the employees and plans diversified training programs to meet the needs of organizational development. Through a systematic training roadmap, it is expected that each employee can realize their potential and improve their work performance in an environment that is appropriate to their talents, so as to achieve the win-win objective of business development and personal growth. An eLearning platform has been introduced so that the employees can carry out learning activities effectively. Training categories include

①New employee orientation: The content includes the Company profile,

environmental safety and health regulations, quality policies, personal data protection, regulatory compliance, and other general education.

②On-the-job training: Buddies are assigned to each new employee to shorten the adaptation period. Through the planning of OJT courses, engineering skills and experiences of various segments are passed on. Technical talent is developed through learning at work to ensure product quality.

③IDP individual training roadmap planning: Differentiated courses are planned according to ranks to improve the working skills and expertise of individuals.

④Professional certificate/license training: Specific training for personnel qualifications is conducted according to laws and regulations and work requirements, and regularly assessed and certified to improve the quality of products.

⑤Direct labor training: The knowledge, technologies, and methods required for their work are taught to the production and technical personnel so that they can obtain the certification to operate equipment.

⑥Management functions training: Management development training activities are planned in accordance with management skill and function requirements of supervisors at all levels.

(3) Retirement system and the status of its implementation

The Company has established the "Supervisory Committee of Labor Retirement Reserve" in accordance with labor laws and regulations. For the employees to whom the old labor retirement system applies, the "Labor Retirement Reserve" will be appropriated regularly and deposited in a special account at the Bank of Taiwan in the name of the committee. The committee is responsible for managing, supervising, and reviewing matters related to the retirement reserve.

For employees to whom the new labor retirement system applies, six percent of the employee's monthly salary shall be appropriated to their Individual Labor Pension Account of the Bureau of Labor Insurance as per the "Labor Pension Act".

(4) The status of labor-capital agreements and measures for preserving employees' rights and interests

The Company values the opinions of the employees and provides a variety of channels to promote communication and coordination between labor and capital. A quarterly labor-capital meeting is held to explain the Company's operation profile to labor representatives and participate in discussions on labor conditions and welfare matters. Employee communication meetings are held quarterly for direct and two-way interaction and communication. Important information and recent events are announced through the internal website (My VisEra). A channel for employee grievances has been established and the responsible segment and the Company's top

management will be informed based on the nature of the grievances. There is also an employee suggestion box to allow employees to give their comments about work and environmental issues and suggestions. Multiple channels for employee feedback are maintained, the voices of employees are listened to, and responses and communication take place in a timely manner to promote labor-capital harmony and create win-win objectives for both the enterprise and employees.

(II) List any losses suffered by the company in the most recent fiscal years and up to the annual report printed date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose 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: None.

VI. Important contracts:

Nature of the contract	Contracting parties	Commencement dates and expiration dates of the contract	Major content	Restrictive clauses
Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	June 5, 2006 ~ December 31, 2025	Lease of land for the Hsinchu Duxing Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau.
Lease contract	Hsinchu Science Park Bureau, Ministry of Science and Technology	April 15, 2020 ~ December 31, 2039	Lease of land for the Longtan Plant	The sublease, subtenancy, or assignment of the land or its buildings shall obtain prior consent from the Science Park Bureau
Lease contract	Xintec Inc.	November 16, 2020 ~ November 15, 2022	Lease of Xintec's Zhongli Plant and the relevant plant facilities and services	No subleasing, subletting, lending, transferring, possessing or other means of providing use to other people is allowed
Construction contract	Li Jin Engineering Co. Ltd.	September 30, 2020 ~ until the warranty expires	Construction of Longtan Plant	None
Commissioned for processing	Xintec Inc.	October 1, 2019 ~ September 30, 2021	Provide customers with wafer processing services, and draw up a contract as per the Regulations Governing Customs Bonded Factories	Automatically extend every year after expiration, u five years
Long-term supply	United Industrial Gases Co., Ltd.	November 1, 2020 ~ October 31, 2030	Purchase nitrogen, subsidize liquid nitrogen and ultra-high purity liquid oxygen; lease equipment	The equipment must not store gas not supplied by United Industrial Gases

Nature of the contract	Contracting parties	Commencement dates and expiration dates of the contract	Major content	Restrictive clauses
Bank credit	Mega International Commercial Bank Co., Ltd.	The signing date of the contract is June 8, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, it has not yet been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	Far Eastern International Bank Co., Ltd.	The signing date of the contract is June 17, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 250 million has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	E.SUN Commercial Bank, Ltd.	The signing date of the contract is July 1, 2020. According to the contract, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 2 billion has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes
Bank credit	Taipei Fubon Commercial Bank Co., Ltd.	The signing date of the loan drawdown notice is July 27, 2020. According to the approval conditions, it must be repaid within five years after the first drawdown. Up to the annual report printed date, NTD 410 million has been drawn.	Mid-term and long-term loans	The directions of the project loan should be followed, and the loan should not be used for other purposes

Six. Financial Overview

I. Condensed balance sheet and statement of comprehensive income for the last 5 years

(I) Condensed balance sheet and statement of comprehensive income

1. Condensed balance sheet – Based on IFRS

Unit: NTD thousand

Item \ Year		Financial information for the last 5 years (Note)				
		2016	2017	2018	2019	2020
Current asset		4,832,711	4,172,464	4,260,367	4,161,500	3,767,007
Property, Plant and Equipment		2,062,968	1,672,754	1,675,727	1,867,080	7,617,347
Intangible asset		11,750	4,078	13,700	10,252	9,096
Other assets		58,616	62,533	65,961	283,645	378,318
Total assets		6,966,045	5,911,829	6,015,755	6,322,477	11,771,768
Current liabilities	Before dividend	1,005,097	603,807	860,891	968,878	2,225,250
	After dividend	1,878,556	1,186,113	1,443,197	968,878	2,807,556
non-current liabilities		1,379	1,456	3,845	168,127	2,263,683
Total liabilities	Before dividend	1,006,476	605,263	864,736	1,137,005	4,488,933
	After dividend	1,879,935	1,187,569	1,447,042	1,137,005	5,071,239
Share capital		2,911,531	2,911,531	2,911,531	2,911,531	2,911,531
Capital surplus		680,813	693,712	693,757	696,675	703,493
Retained earnings	Before dividend	2,367,225	1,701,323	1,545,731	1,577,266	3,667,811
	After dividend	1,493,766	1,119,017	963,425	1,577,266	3,085,505
Total Equity	Before dividend	5,959,569	5,306,566	5,151,019	5,185,472	7,282,835
	After dividend	5,086,110	4,724,260	4,568,713	5,185,472	6,700,529

Note: All yearly financial information presented above has been audited.

2. Condensed statement of comprehensive income – Based on IFRS

Item \ Year	Financial information for the last 5 years (Note)				
	2016	2017	2018	2019	2020
Revenue	3,444,979	2,519,211	2,748,420	3,395,724	6,946,349
Gross profit	1,047,448	497,438	787,804	1,147,342	3,110,898
Operating profit/loss	774,065	210,891	481,881	718,692	2,556,440
Non-operating income and expense	21,807	10,678	26,952	24,680	(1,089)
Profit before tax	795,872	221,569	508,833	743,372	2,555,351
Current period net profit	661,562	207,557	412,283	613,841	2,090,545
Total comprehensive income in the current period	661,562	207,557	412,283	613,841	2,090,545
Earnings per Share	2.27	0.71	1.42	2.11	7.18

Note: All yearly financial information presented above has been audited.

(I) Names of financial statement auditors in the last 5 years and audit opinions

1. Names of financial statement auditors in the last 5 years and audit opinions

Year	Accounting firm	Name of CPA	Audit opinion
2016	Deloitte & Touche	I-Hsin Kao	Unqualified opinion
2017	Deloitte & Touche	I-Hsin Kao	Unqualified opinion
2018	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2019	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion
2020	Deloitte & Touche	Shang-Chih Lin, Ming-Yuan Chung	Unqualified opinion

2. If there was any reappointment of CPA in the last five years, provide reasons for reappointment from the Company, the former CPA, and the succeeding CPA: The Company had reappointed the two CPAs in 2018 to accommodate its public offering and the internal rotation within Deloitte & Touche.

II. Financial analysis for the last 5 years

1. Financial ratio analysis - IFRS-compliant

Analysis \ Year		Financial information for the last 5 years				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt-to-assets ratio	14.45%	10.24%	14.37%	17.98%	38.13%
	Long-term capital to property, plant and equipment	288.95%	317.32%	307.62%	286.74%	125.33%
Solvency (%)	Current ratio	480.82%	691.03%	494.88%	429.52%	169.28%
	Quick ratio	472.22%	678.58%	487.47%	419.18%	163.27%
	Interest earned ratio	-	-	18,846.67	151.02	490.44
Operating performance	Accounts receivable turnover (times)	6.14	4.37	5.41	5.78	8.76
	Average collection days	59	83	68	63	42
	Inventory turnover (times)	43.78	36.32	45.91	48.22	53.81
	Accounts payable turnover (times)	23.04	20.68	21.14	18.87	23.24
	Average inventory turnover (days)	8	10	8	8	7
	Property, plant and equipment turnover (times)	1.46	1.35	1.64	1.92	1.46
	Total asset turnover (times)	0.50	0.39	0.46	0.55	0.77
Profitability	Return on assets (%)	9.53%	3.22%	6.91%	10.01%	23.15%
	Return on equity (%)	10.91%	3.68%	7.88%	11.88%	33.53%
	Pre-tax profit to paid-up capital (%) (Note 6)	27.34%	7.61%	17.48%	25.53%	87.77%
	Net profit margin (%)	19.20%	8.24%	15.00%	18.08%	30.10%
	Earnings per share (NTD)	2.27	0.71	1.42	2.11	7.18
Cash flows	Cash flow ratio (%)	152.69%	116.73%	115.40%	109.27%	151.47%
	Cash flow adequacy ratio (%)	113.60%	111.56%	99.91%	91.79%	70.93%
	Cash reinvestment ratio (%)	5.24%	-1.33%	3.16%	3.47%	18.17%
Degree of leverage	Operating leverage	3.72	10.19	4.81	3.86	2.22
	Financial leverage	1.00	1.00	1.00	1.01	1.00

Variations exceeding 20% in the last 2 years:
(1) Debt-to-assets ratio increased: mainly due to additional long-term borrowings undertaken, which resulted in higher liabilities in 2020 compared to 2019.
(2) Long-term capital to property, plant, and equipment reduced while property, plant, and equipment turnover (times) decreased: mainly due to additional capital expenditures incurred in 2020, which resulted in higher property, plant, and equipment balance compared to 2019.
(3) Current ratio and quick ratio decreased: mainly due to additional capital expenditures incurred in 2020, which resulted in higher current liabilities balance compared to 2019.
(4) Interest earned ratio increased: mainly due to higher net income before interest and tax in 2020 compared to 2019.
(5) Accounts receivable turnover (times) increased, average collection days decreased, and total asset turnover (times) increased: mainly due to higher operating revenues in 2020.
(6) Accounts payable turnover (times) increased: mainly due to higher operating costs in 2020.
(7) Return on assets, return on equity, and earnings per share increased: mainly due to an increase in operating revenues in 2020, which resulted in higher net income compared to 2019.
(8) Pre-tax profit to paid-up capital ratio increased: mainly due to an increase in operating revenues in 2020, which resulted in higher net income compared to 2019.
(9) Net profit margin increased: mainly due to higher gross profit margin in 2020.
(10) Cash flow ratio (%) and cash reinvestment ratio (%) increased: mainly due to an increase in net income in 2020, which resulted in higher net cash flow from operating activities compared to 2019.
(11) Cash flow adequacy ratio (%) decreased: mainly due to additional capital expenditures incurred in 2020, which resulted in higher 5-year sum of (capital expenditure + increase in inventory + cash dividends) compared to 2019.
(12) Operating leverage decreased: mainly due to an increase in gross profit margin in 2020, which resulted in higher operating profits compared to 2019.

Note 1: All yearly financial information presented above has been audited.

Note 2: Formulas of financial ratios are defined below:

1. Financial structure
(1) Debt-to-assets ratio = total liabilities/ total assets.
(2) Ratio of long-term capital to property, plant 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 earned ratio = earnings before interest and income tax / interest expenses for the current period.
3. Operating performance
(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 collection days = 365 / accounts 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 × (1- tax rate)] / average total 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 flows
(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).

III. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors prepared the 2020 Business Report, Financial Statements, and earning distribution proposal of the Company. The Financial Statements have been audited by the CPA of Deloitte & Touche, who presented the independent auditors' report. After audit, the Audit Committee believes the aforementioned Business Report, Financial Statements and earnings distribution proposal are prepared in good faith. Therefore, the Audit Committee's Review Report is so generated pursuant to the Securities and Exchange Act and the Company Act.

VisEra Technologies Company Ltd.

Convener of the Meeting of the Audit Committee: Laura Huang

March 12, 2021

IV. Latest financial statements: See pages 93 to 157. (2020 Individual Financial Statements)

V. Financial distress encountered by the Company and affiliated enterprises in the last year, up until the printed date of annual report: None.

Seven. Review of Financial Status, Financial Performance, and Risk Management

I. Financial status:

Comparative analysis of financial status

Unit: NTD thousand

Item \ Year	2019	2020	Difference	
			Amount	%
Current asset	4,161,500	3,767,007	(394,493)	(9.48)
Property, Plant and Equipment	1,867,080	7,617,347	5,750,267	307.98
Intangible asset	10,252	9,096	(1,156)	(11.28)
Other assets	283,645	378,318	94,673	33.38
Total assets	6,322,477	11,771,768	5,449,291	86.19
Current liabilities	968,878	2,225,250	1,256,372	129.67
non-current liabilities	168,127	2,263,683	2,095,556	1246.41
Total liabilities	1,137,005	4,488,933	3,351,928	294.80
Share capital	2,911,531	2,911,531	-	-
Capital surplus	696,675	703,493	6,818	0.98
Retained earnings	1,577,266	3,667,811	2,090,545	132.54
Total Equity	5,185,472	7,282,835	2,097,363	40.45

1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NTD 10 million)
   (1) Property, plant, and equipment increased: mainly due to additional capital expenditures incurred to meet market demand.
   (2) Other assets increased: mainly due to acquisition of right-of-use assets in 2020.
   (3) Increase in current liabilities:
      a. Mainly due to additional capital expenditures incurred to meet market demands.
      b. An increase in net income was accompanied by higher amounts of income tax and employee remuneration payable.
   (4) Increase in non-current liabilities: mainly due to additional long-term borrowings undertaken in 2020.
   (5) Retained earnings increased: mainly as a result of ongoing improvements made to product mix, which produced higher gross profit and operating profit.
2. Possible impacts on future financial and business performance: No material impact is expected.
3. Future response measures: Not applicable.

Source: Based on audited financial statements.

II. Financial performance:

(I) Comparative analysis of operating performance

Unit: NTD thousand

Item \ Year	2019	2020	Difference	
			Amount	%
Revenue	3,395,724	6,946,349	3,550,625	104.56
Gross profit	1,147,342	3,110,898	1,963,556	171.14
Operating profit/loss	718,692	2,556,440	1,837,748	255.71
Non-operating income and expense	24,680	(1,089)	(25,769)	(104.41)
Profit before tax	743,372	2,555,351	1,811,979	243.75
Current period net profit	613,841	2,090,545	1,476,704	240.57
Total comprehensive income in the current period	613,841	2,090,545	1,476,704	240.57

1. Explanation to changes: (only for variations exceeding 20% and amounting to more than NTD 10 million)
   (1) Operating revenues increased: the growth in performance was mainly due to ongoing efforts made to improve product mix and develop new customers.
   (2) Non-operating income and expenses decreased: mainly attributed to higher net loss on currency exchange.
   (3) Gross profit, operating profit, pre-tax profit, current net income, and current comprehensive income increased: mainly as a result of ongoing improvements made to product mix, which produced higher gross profit, operating profit, pre-tax profit, current net income, and current comprehensive income.
2. Possible impacts on future financial and business performance: No material impact is expected.
3. Future response measures: Not applicable.

Note: Based on IFRS-compliant consolidated financial information.

(II) Sales forecast and basis:

Sales volume is estimated based on the Company's sales targets, market demands, growth trends, customers' performance, and existing sales orders after taking production capacity into consideration. The Company expects sales to grow at a consistent rate, which will affect financial and business performance in a positive way.

III. Cash flow:

(I) Analysis of cash flow changes for the year:

Unit: NTD thousand

Item \ Year	2019	2020	Variation
Operating activities	1,058,701	3,370,563	218.37%
Investing activities	(750,336)	(6,024,344)	702.89%
Financing activities	(659,781)	1,919,958	(391.00%)
Net cash outflow	(351,416)	(733,823)	108.82%

Analysis of cash flow changes:

(1)Operating activities: mainly attributed to sales growth, which increased pre-tax profit and cash inflow from operating activities.

(2) Investing activities: mainly attributed to additional capital expenditures incurred, which increased net cash outflow from investing activities.

(3) Financing activities: additional long-term borrowings were undertaken in 2020, causing an increase in net cash inflow from financing activities.

Note: Based on IFRS-compliant consolidated financial information.

(II) Response measures and liquidity analysis for cash flow deficit: Not applicable.

(III) Liquidity analysis for the next year:

Opening cash balance	Projected net cash flow from operating activities for the year	Projected net cash flow from investing activities for the year	Projected net cash flow from financing activities for the year	Expected cash surplus (deficit)	Response measures for cash flow deficit	
					Investment plans	Financing plans
2,537,344	4,560,000	(7,100,000)	2,338,000	2,335,344	-	-

1. Analysis of cash flow variation for the next year:

(1) Operating activities: the Company expects market demand to grow consistently in the future, and the forecast represents net cash inflow under normal production plan.

(2) Net cash outflow from investing activities: mainly attributed to additional capital expenditures on new equipment and plant construction that the Company expects to incur for capacity expansion and development of new production procedures.

(3) Net cash outflow from financing activities: mainly represents cash inflow from long-term borrowings.

2. Response measures and liquidity analysis for cash flow deficit: None.

IV. Material capital expenditures in the last year and impacts on financial position and business performance:

Construction of the new Longtan Plant represents a material capital expenditure. The Company expects to finance this project with its own capital or through bank borrowings, and expects no material impact on financial or business performance.

V. Investment policy in the last year, main causes for profits or losses, improvement plan, and investment plan for the coming year:

(I) Investment policy

The Company has formulated its investment policy in line with long-term strategies, which focus primarily on color filters and optical coating. Apart from the above, the Company does not invest in other industries. The Company has also

established a set of "Asset Acquisition and Disposal Procedures" in accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulated by the authority to serve as guidance over investment practices, and to monitor business and financial status of business investments.

(II) Main causes of profit or loss, improvement plan: Not applicable as the Company has no business investment.

(III) Investment plans for the coming year: None.

VI. Evaluation of risk management issues in the last year up until the printed date of annual report：

(I) Effects of changes in interest rates, foreign exchange rates and inflation on corporate finance, and future response measures:

1. Interest rate changes

Unit: NTD thousand; %

Item \ Year	2019	2020
Interest expense	4,955	5,221
Net operating revenues	3,395,724	6,946,349
Interest expense as a percentage of net operating revenues	0.15	0.08

Source: Based on audited financial statements

Interest expenses accounted for 0.15% and 0.08% of net operating revenues in 2019 and 2020, respectively. The lower percentage in 2020 compared to 2019 was mainly attributed to an increase in operating revenues in 2020 over 2019. The Company constantly observes and analyzes how a change in market interest rate may affect cash flows on interest-bearing debts. The Company also maintains good relationship with banks and performs timely assessments on possible interest rate risks for all interest-bearing debts, while taking actions to reduce impact of interest rate changes on profitability.

2. Foreign exchange rates changes

Unit: NTD thousand; %

Item \ Year	2019	2020
Net gains (losses) on foreign currency exchange	(21,435)	(57,105)
Net operating revenues	3,395,724	6,946,349
Net gains (losses) on foreign currency exchange as a percentage of net operating revenues	(0.63)	(0.82)

Source: Based on audited financial statements.

Net gains (losses) on foreign currency exchange accounted for (0.63)% and (0.82)% of the Company's operating revenues in 2019 and 2020, respectively.

Since most capital expenditures and manufacturing overheads are paid in non-NTD currencies such as USD and JPY and most revenues are collected in USD, excessive volatility in exchange rate may have adverse impacts on the Company. Depending on changes in market exchange rate, current positions, and capital availability, the Company adopts a combination of natural hedge and foreign exchange contract to eliminate exchange rate risks.

3. Inflation

Inflation has not had significant impact on the Company. Furthermore, the Company pays constant attention to changes in market price, and maintains productive relationship with suppliers and customers to eliminate adverse impacts of inflation on profitability.

(II) Policies on high-risk and highly leveraged investments, lending funds to other parties, endorsements / guarantees, and trading of derivatives; describe the main causes of profit or loss incurred and future response measures:

1. The Company has established "Procedures for Lending Funds to Others", " Procedures for Endorsement and Guarantee", " Procedures for the Acquisition or Disposal of Assets" ,and " Procedures for Derivative Transactions" to serve as guidance within the Company. The Company had not engaged in any high-risk or highly leveraged investment or transactions such as lending funds to other parties, endorsement, or guarantee as of the printed date of annual report.
2. USD to NTD forward is the main form of financial derivative traded by the Company. Use of this instrument is solely for hedging exchange rate volatility arising from foreign currency-denominated assets and liabilities, and strictly complies with "Procedures for the Acquisition or Disposal of Assets" and "Procedures for Derivative Transactions" For the above reasons, trading of derivative posed no significant risk to the Company.

(III) Future research and development plans and projected expenses:

Unit: NTD millions

Item	R&D project	Expected time of completion/mass production	Estimated cost of research and development
1	0.6μm pixel production technology	2021~2023	1,838
2	High performance large micro-lens production technology		
3	Optical diffraction elements		

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company complies with local and foreign regulations for all daily operations. It pays constant attention to political and regulatory developments local and abroad, and gathers relevant information that the management may use to make informed decisions. The Company also consults experts from various fields to keep up-to-date on market

changes, and adjusts operational strategies at times deemed appropriate. The Company encountered no change in local or foreign policy/regulation that affected its financial or business performance in the last year up until the printed date of this annual report.

(V) Financial impacts and response measures in the event of technological or industrial change:

The Company operates in the semiconductors industry, where products and technologies evolve at such a fast rate that participants are constantly in need to adopt advanced technologies and expand production capacity. Competition among peers is extremely intense.

In response, the Company continues to monitor changes in market demand and technology, and strives to capitalize on new market opportunities and enhance long-term competitiveness by exploring new products as well as new customers.

With regards to cybersecurity risks, the Company has established and implemented a cybersecurity management system along with relevant policies and documents to regulate cybersecurity practices. In addition, cybersecurity risk assessments and internal and external audit cycles are conducted on a yearly basis to ensure effectiveness and compliance of the management system. In light of the above, cybersecurity does not pose significant risk to the Company's operations. There has been no change in technology or industry practice up until the printed date of annual report that affected the Company's financial position or business performance.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image:

The Company has been dedicated to maintaining corporate image and complying with regulations since it was founded. As of the printed date of annual report, there had been no change in corporate image that would put the Company in crisis.

(VII) Expected benefits, risks, and response measures in relation to mergers and acquisitions: None.

(VIII) Expected benefits, risks, and response measures associated with plant expansions:

A resolution was passed during the Board of Directors meeting held in January 2020 to construct Longtan Plant for the expansion of production capacity. This project will be funded using the Company's capital and long-term bank borrowings. The project exhibited no concern for delay or lack of financing as of the printed date of annual report.

(IX) Risks and response measures associated with concentrated sales or purchases:

(1) Risks and response measures associated with concentrated purchases

Main suppliers of the Company are vendors with long-term cooperation, and both parties maintain good and stable collaborative relationships. To address the

issue of single supply, the Company maintains sources of supplies from two or more production bases to ensure the stability of supplies.

(2) Risks and response measures associated with concentrated sales

VisEra specializes in foundry service for image sensors. Some image sensor suppliers do have a higher share of the market, which causes the Company's top-10 buyers to account for a relatively high percentage of total revenues. This concentration is an inherent nature of the industry. The Company will continue developing new products as a means to diversify sales concentration risk.

(X) Impacts, risks, and response measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC), a director and shareholder with more than 10% ownership interest in the Company, began transferring 38 million shares to professional investors and 1.501 million shares to the Emerging Stock Market recommending securities firm and Securities and Futures Investors Protection Center in March 2021 to accommodate the Company's listing application. TSMC remains the Company's largest shareholder after the transfer, and the transfer poses no significant risk or adverse impact on the Company.

To comply with the requirements for public offering, the Company elected 2 additional directors and 1 additional supervisor during the annual meeting held on June 19, 2020. Furthermore, for compliance with regulations on Emerging Stock Market registration, the Company held an extraordinary shareholders' meeting on March 4, 2021 to re-elect all 6 directors (including 3 independent directors) and assemble an Audit Committee and a Compensation Committee. The management remained unchanged after two changes of directors.

(XI) Impacts, risks, and response measures associated with a change of management: None.

(XII) Major litigations, non-contentious cases, or administrative litigations occurred during the year that involved the Company or any director, supervisor, President, person-in-charge, or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the Company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the printed date of annual report: None.

(XIII) Other significant risks: None.

VII. Other material issues: None.

Eight. Special Disclosure

I. Affiliated enterprises:

(I) Consolidated business report of affiliated enterprises: Not applicable.
(II) Consolidated financial statements of affiliated enterprises: Not applicable.
(III) Affiliation report

1. Declaration of Affiliation Report

Declaration of Affiliation Report

The Company's 2020 Affiliation Report (for the period January 1 to December 31, 2020) has been prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises." There was no material discrepancy between information disclosed in the above report and notes to financial statements for the corresponding period.

This declaration is solemnly made by

Company name: VisEra Technologies Company Ltd.

Person-in-charge: Robert Kuan

March 12, 2021

2. Auditor's review of the Affiliation Report

Correspondence No. Qin-Zhu-1100314 dated March 12, 2021

Recipient: VisEra Technologies Company Ltd.

Subject: To express opinion on the Company's declaration that no material misstatement was found in the 2020 Affiliation Report

Explanation:

I. The Company's 2020 Affiliation Report dated March 12, 2021 (for the period from January 1 to December 31, 2020) was claimed to have been prepared in accordance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with no material discrepancy between information disclosed in the above reports and notes to financial statements for the corresponding period. A copy of the declaration has been presented in the attachment.

II. We, the auditors, have compared the Company's Affiliation Report against footnote disclosures presented in the 2020 financial statements according to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and found no material contradiction to the above claims.

Deloitte & Touche

CPA Shang-Chih Lin

CPA Ming-Yuan Chung

3. Relationships between controlling and controlled entities:

The Company is a subsidiary of Taiwan Semiconductor Manufacturing Company Limited (TSMC); information of the controlling entity is presented below:

Unit: shares; %

Name of controlling entity	Means of control	Shares held and pledged by the controlling entity			Directors, supervisors or managers appointed by the controlling entity	
		No. of shares held	Shares Ratio	Shares pledged	Position	Name
TSMC	Parent company that holds controlling interest in the Company	253,120,000	87%	-	Chairman Directors Directors Directors Directors	Robert Kuan George Liu C.S. Yoo Sylvia Fang Diane Kao

4. Transactions with the above parties:

(1) Trading of inventory:

Unit: NTD thousand; %

Transactions with the controlling entity				Terms with the controlling entity		Ordinary trade terms		Cause of difference	Accounts and notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase/Sale	Amount	As a percentage of total purchase (sale)	Gross margin	Unit price (NTD)	Payment Terms	Unit price (NTD)	Payment Terms		Balance	As a percentage of total accounts and notes receivable (payable)	Amount	Actions Taken	Amount of doubtful debt provisions	
Sales	$11,953	0.17%	28.81%	Note 1	30 days after month-end	Note 1	30-90 days after month-end	Note 1	$804	0.09%	$0	-	$0	-
Purchase	20,619	2.01%	-	Note 2	30 days after month-end	Note 2	30-60 days after month-end	Note 2	361 (Note 3)	0.07%	0	-	0	-

Note 1: Products and services were sold to related parties at general commercial terms and conditions.

Note 2: Products and services were purchased from related parties at general commercial terms and conditions.

Note 3: Represents purchases for R&D purpose; presented as accrued expense.

(2) Trading of property: No material transaction had taken place.

(3) Financing: No financing had taken place.

(4) Leasing:

Unit: NTD thousand; %

Transaction type (as lessor or lessee)	Underlying asset		Lease term	Nature of lease (Note 1)	Basis of rental rate	Collection (payment) terms	Comparison with normal rental rates	Sum of rent in the current period	Amount collected/paid in the current period	Other terms and conditions (Note 2)
	Name	Location								
Leasing	Buildings	No. 12, Duxing 1st Road, Hsinchu City	February 1, 2019-January 31, 2020 February 1, 2020-January 31, 2021 October 1, 2019-June 30, 2020	Operating lease	Determined via bilateral negotiation	Paid monthly	Normal	$20,008	Other receivables of NTD1,643 were outstanding at period-end	None

Note 1: Specify the nature as capital lease or operating lease.

Note 2: Other encumbrances such as lien over superficies, dian and servitude must be specified.

(5) Other significant transactions: No material transaction had taken place.

5. Guarantees and endorsements: None.
6. Other events of significant financial or business impacts: None.

II. Private placement of securities in the last year up until the printed date of annual report: None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the printed date of annual report: Not applicable.

IV. Other supplementary information: None.

V. Occurrences significant to shareholders' interests or securities price, as defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the last year up until the printed date of annual report: None.

VisEra Technologies Company Ltd.

Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
VisEra Technologies Company Ltd.

Opinion

We have audited the accompanying financial statements of VisEra Technologies Company Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Company's financial statements for the year ended December 31, 2020 is stated as follows:

<u>Contract Assets and Revenue Recognition</u>

The majority of the Company's revenue is generated from color filter and optical coating, which are manufactured according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time in accordance with the requirements under paragraph 35(b) of IFRS 15. Refer to Notes 4, 5 and 17 to the accompanying financial statements for the details of the accounting policies related to the

contract assets and revenue recognition. The Company recognizes contract assets and revenue at the end of each month based on progress towards completion. Since the abovementioned process involves estimates and manual controls, there is a risk that contract assets and revenue may not be recognized correctly. Thus, the Company's contract assets and revenue recognition was identified as a key audit matter.

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

1. We obtained an understanding and tested the effectiveness of the design and implementation of key internal controls over contract assets and revenue recognition.

2. We obtained an understanding and assessed the reasonableness of the Company's assumption and policy over contract assets and revenue recognition.

3. We verified the reasonableness of documents for evaluating progress towards completion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shang-Chih Lin and Ming-Yuan Chung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

VISERA TECHNOLOGIES COMPANY LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2020 Amount	%	December 31, 2019 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 2,537,344	22	$ 3,271,167	52
Financial assets at fair value through profit or loss - current (Note 7)	9,128	-	8,158	-
Contract assets - current (Notes 5, 17 and 25)	137,376	1	101,665	1
Accounts receivable, net (Notes 5 and 8)	730,474	6	545,093	9
Accounts receivable from related parties (Notes 5, 8 and 25)	188,516	2	121,572	2
Other receivables	28,760	-	10,052	-
Other receivables from related parties (Note 25)	1,643	-	2,722	-
Inventories (Note 9)	85,450	1	57,103	1
Prepayments and other current assets	48,316	-	43,968	1
Total current assets	3,767,007	32	4,161,500	66
NON-CURRENT ASSETS				
Property, plant and equipment (Notes 5 and 10)	7,617,347	65	1,867,080	30
Right-of-use assets (Note 11)	319,065	3	221,221	3
Intangible assets (Note 12)	9,096	-	10,252	-
Deferred tax assets (Note 19)	36,763	-	42,466	1
Other non-current assets (Note 26)	22,490	-	19,958	-
Total non-current assets	8,004,761	68	2,160,977	34
TOTAL	$ 11,771,768	100	$ 6,322,477	100

LIABILITIES AND EQUITY	December 31, 2020 Amount	%	December 31, 2019 Amount	%
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Note 7)	$ 29	-	$ 4	-
Contract liabilities - current (Note 17)	5,823	-	2,539	-
Accounts payable (Note 25)	199,739	2	130,386	2
Lease liabilities - current (Note 11)	75,325	1	68,742	1
Accrued profit sharing bonus to employees (Note 18)	418,109	3	122,754	2
Payables to equipment suppliers	560,277	5	165,433	2
Current tax liabilities (Note 19)	438,674	4	105,498	2
Accrued expenses and other current liabilities (Notes 14, 17 and 25)	527,274	4	373,522	6
Total current liabilities	2,225,250	19	968,878	15
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 13)	1,967,611	17	-	-
Deferred tax liabilities (Note 19)	11,399	-	10,788	-
Lease liabilities - non-current (Note 11)	247,215	2	152,807	3
Deferred revenue - non-current (Note 13)	32,389	-	-	-
Guarantee deposits (Note 25)	5,069	-	4,532	-
Total non-current liabilities	2,263,683	19	168,127	3
Total liabilities	4,488,933	38	1,137,005	18
EQUITY (Note 16)				
Capital stock	2,911,531	25	2,911,531	46
Capital surplus	703,493	6	696,675	11
Retained earnings				
Appropriated as legal reserve	785,581	7	724,197	11
Unappropriated earnings	2,882,230	24	853,069	14
	3,667,811	31	1,577,266	25
Total equity	7,282,835	62	5,185,472	82
TOTAL	$ 11,771,768	100	$ 6,322,477	100

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

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 5, 17 and 25)	$ 6,946,349	100	$ 3,395,724	100
OPERATING COSTS (Notes 9, 18 and 25)	3,835,451	55	2,248,382	66
GROSS PROFIT	3,110,898	45	1,147,342	34
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	59,148	1	42,058	1
General and administrative	161,236	2	90,636	3
Research and development	366,794	5	346,489	10
Total operating expenses	587,178	8	479,183	14
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	32,720	-	50,533	1
PROFIT FROM OPERATIONS	2,556,440	37	718,692	21
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	12,477	-	20,825	1
Other income	566	-	20,688	1
Other gains and losses	48,194	1	9,557	-
Foreign exchange loss, net	(57,105)	(1)	(21,435)	(1)
Finance costs	(5,221)	-	(4,955)	-
Total non-operating income and expenses	(1,089)	-	24,680	1
PROFIT BEFORE INCOME TAX	2,555,351	37	743,372	22
INCOME TAX EXPENSE (Note 19)	464,806	7	129,531	4
NET INCOME	2,090,545	30	613,841	18
TOTAL COMPREHENSIVE INCOME	$ 2,090,545	30	$ 613,841	18
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	$ 7.18		$ 2.11	
Diluted earnings per share	$ 6.77		$ 2.06	

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

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Capital Stock - Common Stock			Retained Earnings			
	Stock (In Thousands)	Amount	Capital Surplus	Legal Reserve	Unappropriated Earnings	Total	Total Equity
BALANCE, JANUARY 1, 2019	291,153	$ 2,911,531	$ 693,757	$ 682,969	$ 862,762	$ 1,545,731	$ 5,151,019
Appropriation of earnings							
Legal reserve	-	-	-	41,228	(41,228)	-	-
Cash dividends	-	-	-	-	(582,306)	(582,306)	(582,306)
Donation from shareholders	-	-	100	-	-	-	100
Compensation cost of employee share options	-	-	2,818	-	-	-	2,818
Net profit and total comprehensive income for the year ended December 31, 2019	-	-	-	-	613,841	613,841	613,841
BALANCE, DECEMBER 31, 2019	291,153	2,911,531	696,675	724,197	853,069	1,577,266	5,185,472
Appropriation of earnings							
Legal reserve	-	-	-	61,384	(61,384)	-	-
Donation from shareholders	-	-	205	-	-	-	205
Compensation cost of employee share options	-	-	6,613	-	-	-	6,613
Net profit and total comprehensive income for the year ended December 31, 2020	-	-	-	-	2,090,545	2,090,545	2,090,545
BALANCE, DECEMBER 31, 2020	291,153	$ 2,911,531	$ 703,493	$ 785,581	$ 2,882,230	$ 3,667,811	$ 7,282,835

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

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,555,351	$ 743,372
Adjustments for:		
Depreciation expense	754,300	579,367
Amortization expense	6,166	7,588
Finance costs	5,221	4,955
Interest income	(12,477)	(20,825)
Compensation cost of employee share options	6,613	2,818
Gain on disposal of property, plant and equipment, net	(428)	-
Impairment loss recognized on property, plant and equipment	10,159	-
Foreign exchange loss, net	(7,316)	(975)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	(945)	(7,789)
Contract assets	(35,711)	(49,195)
Accounts receivable, net	(185,381)	(139,133)
Receivables from related parties, net	(66,944)	(18,339)
Other receivables	(23,089)	(3,837)
Other receivables from related parties	1,079	611
Inventories	(28,347)	(20,953)
Prepayments and other current assets	(4,348)	(17,847)
Contract liabilities	3,284	279
Accounts payable	69,353	22,443
Accrued profit sharing bonus to employees	295,355	60,912
Accrued expenses and other current liabilities	153,984	16,059
Cash generated from operations	3,495,879	1,159,511
Income taxes paid	(125,316)	(100,810)
Net cash generated from operating activities	3,370,563	1,058,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(6,036,898)	(763,756)
Proceeds from disposal of property, plant and equipment	3,238	-
Increase in refundable deposits	(118)	-
Decrease in refundable deposits	148	58
Payments for intangible assets	(5,010)	(4,140)
Increase in other current assets	(2,562)	(17,796)
Decrease in other current assets	-	14,443
Interest received	16,858	20,855
Net cash used in investing activities	(6,024,344)	(750,336)
CASH FLOWS FROM FINANCING ACTIVITIES		
Guarantee deposits received	1,151	710
Guarantee deposits refunded	(614)	(23)
Repayment of the principal portion of lease liabilities	(75,331)	(73,336)
Proceeds from long-term borrowings	2,000,000	-

(Continued)

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	2020	2019
Cash dividends	$ -	$ (582,306)
Interest paid	(5,453)	(4,926)
Donation from shareholders	205	100
Net cash generated from (used) in financing activities	1,919,958	(659,781)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(733,823)	(351,416)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,271,167	3,622,583
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,537,344	$ 3,271,167

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

1. GENERAL INFORMATION

VisEra Technologies Company Ltd. (the "Company"), a company limited by shares, was incorporated in Hsinchu City on December 1, 2003. The Company is a dedicated optical foundry mainly engaged in manufacturing electronic spare parts and in researching, developing, designing, manufacturing, selling, packaging and testing of color filter.

The Company's stock has been listed on the Taipei Exchange (TPEx) since July 22, 2020.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors for issue on March 12, 2021.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
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"	June 1, 2020

1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

"Interest Rate Benchmark Reform - Phase 2" primarily amends IFRS 9, IFRS 7 and IFRS 16 to provide practical relief from the impact of the interest rate benchmark reform.

Changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform

The changes in the basis for determining contractual cash flows of financial assets, financial liabilities or lease liabilities are accounted for by updating the effective interest rate at the time the basis is changed, provided the changes are necessary as a direct consequence of the reform and the new basis is economically equivalent to the previous basis.

2) Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The amendment stipulates that, when the Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 and the Company meets the specified requirements, the Company may elect to apply the practical expedient and recognize the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occur, and make a corresponding adjustment to the lease liability.

The Company did not have rent negotiations in 2020; however, if such negotiations will occur in 2021, the Company will elect to apply the practical expedient.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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 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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, as explained in the accounting policies below.

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as noncurrent.

Foreign Currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

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

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

Intangible Assets

a. Intangible assets acquired separately

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

b. Derecognition of intangible assets

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

Impairment of Property, Plant and Equipment, Right-of-use Asset and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Financial Instruments

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

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

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Measurement categories

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

1) Financial assets at FVTPL

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

2) Financial assets at amortized cost

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

a) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, accounts receivable(including related parties) at amortized cost, other receivables (including related parties) and other non-current assets) are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

b. Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable), as well as contract assets.

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

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

For internal credit risk management purposes, the Company considers the following situations as indication that a financial asset is in default without taking into account any collateral held by the Company:

1) Internal or external information shows that the debtor is unlikely to pay its creditors.

2) Financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

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

c. Derecognition of financial assets

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

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

Equity Instruments

Equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial Liabilities

a. Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 24.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

b. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts to manage its exposure to foreign exchange rates.

Derivative are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Revenue Recognition

<u>Revenue from manufacturing color filter and optical coating</u>

The Company identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

The manufacturing of color filter and optical coating is according to the customized specifications agreed in the contractual agreement. The customers have obtained control over the products during manufacturing process. As such, revenue and contract assets are recognized over time. Revenue from manufacturing color filter and optical coating is measured at the fair value of the consideration received or receivable, and is reduced for estimated customer returns, rebates and other similar allowances.

Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities, which is classified under accrued expenses and other current liabilities.

In principle, the averaged payment terms granted to customers are 30 days to 90 days. Due to the short term nature of the receivables from color filter and optical coating manufacturing revenue with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

Leases

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

a. The Company as lessor

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

b. The Company as lessee

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

   Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus an estimate of costs needed to restore the underlying assets. Subsequent measurement is calculated as cost less accumulated depreciation and accumulated impairment loss and adjusted for changes in lease liabilities as a result of lease term modifications or other related factors. Right-of-use assets are presented on a separate line in the balance sheets.

   Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

   Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, variable lease payments which depend on an index or a rate and the exercise price of a purchase option if the Company is reasonably certain to exercise that option. The lease payments are discounted using the lessee's incremental borrowing rates.

   Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in future lease payments resulting from a change in an index or a rate used, or a change in the assessment of an option to purchase an underlying asset to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. Lease liabilities are presented on a separate line in the balance sheets.

   Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes the related costs that the grants intend to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Share-based Payment Arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issuing employee share options is the date on which the number of shares that the employees can purchase is confirmed.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

Taxation

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

<u>Current tax</u>

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

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

<u>Deferred tax</u>

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Current and deferred taxes

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Critical Accounting Judgements

a. Revenue recognition

For every contract, the Company determines its performance obligations are satisfied over time based on the conditions in the contract and applicable regulations described in Note 4.

Key Sources of Estimation Uncertainty

a. Estimation of sales returns and allowances

Sales returns and other allowance is estimated and recorded based on historical experience and in consideration of different contractual terms. The amount is deducted from revenue in the same period the related revenue is recorded. The Company periodically reviews the reasonableness of the estimates.

b. Estimated impairment of trade receivables and contract assets

The provision for impairment of trade notes and accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past experience, current market conditions as well as forward looking information at the end of each reporting period. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Company determines the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups. Any change in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	**2019**
Deposits in banks	$ 2,537,334	$ 3,271,157
Petty cash	10	10
	$ 2,537,344	$ 3,271,167

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2020	**2019**
Bank balance	0.001%-0.35%	0.001%-2.02%

Deposits in banks consisted of highly liquid time deposits that were readily convertible to known amounts of cash and were subject to an insignificant risk of changes in value.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	**2019**
Financial assets		
Mandatorily measured at FVTPL		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	$ 9,128	$ 8,158
Financial liabilities		
Held for trading		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	$ 29	$ 4

The Company entered into forward exchange contracts to manage exposures due to fluctuations of foreign exchange rates. These forward exchange contracts did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting for these forward exchange contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
December 31, 2020		
Sell US$/Buy NT$	January 2021 to March 2021	US$ 39,000/NT$ 1,104,781
December 31, 2019		
Sell US$/Buy NT$	January 2020 to March 2020	US$ 26,000/NT$ 786,989

8. ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
At amortized cost		
Accounts receivable from unrelated parties	$ 731,308	$ 545,093
Less: Allowance for impairment loss	(834)	-
	730,474	545,093
Accounts receivable from related parties	188,516	121,572
	$ 918,990	$ 666,665

In principle, the average payment terms granted to customers are 30 days to 60 days from the end of the month when the invoice is issued. No interest is charged on accounts receivables. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels. Such risk levels are determined with reference to factors of historical loss ratios and customers' current financial conditions and business outlook (such as economic outlook of the industries in which the customers operate and future changes in purchasing requirements during a certain period, etc.).

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

Aging analysis of accounts receivable, net

	December 31	
	2020	2019
Not past due	$ 919,259	$ 653,657
1-60 days	565	13,008
Total	$ 919,824	$ 666,665

The above aging analysis was based on the past due dates.

Aging analysis of accounts receivable that is past due but not impaired

	December 31

	2020	2019
1-60 days	$ 565	$ 13,008

The above aging analysis was based on the past due dates.

Movements of the loss allowance

	For the Year Ended December 31	
	2020	2019
Balance on January 1	$ -	$ -
Provision	834	-
Balance on December 31	$ 834	$ -

For the years ended December 31, 2020 and 2019, the changes in loss allowance were mainly due to the variations in the expected credit loss rate of different risk levels.

9. INVENTORIES

	December 31	
	2020	2019
Raw materials	$ 85,450	$ 57,103

The cost of inventories recognized as cost of goods sold consisted of the following:

	For the Year Ended December 31	
	2020	2019
Cost of inventories sold	$ 3,835,451	$ 2,248,382
Inventory write-downs	$ 1,760	$ 1,859

10. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2020	2019
Assets used by the Company	$ 7,591,961	$ 1,821,950
Assets leased under operating leases	25,386	45,130
	$ 7,617,347	$ 1,867,080

a. Assets used by the Company

	Buildings	Machinery and Equipment	Office Equipment	Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost							
Balance at January 1, 2020	$ 2,385,201	$ 7,194,974	$ 131,268	$ 1,767	$ 22,181	$ 381,978	$ 10,117,369
Additions	376,193	3,510,656	14,468	-	64,784	2,472,957	6,439,058
Disposals	-	(51,139)	(101)	-	156	-	(51,396)
Reclassification	43,103	296,845	9,300	-	633	(311,834)	38,047
Balance at December 31, 2020	$ 2,804,497	$ 10,951,336	$ 154,935	$ 1,767	$ 87,442	$ 2,543,101	$ 16,543,078
Accumulated depreciation and impairment							
Balance at January 1, 2020	$ 1,889,122	$ 6,265,978	$ 119,015	$ 1,767	$ 19,537	$ -	$ 8,295,419
Depreciation	98,824	552,151	10,562	-	10,214	-	671,751
Disposals	-	(48,329)	(101)	-	(156)	-	(48,586)
Impairment loss	-	10,159	-	-	-	-	10,159
Reclassification	22,374	-	-	-	-	-	22,374
Balance at December 31, 2020	$ 2,010,320	$ 6,779,959	$ 129,476	$ 1,767	$ 29,595	$ -	$ 8,951,117
Carrying amount at December 31, 2020	$ 794,177	$ 4,171,377	$ 25,459	$ -	$ 57,847	$ 2,543,101	$ 7,591,961
Cost							
Balance at January 1, 2019	$ 2,365,319	$ 6,531,578	$ 136,800	$ 1,767	$ 19,218	$ 380,364	$ 9,435,046
Additions	19,882	310,400	5,363	-	2,963	354,610	693,218
Disposals	-	-	(10,895)	-	-	-	(10,895)
Reclassification	-	352,996	-	-	-	(352,996)	-
Balance at December 31, 2019	$ 2,385,201	$ 7,194,974	$ 131,268	$ 1,767	$ 22,181	$ 381,978	$ 10,117,369
Accumulated depreciation and impairment							
Balance at January 1, 2019	$ 1,796,605	$ 5,870,888	$ 122,235	$ 1,767	$ 18,610	$ -	$ 7,810,105
Depreciation	92,517	395,090	7,675	-	927	-	496,209
Disposals	-	-	(10,895)	-	-	-	(10,895)
Balance at December 31, 2019	$ 1,889,122	$ 6,265,978	$ 119,015	$ 1,767	$ 19,537	$ -	$ 8,295,419
Carrying amount at December 31, 2019	$ 496,079	$ 928,996	$ 12,253	$ -	$ 2,644	$ 381,978	$ 1,821,950

For the year ended December 31, 2020, the Company recognized an impairment loss of NT$10,159 thousand for certain machinery and equipment that were assessed to have no future use, and the recoverable amount of certain machinery and equipment was nil. Such impairment loss was recognized in other operating income and expenses.

No impairment assessment was performed for the years ended December 31, 2019 as there was no indication of impairment.

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

Buildings	
Main buildings	10- 20 years
Mechanical and electrical power equipment	2- 5 years
Machinery and equipment	2- 5 years
Transportation equipment	5 years
Office equipment	2- 5 years
Other equipment	2- 3 years

b. Assets leased under operating leases

	Buildings
Cost	
Balance at January 1, 2020	$ 111,831
Reclassification	(38,047)
Balance on December 31, 2020	$ 73,784
Accumulated depreciation	
Balance at January 1, 2020	$ 66,701
Depreciation	4,071
Reclassification	(22,374)
Balance on December 31, 2020	$ 48,398
Carrying amount at December 31, 2020	$ 25,386
Cost	
Balance at January 1, 2019	$ 111,831
Balance on December 31, 2019	$ 111,831
Accumulated depreciation	
Balance at January 1, 2019	$ 61,045
Depreciation	5,656
Balance on December 31, 2019	$ 66,701
Carrying amount at December 31, 2019	$ 45,130

Operating leases relate to leases of buildings with lease terms between 1 and 5 years with an option to extend for another 18 months. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under the above operating leases is as follows:

	December 31	
	2020	2019
Year 1	$ 18,557	$ 19,890
Year 2	16,992	16,992
Year 3	-	16,992
	$ 35,549	$ 53,874

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Company follows its general risk management strategy.

No impairment assessment was performed for the years ended December 31, 2020 and 2019 as there was no indication of impairment.

Depreciation expense is provided on a straight-line basis over the following useful lives:

Buildings	20 years

11. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	**2019**
Carrying amount		
Land	$ 196,293	$ 160,568
Buildings	122,772	60,301
Transportation equipment	-	352
	$ 319,065	$ 221,221

	For the Year Ended December 31	
	2020	**2019**
Additions to right-of-use assets	$ 176,322	$ -
Depreciation charge for right-of-use assets		
Land	$ 12,487	$ 10,825
Buildings	65,639	65,973
Transportation equipment	352	704
	$ 78,478	$ 77,502

Other than the abovementioned additions and depreciation expense recognized, the Company did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	**2019**
Carrying amount		
Current	$ 75,325	$ 68,742
Non-current	247,215	152,807
	$ 322,540	$ 221,549

Range of discount rate for lease liabilities was as follows:

	December 31	
	2020	**2019**
Land	1.36%~2.14%	2.14%
Buildings	1.11%~1.50%	1.50%
Transportation equipment	-	1.50%

c. Material terms of right-of-use assets

The Company leases land and buildings mainly for the use of plants and offices with lease terms of 2 to 30 years. The Company has options to renew at the end of the lease terms. The lease contracts for land located in the ROC specify that lease payments will be adjusted every 2 years on the basis of changes in announced land value prices. The Company does not have purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases	$ 393	$ 277
Expenses relating to low-value asset leases	$ 3	$ 4
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 14,100	$ 6,900
Total cash outflow for leases	$ 94,224	$ 85,443

12. INTANGIBLE ASSETS

	For the Year Ended December 31	
	2020	2019
Computer software	$ 9,096	$ 10,252
Technology license fees	-	-
Technical expertise	-	-
	$ 9,096	$ 10,252

	Technology License Fee	Technical Expertise	Computer Software	Total
Cost				
Balance at January 1, 2020	$ 114,930	$ 102,000	$ 146,200	$ 363,130
Additions	-	-	5,010	5,010
Disposals	-	-	-	-
Balance at December 31, 2020	$ 114,930	$ 102,000	$ 151,210	$ 368,140
Accumulated amortization				
Balance at January 1, 2020	$ 114,930	$ 102,000	$ 135,948	$ 352,878
Additions	-	-	6,166	6,166
Disposals	-	-	-	-
Balance at December 31, 2020	$ 114,930	$ 102,000	$ 142,114	$ 359,044
Carrying amount at December 31, 2020	$ -	$ -	$ 9,096	$ 9,096

(Continued)

	Technology License Fee	Technical Expertise	Computer Software	Total
Cost				
Balance at January 1, 2019	$ 114,930	$ 102,000	$ 149,250	$ 366,180
Additions	-	-	4,140	4,140
Disposals	-	-	(7,190)	(7,190)
Balance at December 31, 2019	$ 114,930	$ 102,000	$ 146,200	$ 363,130
Accumulated amortization				
Balance at January 1, 2019	114,930	102,000	135,550	352,480
Additions	-	-	7,588	7,588
Disposals	-	-	(7,190)	(7,190)
Balance at December 31, 2019	114,930	102,000	135,948	352,878
Carrying amount at December 31, 2019	$ -	$ -	$ 10,252	$ 10,252

(Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	5 years
Technology license fees	5 years
Technical expertise	3 years

13. LONG-TERM BORROWINGS

	December 31, 2020
Unsecured borrowings	
Bank loans	$ 2,000,000
Less: Discounts on government grants	(32,389)
	$ 1,967,611

In March 2020, the Company obtained a letter of approval from the Ministry of Economic Affairs (MOEA) under the "Action Plan for Accelerated Investment by Domestic Corporations", which stipulates that the Company should complete its investment within three years from the date of approval.

The Company entered into credit agreements with banks under the "Action Plan for Accelerated Investment by Domestic Corporations", and the interest rate for the first $2 billion of the allocation was reduced by 0.5% of the two-year fixed deposit interest rate of Chunghwa Post Co., Ltd. after the mark up, and 0.3% thereafter.

As of December 31, 2020, the Company acquired preferential interest rate loan subsidized by the government of $2,000,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. Such loans are due in September 2025. Repayment will be made in monthly installments for the first two years and the principal will be repaid in equal monthly installments starting from the third year. Using the prevailing market interest rate at an equivalent loan rate of 0.9%, the fair value of the loan was estimated at $1,965,717 thousand on initial recognition. The difference of $34,283 thousand between the proceeds and

the fair value of the loan was the benefit derived from the preferential interest rate loan and had been recognized as deferred revenue. The revenue was offset against interest expense on a monthly basis over the loan period. For the year ended December 31, 2020, the amount offset against interest expense was $1,894 thousand.

Under bank loan agreements, the Company has to meet certain financial covenants and criteria. As of December 31, 2020, such financial covenants were not breached.

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	December 31	
	2020	2019
Current		
Accrued expenses		
Payables for salaries or bonuses	$ 251,713	$ 154,891
Insurance payables	39,418	26,070
Utilities payables	31,785	30,453
Others	138,594	116,005
	461,510	327,419
Other current liabilities		
Refund liabilities	61,819	43,563
Others	3,945	2,540
	65,764	46,103
	$ 527,274	$ 373,522

15. RETIREMENT BENEFIT PLANS

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

16. EQUITY

a. Capital stock

	December 31	
	2020	2019
Authorized stock (in thousands)	400,000	300,000
Authorized capital	$ 4,000,000	$ 3,000,000
Issued and paid stock (in thousands)	291,153	291,153
Issued capital	$ 2,911,531	$ 2,911,531

A holder of issued common stock with a par value of NT$10 is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2020	2019
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)		
Issuance of ordinary shares	$ 680,813	$ 680,813
Donations	12,893	12,893
May only be used to offset a deficit		
Donation from shareholders	356	151
May not be used for any purpose		
Compensation cost of employee share options	9,431	2,818
	$ 703,493	$ 696,675

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

c. Retained earnings and dividend policy

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

For the policy on the profit sharing bonus for employees and compensation for directors, refer to Note 18(g).

Any appropriations of the profits are subject to shareholders' approval in the following year.

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

The appropriations of earnings for 2019 and 2018, which were approved in the shareholders' meetings on June 19, 2020 and June 14, 2019, respectively, were as follows:

	Appropriation of Earnings		Cash Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	$ 61,384	$ 41,228		
Cash dividends	-	582,306	$ -	$ 2.0

The appropriations of earnings for 2020 proposed by the Company's board of directors on March 12,

2021, were as follows:

	The Appropriation of Earnings	Cash Dividends Per Share (NT$)
Legal reserve	$ 209,054	$ -
Cash dividends	582,306	2.0

The appropriation of earnings for 2020 is subject to the resolution of the shareholders in the shareholders' meeting to be held on June 22, 2021.

17. OPERATING REVENUE

a. Contract information

For revenue generated from manufacturing of color filter and optical coating according to customized specifications agreed in the contractual agreement, because the customers has obtained control over the products during the service, the Company's revenue from service contracts is recognized over time.

b. Disaggregation of revenue from contracts with customers

	For the Year Ended December 31	
Production	**2020**	**2019**
Color filter and optical coating manufacturing	$ 6,829,617	$ 3,305,347
Others	116,732	90,377
	$ 6,946,349	$ 3,395,724

	For the Year Ended December 31	
Region	**2020**	**2019**
Asia	$ 5,531,112	$ 2,570,952
Taiwan	1,359,257	783,307
Europe	40,490	26,673
United States	15,490	14,792
	$ 6,946,349	$ 3,395,724

c. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets	$ 137,376	$ 101,665	$ 52,470
Contract liabilities	$ 5,823	$ 2,539	$ 2,260

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

The Company recognized revenue from the beginning balance of contract liability, which amounted to NT$1,472 thousand and NT$2,096 thousand for the years ended December 31, 2020 and 2019, respectively.

d. Refund liabilities

Estimated sales returns and other allowances are made and adjusted based on historical experience and the consideration of varying contractual terms, which amounted to NT$20,855 thousand and NT$(16,796) thousand for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the aforementioned refund liabilities amounted to NT$61,819 thousand and NT$43,563 thousand, respectively, which were classified under accrued expenses and other current liabilities.

18. NET PROFIT

a. Other operating income and expenses

	For the Year Ended December 31	
	2020	2019
Rental income - related party	$ 46,522	$ 56,189
Impairment loss on property, plant and equipment	(10,159)	-
Others	(3,643)	(5,656)
	$ 32,720	$ 50,533

b. Interest income

	For the Year Ended December 31	
	2020	2019
Bank deposits	$ 12,477	$ 20,825

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gain (loss) on financial instruments at FVTPL	$ 49,199	$ 9,810
Others	(1,005)	(253)
	$ 48,194	$ 9,557

f. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	$ 729,861	$ 535,318
Operating expenses	20,368	38,393
Other operating income and expenses	4,071	5,656
	$ 754,300	$ 579,367
An analysis of amortization by function		
Operating costs	$ 3,347	$ 4,108
General and administrative expenses	2,819	3,480
	$ 6,166	$ 7,588

e. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest expense		
Interest on lease liabilities	$ 4,397	$ 4,926
Bank loans	1,389	-
Others	29	29
	5,815	4,955
Less: Amounts included in the cost of qualifying assets	(594)	-
	$ 5,221	$ 4,955

Information about capitalized interest is as follows:

	2020
Capitalized interest amount	$ 594
Capitalization rate	0.54%-0.67%

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 15)		
Defined contribution plan	$ 43,181	$ 32,572
Share-based payments		
Equity-settled	6,613	2,818
Other employee benefits	1,782,448	1,028,653
Total employee benefits expense	$ 1,832,242	$ 1,064,043
An analysis of employee benefits expense by function		
Operating costs	$ 1,424,011	$ 778,126
Operating expenses	408,231	285,917
	$ 1,832,242	$ 1,064,043

g. Compensation of employees and remuneration of directors and supervisors

The Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The Company accrues a profit sharing bonus for employees and remuneration of directors based on a percentage of net profit before income tax (before a profit sharing bonus for employees and remuneration of directors), which amounted to NT$418,109 thousand and NT$122,754 thousand (including remuneration of directors and supervisors in the amount of NT$0) for the years ended December 31, 2020 and 2019, respectively. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The Company held board of directors' meetings on March 12, 2021, and March 6, 2020, there was no significant difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the financial statements for the years ended December 31, 2020 and 2019.

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2020	2019
Foreign exchange gains	$ 49,702	$ 28,122
Foreign exchange losses	(106,807)	(49,557)
	$ (57,105)	$ (21,435)

19. INCOME TAX

a. Income tax expense consisted of the following:

	For the Year Ended December 31	
	2020	2019
Current income tax		
In respect of the current year	$ 504,756	$ 131,054
Income tax adjustments on prior years	(46,264)	(19,143)
Deferred tax		
In respect of the current year	6,314	17,620
Income tax expense recognized in profit or loss	$ 464,806	$ 129,531

A reconciliation of income before income tax and income tax expense recognized in profit or loss is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 2,555,351	$ 743,372
Income tax expense calculated at the statutory rate	$ 511,070	$ 148,674
Tax effect of adjusting items:		
Income tax expense adjustments on prior years	(46,264)	(19,143)
Income tax expense recognized in profit or loss	$ 464,806	$ 129,531

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company deducted the amount of capital expenditure from the unappropriated earnings that was reinvested when calculating the tax on unappropriated earnings.

b. Current tax assets and liabilities

The analysis of deferred income tax assets in the balance sheets is as follows:

	For the Year Ended December 31	
	2020	2019
Current tax liabilities		
Income tax payable	$ 438,674	$ 105,498

c. Deferred tax assets

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Refund liabilities	$ 8,713	$ 3,651	$ 12,364
Property, plant and equipment temporary differences	31,759	(10,310)	21,449
Others	1,994	956	2,950
	$ 42,466	$ (5,703)	$ 36,763

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Revenue	$ 9,157	$ 379	$ 9,536
Others	1,631	232	1,863
	$ 10,788	$ 611	$ 11,399

For the year ended December 31, 2019

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Refund liabilities	$ 18,994	$ (10,281)	$ 8,713
Property, plant and equipment temporary differences	30,065	1,694	31,759
Others	239	1,755	1,994
	$ 49,298	$ (6,832)	$ 42,466

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Closing Balance
Revenue	$ -	$ 9,157	$ 9,157
Others	-	1,631	1,631
	$ -	$ 10,788	$ 10,788

d. Income tax examination

The tax authorities have examined income tax returns of the Company through 2018. All differences in investment tax credits assessed by the tax authorities have been adjusted accordingly.

20. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 7.18	$ 2.11
Diluted earnings per share	$ 6.77	$ 2.06

Earnings per share is computed as follows:

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT$)
For the year ended December 31, 2020			
Basic EPS			
Net income	$ 2,090,545	291,153	$ 7.18
Effect of potentially dilutive common stock	-	17,526	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	$ 2,090,545	308,679	$ 6.77
For the year ended December 31, 2019			
Basic EPS			
Net income	$ 613,841	291,153	$ 2.11
Effect of potentially dilutive common stock	-	6,855	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	$ 613,841	298,008	$ 2.06

If the Company offered to settle the obligation by cash or by issuing stocks, the profit sharing bonus for employees will be settled in stocks and the resulting potential stocks were included in the weighted average number of stocks outstanding in the calculation of diluted EPS as the stocks have a dilutive effect. Such dilutive effect of the potential stocks is included in the calculation of diluted EPS until the profit sharing bonus for employees to be settled in the form of common stocks is approved in the following year.

21. SHARE-BASED PAYMENT ARRANGEMENTS

Qualified employees were granted 460 options in April 2020, 5,424 options in July 2019 and 72 options in December 2019. Each option entitles the holder with the right to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to NT$20.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2020		2019	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price ($)
Balance at January 1	5,392	$ 20	-	$ 20
Options granted	460	20	5,496	20
Options forfeited	(72)	20	(104)	20
Balance at December 31	5,780	20	5,392	
Options exercisable, end of the year	-		-	
Weighted-average fair value of options granted ($)	$ 8.02		$ 3.345	

Information on outstanding options was as follows:

	December 31	
	2020	2019
Range of exercise price ($)	$ 20	$ 20
Weighted-average remaining contractual life (in years)	4.56	6

Options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	April 2020	December 2019	July 2019
Grant-date share price	$ 24.79	$ 17.42	$ 17.42
Exercise price	$ 20	$ 20	$ 20
Expected volatility	27.18%-28.74%	28.30%-28.48%	28.30%-28.48%
Expected life (in years)	4-5	4-5	4-5
Expected dividend yield	-	-	-
Risk-free interest rate	0.40%-0.42%	0.58%-0.61%	0.58%-0.61%

Compensation costs recognized were $6,613 thousand and $2,818 thousand for the years ended December 31, 2020 and 2019, respectively.

22. CASH FLOW INFORMATION

a. Non-cash transactions

	Years Ended December 31	
	2020	2019
Additions of property, plant and equipment	$ 6,439,058	$ 693,218
Changes in payables for purchases of equipment	(402,160)	70,538
Payments for acquisition of property, plant and equipment	$ 6,036,898	$ 763,756

b. Reconciliation of liabilities arising from financing activities

	Balance as of January 1, 2020	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2020
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	$ 4,532	$ 537	$ -	$ -	$ -	$ 5,069
Lease liabilities	221,549	(79,727)	-	-	180,718	322,540
Long-term borrowings	-	2,000,000	-	-	(32,389)	1,967,611
Total	$ 226,081	$ 1,920,810	$ -	$ -	$ 148,329	$ 2,295,220

	Balance as of January 1, 2019	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2019
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	$ 3,845	$ 687	$ -	$ -	$ -	$ 4,532
Lease liabilities	294,885	(78,262)	-	-	4,926	221,549
Total	$ 298,730	$ (77,575)	$ -	$ -	$ 4,926	$ 226,081

Note: Other changes include financial cost of lease liabilities, right-of-use assets obtained and long-term bank loan interest subsidy recognized as deferred revenue.

23. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity of the Company (comprising issued capital, reserves and retained earnings).

24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes that the carrying amounts of financial assets and financial liabilities not carried at fair value approximate their fair values or their fair values cannot be reliably measured.

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

1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 9,128	$ -	$ 9,128
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 29	$ -	$ 29

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 8,158	$ -	$ 8,158
Financial liabilities at FVTPL				
Derivatives financial liabilities	$ -	$ 4	$ -	$ 4

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the years ended December 31, 2020 and 2019.

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

Derivative instruments - forward exchange contracts are discounted using the cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
FVTPL		
Held for trading	$ 9,128	$ 8,158
Amortized cost (1)	3,488,916	3,952,815
Financial liabilities		
FVTPL		
Held for trading	29	4
Amortized cost (2)	2,946,438	475,419

1) Including financial assets at amortized cost, which comprise cash and cash equivalents, account receivable (including related parties), other receivables (including related parties) and other non-current assets.

2) Including accounts payable, payables to contractors and equipment suppliers, accrued expenses and other current liabilities, long-term borrowings and guarantee deposits.

d. Financial risk management objectives and policies

The Company monitors and manages the financial risks associated with its operations, which include foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of derivative financial instruments and significant financial rules and plans are regulated by the Company's board of directors and reviewed by the Company’s internal control system. The Company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

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

a) Foreign currency risk

A portion of the Company's cash inflows and outflows are denominated in foreign currencies and therefore have a natural hedging effect. The Company manages exchange rate risk for hedging purposes, not for profit-making.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 28.

Sensitivity analysis

The Company is mainly exposed to the U.S. dollar and Japanese yen.

The sensitivity analysis of foreign currency exchange rate risk is based on the unfavorable impact of foreign currency monetary items, including cash, accounts receivable, other receivables, accounts payable and other payables, as of the end of the reporting period. If the unfavorable change in foreign currencies reaches 5%, the Company's net income will decrease by $54,640 thousand and $39,717 thousand in 2020 and 2019, respectively.

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates.

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

	December 31	
	2020	**2019**
Fair value interest rate risk		
Financial assets	$ 1,327,232	$ 2,286,498
Cash flow interest rate risk		
Financial assets	1,230,404	1,002,399
Financial liabilities	1,967,611	-

The Company's fixed-rate financial assets are not included in the analysis of interest rate risk with fair value because they are measured at amortized cost.

The Company's floating rate financial assets and financial liabilities are not included in the analysis of interest rate risk with cash flow because the amounts are not significant.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Business-related credit risk

The Company's accounts receivable are from its five largest customers. The majority of the Company's outstanding accounts receivable are not covered by collaterals or guarantees. While the Company has procedures to monitor and manage credit risk exposure on accounts receivable, there is no assurance such procedures will effectively eliminate losses resulting from its credit risk. This risk is heightened during periods when economic conditions worsen.

As of December 31, 2020 and 2019, the Company's five largest customers accounted for 92% and 96% of accounts receivable respectively.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

a) Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the Company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the Company can be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity dates of the Company's other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2020

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1+Years**
Non-derivative financial liabilities				
Non-interest bearing	$ 440,965	$ 143,896	$ 388,897	$ 5,069
Lease liabilities	6,676	13,352	60,083	274,258
Long-term borrowings	667	1,333	6,000	2,018,333
	$ 448,308	$ 158,581	$ 454,980	$ 2,297,660

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1+Years
Non-derivative financial liabilities				
Non-interest bearing	$ 84,922	$ 192,741	$ 193,244	$ 4,532
Lease liabilities	6,522	13,044	52,939	176,360
	$ 91,444	$ 205,785	$ 246,183	$ 180,892

Additional information about the maturity analysis for lease liabilities:

December 31, 2020

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 200,756	$ 76,556	$ 61,683	$ 12,812	$ 2,562

December 31, 2019

	Less than 5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	$ 123,501	$ 63,744	$ 61,620	$ -	$ -

The following table details the liquidity analysis of the Company's derivative financial instruments. For derivative instruments with gross settlement, the analysis is based on undiscounted contractual net cash inflows and outflows.

December 31, 2020

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 484,835	$ 619,946	$ -	$ -	$ -
Outflows	(477,649)	(618,134)	-	-	-
	$ 7,186	$ 1,812	$ -	$ -	$ -

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Gross settled					
Foreign exchange forward contracts					
Inflows	$ 561,138	$ 225,851	$ -	$ -	$ -
Outflows	(554,778)	(224,910)	-	-	-
	$ 6,360	$ 941	$ -	$ -	$ -

25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company, which held 86.94% of the ordinary shares of the Company on December 31, 2020 and 2019.

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows:

a. Related party name and category

Related Party Name	Related Party Category
TSMC	The Company's parent company
Xintec	Other related party
GUC	Other related party

b. Sales of goods

Related Party Category/Name	For the Year Ended December 31 2020	2019
Xintec	$ 898,937	$ 588,081
Others	13,653	6,265
	$ 912,590	$ 594,346

c. Purchases of goods

Related Party Category/Name	For the Year Ended December 31 2020	2019
For manufacturing		
TSMC	$ 1,152	$ 271
For researching and developing		
TSMC	$ 19,467	$ 19,648

d. Rental income

Related Party Category/Name	For the Year Ended December 31 2020	2019
TSMC	$ 20,008	$ 31,110
GUC	26,514	25,079
	$ 46,522	$ 56,189

e. Manufacturing expense

Related Party Category/Name	For the Year Ended December 31 2020	2019
Xintec (Note)	$ 14,100	$ 6,900

Note: Including the discounted amount of variable lease payments.

f. Interest expense

Related Party Category/Name	For the Year Ended December 31 2020	2019
Xintec	$ 583	$ 1,360
Others	29	29
	$ 612	$ 1,389

g. Contract assets

Related Party Category/Name	December 31 2020	2019
Xintec	$ 1,964	$ 928

h. Acquisition of property, plant and equipment

Related Party Category/Name	December 31 2020	2019
TSMC	$ -	$ 18,302

i. Receivables from related parties

Related Party Category/Name	For the Year Ended December 31 2020	2019
Xintec	$ 187,488	$ 120,172
Others	1,028	1,400
	$ 188,516	$ 121,572

j. Other Receivables

Related Party Category/Name	For the Year Ended December 31 2020	2019
TSMC	$ 1,643	$ 2,722

k. Expenses payable and other current liabilities

Related Party Category/Name	For the Year Ended December 31 2020	2019
TSMC	$ 1,539	$ 4,579
Others	-	113
	$ 1,539	$ 4,692

l. Lease arrangements

Acquisition of Right-of-Use Assets, Property, Plant and Equipment and Investment Property

The Company leases plant and offices from related parties. The lease terms are determined by agreement between the parties, and rentals are paid monthly in accordance with the lease agreements, and the related rental expenses are recorded as right-of-use assets and manufacturing costs.

Related Party Category/Name	For the Year Ended December 31 2020	2019
Acquisition of right-of-use assets		
Xintec	$ 128,110	$ 122,435

Line Item	Related Party Category/Name	2020	2019
Lease liabilities	Xintec	$ 122,888	$ 58,995

Related Party Category/Name	For the Year Ended December 31 2020	2019
Interest expense		
Xintec	$ 583	$ 1,360
Lease expense		
Xintec (Note)	$ 14,100	$ 6,900

Note: Including the discounted amount of variable lease payments.

m. Deposit guarantee

Related Party Category/Name	For the Year Ended December 31 2020	2019
GUC	$ 2,832	$ 2,832
Others	6	6
	$ 2,838	$ 2,838

For the sales transactions between the Company and its related parties, the transaction prices and collection terms are not materially different from those of non-related parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

n. Remuneration of key management personnel

The compensation of directors and other key management personnel was as follows:

	For the Year Ended December 31 2020	2019
Short-term employee benefits	$ 85,293	$ 46,066
Post-employment benefits	664	1,138
	$ 85,957	$ 47,204

The compensation of directors and other key management personnel was determined in accordance with the value of the individual's participation in and contribution to the operations of the Company and is determined by reference to the usual industry standards.

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

As of December 31, 2020 and 2019, the Company provided certificate of deposits amounted to NT$20,311 thousand and NT$17,749 thousand, respectively, which were recorded in other non-current assets as collateral mainly for land lease agreements and tariff guarantees.

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2020 and 2019 were as follows:

a. Unrecognized commitments

	December 31 2020	2019
Acquisition of property, plant and equipment	$ 3,267,400	$ -

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY DENOMINATED FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
Financial assets		
Monetary items		
USD	$ 46,121	28.097
JPY	370,427	0.2729
EUR	3,253	34.587
Financial liabilities		
Monetary items		
USD	7,062	28.097
JPY	387,463	0.2729
EUR	3,286	34.587

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate (Note)
Financial assets		
Monetary items		
USD	$ 29,049	29.988
JPY	101,645	0.2751
EUR	505	33.65
Financial liabilities		
Monetary items		
USD	2,587	29.988
JPY	119,873	0.2751
EUR	557	33.65

Note: Please refer to Note 18 for foreign exchange gain and loss for the years ended December 31, 2020 and 2019. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

34. OPERATING SEGMENT INFORMATION

a. Operating segments, segment revenue and operating results

VisEra's chief operating decision maker periodically reviews operating results, focusing on operating income generated by color filter segment. Operating results are used for resource allocation and performance assessment. As a result, the Company has only one operating segment, the color filter segment. The color filter segment engages mainly in the researching, designing, developing, manufacturing and selling, packaging and testing of color filter.

The basis for the measurement of income from operations is the same as those for the preparation of financial statements. Please refer to the statements of comprehensive income for the related segment revenue and operating results.

b. Geographical information of operating revenue is as follows:

	For the Year Ended December 31	
	2020	2019
Asia	$ 5,531,112	$ 2,570,952
Taiwan	1,359,257	783,307
Europe	40,490	26,673
United States	15,490	14,792
	$ 6,946,349	$ 3,395,724

The Company's revenue by geography is computed based on the recipient's region and its non-current assets are all located in Taiwan. Hence, it is not required to disclose information about non-current assets.

c. Revenue from major products and services

	For the Year Ended December 31	
	2020	2019
Color filter and optical coating manufacturing	$ 6,829,617	$ 3,305,347
Others	116,732	90,377
	$ 6,946,349	$ 3,395,724

d. Information about major customers

Major customers representing at least 10% of net revenue:

	For the Year Ended December 31			
	2020		2019	
	Amount	%	Amount	%
Customer A	$ 3,050,156	44	$ 1,765,453	52
Customer B	1,511,497	22	369,661	11
Xintec	898,937	13	588,081	17

35. ADDITIONAL DISCLOSURES

a. Significant transactions

1) Financing provided to others. (None)

2) Endorsements/guarantees provided. (None)

3) Marketable securities held. (None)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (Table 1)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 2)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 3)

9) Information about the derivative instruments transaction. (Note 7)

b. Information on investees. (None)

c. Information on investments in mainland China. (None)

TABLE 1

VISERA TECHNOLOGIES COMPANY LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counterparty	Nature of Relationships	Prior Transaction of Related Counterparty				Pricing Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
VisEra	Buildings	July 17, 2020	$ 1,680,000	Based on the terms in the purchase order	Li Jin Engineering Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacturing purpose	None
VisEra	Buildings	December 7, 2020	1,930,000	Based on the terms in the purchase order	Acter Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Manufacturing purpose	None

TABLE 2

VISERA TECHNOLOGIES COMPANY LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
VisEra	Xintec	Other related parties	Sales	$ 898,937	13	30 days after monthly closing	Note 25	Note 25	$ 187,488	20	-

TABLE 3

VISERA TECHNOLOGIES COMPANY LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Days	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
VisEra	Xintec	Other related parties	$ 187,488	5.84	$ -	-	$ 184,707	$ -

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STATEMENT 1

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount
Cash		
Petty cash		$ 10
Cash in banks		
Checking accounts and demand deposits		108,877
Foreign currency deposits	Including US$13,355 thousand at US$28.097:NT$1, JPY$370,427 thousand at JPY$0.2729:NT$1 and EUR$3,253 thousand at EUR$34.587:NT$1	588,817
Time deposits (Note)	Including NT$1,843,640 thousand	1,843,640
Total		$ 2,537,344

Note: The deposits matured by the end of March 2021 consecutively, and the annual interest rates were 0.32%-0.35%.

STATEMENT 2

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Customer A	$ 510,387
Customer B	63,181
Customer C	54,706
Others (Note)	103,034
	731,308
Less: Loss allowance	(834)
Total	$ 730,474

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF RECEIVABLES FROM RELATED PARTIES, NET
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Amount
Xintec Inc.	$ 187,488
Others (Note)	1,028
	$ 188,516

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 4

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Market Price (Note)
Raw materials	$ 85,450	$ 85,450

Note: Market value is based on the net realizable value.

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Land	Buildings	Transportation Equipment	Total
Cost				
Balance at January 1, 2020	$ 171,393	$ 126,274	$ 1,056	$ 298,723
Additions	48,212	128,110	-	176,322
Lease modification	-	-	(1,056)	(1,056)
Balance at December 31, 2020	$ 219,605	$ 254,384	$ -	$ 473,989
Accumulated depreciation				
Balance at January 1, 2020	$ 10,825	$ 65,973	$ 704	$ 77,502
Depreciation	12,487	65,639	352	78,478
Lease modification	-	-	(1,056)	(1,056)
Balance at December 31, 2020	$ 23,312	$ 131,612	$ -	$ 154,924
Carrying amount at December 31, 2020	$ 196,293	$ 122,772	$ -	$ 319,065

STATEMENT 6

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	$ 99,774
Vendor B	15,904
Vendor C	14,570
Others (Note)	69,491
Total	$ 199,739

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 7

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF PAYABLES TO CONTRACTORS AND EQUIPMENT SUPPLIERS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor D	$ 102,723
Vendor E	72,272
Vendor F	66,588
Vendor G	38,722
Vendor H	30,600
Vendor I	29,596
Others (Note)	219,776
Total	$ 560,277

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF LONG-TERM BORROWINGS
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Bank	Description	Borrowing Amount End of Year	Contract Period (Note)	Range of Interest Rates (%)	Collateral
E. Sun Bank	Unsecured borrowing	$ 2,000,000	2020/09/-2025/09	0.4	Nil

Note: The earliest borrowing date and the last maturity date of multiple drawdowns.

STATEMENT 9

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate (%)	Balance, End of Year
Land	Mainly for the use of plants and offices	20 to 30 years	1.36-2.14	$ 199,652
Buildings	Mainly for the use of facilities	2 years	1.11-1.50	122,888
				322,540
Less: Current portion				(75,325)
Non-current portion				$ 247,215

STATEMENT 10

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Shipments (Piece)	Amount
Color filter and optical coating manufacturing	1,574 thousand pieces of 8-inch wafer	$ 6,829,617
Others		116,732
Net revenue		$ 6,946,349

STATEMENT 11

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	$ 59,936
Raw materials purchased	1,026,518
Raw materials scrapped	(357)
Transferred to manufacturing or operating expenses	(6,058)
Raw materials, end of year	(90,043)
Raw materials used	989,996
Direct labor	343,603
Manufacturing expenses	2,501,202
Manufacturing costs	3,834,801
Material requisition for research and development use	(977)
Cost of finished goods	3,833,824
Cost of production and marketing	3,833,824
Inventory write-downs	1,760
Others	(133)
Total	$ 3,835,451

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses
Payroll and bonus	$ 56,370	$ 103,514	$ 248,347
Miscellaneous expense for employees	42	11,635	45
Management fees of the Science Park Administration	-	12,456	-
Depreciation expense	-	2,843	17,525
Research and development expense	-	-	66,076
Others (Note)	2,736	30,788	34,801
Total	$ 59,148	$ 161,236	$ 366,794

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

VISERA TECHNOLOGIES COMPANY LTD.

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2020				For the Year Ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Other Operating Income and Expenses	Total
Labor cost								
Salary and bonus	$ 1,264,563	$ 362,499	$ -	$ 1,627,062	$ 672,330	$ 248,464	$ -	$ 920,794
Labor and health insurance	73,534	18,007	-	91,541	48,458	15,654	-	64,112
Pension	33,763	9,418	-	43,181	23,822	8,750	-	32,572
Others	52,151	18,307	-	70,458	33,516	13,049	-	46,565
	$ 1,424,011	$ 408,231	$ -	$ 1,832,242	$ 778,126	$ 285,917	$ -	$ 1,064,043
Depreciation	$ 729,861	$ 20,368	$ 4,071	$ 754,300	$ 535,318	$ 38,393	$ 5,656	$ 579,367
Amortization	$ 3,347	$ 2,819	$ -	$ 6,166	$ 4,108	$ 3,480	$ -	$ 7,588

Note: For the years ended December 31, 2020 and 2019, the Company had 1,103 and 805 employees, respectively. There were 4 and 2 non-employee directors, respectively.