

## **VisEra Technologies Company Ltd.**

**Financial Statements for the  
Three Months Ended March 31, 2022 and 2021 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
VisEra Technologies Company Ltd.

### **Introduction**

We have reviewed the accompanying balance sheets of VisEra Technologies Company Ltd. (the “Company”) as of March 31, 2022 and 2021, the related statements of comprehensive income for the three months ended March 31, 2022 and 2021, the statements of changes in equity and cash flows for the three months ended March 31, 2022 and 2021, and the related notes to the financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

### **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not do not present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, its financial performance and its cash flows for the three months ended March 31 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 11, 2022

Notice to Readers

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

*For the convenience of readers, the independent auditors' review 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' review report and financial statements shall prevail.*

VISERA TECHNOLOGIES COMPANY LTD.

BALANCE SHEETS  
(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022		December 31, 2021		March 31, 2021	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 3,119,715	19	\$ 3,232,624	21	\$ 2,182,362	17
Financial assets at fair value through profit or loss - current (Note 7)	180	-	6,003	-	394	-
Contract assets - current (Notes 17 and 25)	303,354	2	248,248	2	146,437	1
Accounts receivable, net (Note 8)	1,294,807	8	1,196,432	8	856,928	7
Accounts receivable from related parties (Notes 8 and 25)	131,866	1	117,823	1	132,649	1
Other receivables	49,845	-	35,639	-	29,955	-
Inventories (Note 9)	97,948	1	96,207	1	84,590	1
Prepayments and other current assets	<u>61,523</u>	<u>-</u>	<u>67,957</u>	<u>-</u>	<u>43,425</u>	<u>-</u>
Total current assets	<u>5,059,238</u>	<u>31</u>	<u>5,000,933</u>	<u>33</u>	<u>3,476,740</u>	<u>27</u>
NON-CURRENT ASSETS						
Property, plant and equipment (Note 10)	10,950,046	67	9,773,826	65	9,061,576	70
Right-of-use assets (Notes 11 and 25)	224,497	2	244,038	2	300,367	3
Intangible assets (Note 12)	42,102	-	24,874	-	13,402	-
Deferred tax assets (Note 19)	24,192	-	21,014	-	34,599	-
Other non-current assets (Note 26)	<u>24,490</u>	<u>-</u>	<u>24,490</u>	<u>-</u>	<u>22,490</u>	<u>-</u>
Total non-current assets	<u>11,265,327</u>	<u>69</u>	<u>10,088,242</u>	<u>67</u>	<u>9,432,434</u>	<u>73</u>
TOTAL	<u>\$ 16,324,565</u>	<u>100</u>	<u>\$ 15,089,175</u>	<u>100</u>	<u>\$ 12,909,174</u>	<u>100</u>

LIABILITIES AND EQUITY	March 31, 2022		December 31, 2021		March 31, 2021	
	Reviewed		Audited		Reviewed	
	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - current (Note 7)	\$ 25,121	-	\$ 86	-	\$ 18,453	-
Contract liabilities - current (Note 17)	10,901	-	9,994	-	6,070	-
Accounts payable	228,574	2	335,527	2	207,485	2
Lease liabilities - current (Notes 11, 22 and 25)	55,863	-	71,982	1	76,008	-
Accrued profit-sharing bonus to employees and remuneration of directors (Note 18)	541,113	3	435,756	3	492,290	4
Payables to equipment suppliers	1,406,074	9	621,268	4	607,440	5
Current tax liabilities (Note 19)	445,935	3	365,775	2	525,272	4
Long-term liabilities - current portion (Notes 13 and 22)	391,666	2	166,666	1	-	-
Accrued expenses and other current liabilities (Notes 14, 17 and 25)	<u>445,253</u>	<u>3</u>	<u>618,042</u>	<u>4</u>	<u>413,627</u>	<u>3</u>
Total current liabilities	<u>3,550,500</u>	<u>22</u>	<u>2,625,096</u>	<u>17</u>	<u>2,346,645</u>	<u>18</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 13 and 22)	3,087,714	19	3,309,131	22	2,623,825	21
Deferred tax liabilities (Note 19)	33,233	-	21,560	-	14,990	-
Lease liabilities - non-current (Notes 11, 22 and 25)	174,260	1	177,417	1	228,400	2
Deferred revenue - non-current (Note 13)	30,620	-	34,203	1	36,175	-
Guarantee deposits (Notes 22 and 25)	<u>5,193</u>	<u>-</u>	<u>5,193</u>	<u>-</u>	<u>5,069</u>	<u>-</u>
Total non-current liabilities	<u>3,331,020</u>	<u>20</u>	<u>3,547,504</u>	<u>24</u>	<u>2,908,459</u>	<u>23</u>
Total liabilities	<u>6,881,520</u>	<u>42</u>	<u>6,172,600</u>	<u>41</u>	<u>5,255,104</u>	<u>41</u>
EQUITY (Note 16)						
Capital stock	<u>2,934,561</u>	<u>18</u>	<u>2,932,991</u>	<u>19</u>	<u>2,911,531</u>	<u>23</u>
Capital surplus	<u>734,833</u>	<u>5</u>	<u>732,799</u>	<u>5</u>	<u>705,196</u>	<u>5</u>
Retained earnings						
Appropriated as legal reserve	994,635	6	994,635	7	785,581	6
Unappropriated earnings	<u>4,779,016</u>	<u>29</u>	<u>4,256,150</u>	<u>28</u>	<u>3,251,762</u>	<u>25</u>
	<u>5,773,651</u>	<u>35</u>	<u>5,250,785</u>	<u>35</u>	<u>4,037,343</u>	<u>31</u>
Total equity	<u>9,443,045</u>	<u>58</u>	<u>8,916,575</u>	<u>59</u>	<u>7,654,070</u>	<u>59</u>
TOTAL	<u>\$ 16,324,565</u>	<u>100</u>	<u>\$ 15,089,175</u>	<u>100</u>	<u>\$ 12,909,174</u>	<u>100</u>

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)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 17 and 25)	\$ 2,295,552	100	\$ 1,652,436	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>1,423,824</u>	<u>62</u>	<u>1,044,914</u>	<u>63</u>
GROSS PROFIT	<u>871,728</u>	<u>38</u>	<u>607,522</u>	<u>37</u>
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	17,834	1	12,915	1
General and administrative	98,170	4	43,776	2
Research and development	<u>152,498</u>	<u>6</u>	<u>100,416</u>	<u>6</u>
Total operating expenses	<u>268,502</u>	<u>11</u>	<u>157,107</u>	<u>9</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	<u>6,905</u>	<u>-</u>	<u>7,729</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>610,131</u>	<u>27</u>	<u>458,144</u>	<u>28</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	2,608	-	1,581	-
Other income	53	-	98	-
Other gains and losses	(42,457)	(2)	(14,090)	(1)
Foreign exchange gain, net	43,662	2	18,984	1
Finance costs	<u>(2,433)</u>	<u>-</u>	<u>(2,802)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,433</u>	<u>-</u>	<u>3,771</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	611,564	27	461,915	28
INCOME TAX EXPENSE (Note 19)	<u>88,698</u>	<u>4</u>	<u>92,383</u>	<u>6</u>
NET PROFIT	<u>522,866</u>	<u>23</u>	<u>369,532</u>	<u>22</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 522,866</u>	<u>23</u>	<u>\$ 369,532</u>	<u>22</u>
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 1.78</u>		<u>\$ 1.27</u>	
Diluted earnings per share	<u>\$ 1.76</u>		<u>\$ 1.15</u>	

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) (Reviewed, Not Audited)

	<b>Capital Stock - Common Stock</b>			<b>Retained Earnings</b>			
	<b>Stock (In Thousands)</b>	<b>Amount</b>	<b>Capital Surplus</b>	<b>Legal Reserve</b>	<b>Unappropriated Earnings</b>	<b>Total</b>	<b>Total Equity</b>
BALANCE, JANUARY 1, 2021	291,153	\$ 2,911,531	\$ 703,493	\$ 785,581	\$ 2,882,230	\$ 3,667,811	\$ 7,282,835
Compensation cost of employee share options	-	-	1,703	-	-	-	1,703
Net profit and total comprehensive income for the three months ended March 31, 2021	-	-	-	-	369,532	369,532	369,532
BALANCE, MARCH 31, 2021	<u>291,153</u>	<u>\$ 2,911,531</u>	<u>\$ 705,196</u>	<u>\$ 785,581</u>	<u>\$ 3,251,762</u>	<u>\$ 4,037,343</u>	<u>\$ 7,654,070</u>
BALANCE, JANUARY 1, 2022	293,299	\$ 2,932,991	\$ 732,799	\$ 994,635	\$ 4,256,150	\$ 5,250,785	\$ 8,916,575
Employee share options exercised	157	1,570	1,256	-	-	-	2,826
Compensation cost of employee share options	-	-	778	-	-	-	778
Net profit and total comprehensive income for the three months ended March 31, 2022	-	-	-	-	522,866	522,866	522,866
BALANCE, MARCH 31, 2022	<u>293,456</u>	<u>\$ 2,934,561</u>	<u>\$ 734,833</u>	<u>\$ 994,635</u>	<u>\$ 4,779,016</u>	<u>\$ 5,773,651</u>	<u>\$ 9,443,045</u>

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)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 611,564	\$ 461,915
Adjustments for:		
Depreciation expense	578,321	335,826
Amortization expense	2,119	2,294
Finance costs	2,433	2,802
Interest income	(2,608)	(1,581)
Compensation cost of employee share options	778	1,703
Foreign exchange gain, net	(4,851)	(6,403)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	30,858	27,158
Contract assets	(55,106)	(9,061)
Accounts receivable, net	(98,375)	(126,454)
Receivables from related parties, net	(14,043)	55,867
Other receivables	(14,418)	(1,167)
Other receivables from related parties	-	1,643
Inventories	(1,741)	860
Prepayments and other current assets	6,434	4,891
Contract liabilities	907	247
Accounts payable	(106,953)	7,746
Accrued profit-sharing bonus to employees and remuneration of directors	105,357	74,181
Accrued expenses and other current liabilities	(173,071)	(114,480)
Cash generated from operations	867,605	717,987
Income taxes paid	(43)	(30)
Net cash generated from operating activities	867,562	717,957
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(942,180)	(1,706,208)
Payments for intangible assets	(19,347)	(6,600)
Interest received	2,820	1,553
Net cash used in investing activities	(958,707)	(1,711,255)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	-	660,000
Repayment of the principal portion of lease liabilities	(19,276)	(18,743)
Employee share options exercised	2,826	-
Interest paid	(5,314)	(2,941)
Net cash generated from (used in) financing activities	(21,764)	638,316

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# **VISERA TECHNOLOGIES COMPANY LTD.**

## **STATEMENTS OF CASH FLOWS** **(In Thousands of New Taiwan Dollars)** **(Reviewed, Not Audited)**

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	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (112,909)	\$ (354,982)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>3,232,624</u>	<u>2,537,344</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,119,715</u>	<u>\$ 2,182,362</u>

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

(Concluded)



# VISERA TECHNOLOGIES COMPANY LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

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### 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 filters.

The Company’s stock has been approved by Taipei Exchange (TPEX) and listed on the Emerging Stock Board (ESB) since April, 2021. The initial listing application of the Company’s shares was approved in the meeting of the Securities Listing Review Committee of the Taiwan Stock Exchange (TWSE) on March 8, 2022, and approved for issuance by the Board of Directors of the TWSE on March 22, 2022.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were reported to the Board of Directors and issued on May 11, 2022.

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

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

The initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Company’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 Insurance Contract	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17-Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

As of the date the financial statements were issued, 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**

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim financial statements is less than the disclosure information required in a complete set of annual financial statements.

##### **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.

##### **Other Major Accounting Policies**

- a. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

#### **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 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.

For other related information, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the financial statements for the year ended December 31, 2021.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Deposits in banks	\$ 3,119,705	\$ 3,232,614	\$ 2,182,352
Petty cash	<u>10</u>	<u>10</u>	<u>10</u>
	<u>\$ 3,119,715</u>	<u>\$ 3,232,624</u>	<u>\$ 2,182,362</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Mandatorily measured at FVTPL			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	<u>\$ 180</u>	<u>\$ 6,003</u>	<u>\$ 394</u>
<u>Financial liabilities</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	<u>\$ 25,121</u>	<u>\$ 86</u>	<u>\$ 18,453</u>

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)
<u>March 31, 2022</u>		
Sell US\$/Buy NT\$	April 2022 to May 2022	US\$ 46,000 /NT\$ 1,290,522

(Continued)

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2021</u>		
Sell US\$/Buy NT\$	January 2022 to March 2022	US\$ 56,500 /NT\$ 1,569,543
<u>March 31, 2021</u>		
Sell US\$/Buy NT\$	April 2021 to June 2021	US\$ 43,000 /NT\$ 1,207,632 (Concluded)

## 8. ACCOUNTS RECEIVABLE

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>At amortized cost</u>			
Accounts receivable from unrelated parties	\$ 1,295,062	\$ 1,196,664	\$ 857,837
Less: Allowance for impairment loss	<u>(255)</u>	<u>(232)</u>	<u>(909)</u>
	1,294,807	1,196,432	856,928
Accounts receivable from related parties	<u>131,866</u>	<u>117,823</u>	<u>132,649</u>
	<u>\$ 1,426,673</u>	<u>\$ 1,314,255</u>	<u>\$ 989,577</u>

The average payment terms granted to customers are 30 days to 90 days from the end of the month when the invoice is issued. No interest is charged on accounts receivable. Aside from recognizing impairment loss for credit-impaired accounts receivable, the Company recognizes the loss allowance based on the expected credit loss ratio of customers of different risk levels. Such risk levels are determined with reference to the factors of historical loss ratios and the 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).

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 receivable 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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Not past due	\$ 1,338,424	\$ 1,231,957	\$ 966,175
1-60 days	<u>88,249</u>	<u>82,298</u>	<u>23,402</u>
Total	<u>\$ 1,426,673</u>	<u>\$ 1,314,255</u>	<u>\$ 989,577</u>

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

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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
1-60 days	<u>\$ 88,249</u>	<u>\$ 82,298</u>	<u>\$ 23,402</u>

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

Movements of the loss allowance

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 232	\$ 834
Net remeasurement of loss allowance	<u>23</u>	<u>75</u>
Balance on March 31	<u>\$ 255</u>	<u>\$ 909</u>

For the three months ended March 31, 2022 and 2021, the changes in loss allowance were mainly due to the variations in the book values of accounts receivable of different risk levels.

**9. INVENTORIES**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Raw materials	<u>\$ 97,948</u>	<u>\$ 96,207</u>	<u>\$ 84,590</u>

Write-down of inventories to net realizable value and the reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue. The amounts are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Cost of inventories sold	<u>\$ 1,423,824</u>	<u>\$ 1,044,914</u>
Inventory write-downs (reversed)	<u>\$ 2,325</u>	<u>\$ (1,558)</u>

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Assets used by the Company	\$ 10,945,535	\$ 9,769,122	\$ 9,056,292
Assets leased under operating leases	<u>4,511</u>	<u>4,704</u>	<u>5,284</u>
	<u>\$ 10,950,046</u>	<u>\$ 9,773,826</u>	<u>\$ 9,061,576</u>

a. Assets used by the Company

	Buildings	Machinery and Equipment	Office Equipment	Transportation Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2022	\$ 3,591,456	\$ 14,359,345	\$ 192,773	\$ 762	\$ 119,364	\$ 2,346,740	\$ 20,610,440
Additions	20,205	15,619	7,696	-	1,550	1,689,930	1,735,000
Reclassification	29,711	42,434	-	-	645	(72,790)	-
Balance at March 31, 2022	<u>\$ 3,641,372</u>	<u>\$ 14,417,398</u>	<u>\$ 200,469</u>	<u>\$ 762</u>	<u>\$ 121,559</u>	<u>\$ 3,963,880</u>	<u>\$ 22,345,440</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ 2,235,392	\$ 8,399,635	\$ 149,340	\$ 762	\$ 56,189	\$ -	\$ 10,841,318
Depreciation	58,715	485,851	5,581	-	8,440	-	558,587
Reclassification	-	-	-	-	-	-	-
Balance at March 31, 2022	<u>\$ 2,294,107</u>	<u>\$ 8,885,486</u>	<u>\$ 154,921</u>	<u>\$ 762</u>	<u>\$ 64,629</u>	<u>\$ -</u>	<u>\$ 11,399,905</u>
Carrying amount at January 1, 2022	<u>\$ 1,356,064</u>	<u>\$ 5,959,710</u>	<u>\$ 43,433</u>	<u>\$ -</u>	<u>\$ 63,175</u>	<u>\$ 2,346,740</u>	<u>\$ 9,769,122</u>
Carrying amount at March 31, 2022	<u>\$ 1,347,265</u>	<u>\$ 5,531,912</u>	<u>\$ 45,548</u>	<u>\$ -</u>	<u>\$ 56,930</u>	<u>\$ 3,963,880</u>	<u>\$ 10,945,535</u>
<u>Cost</u>							
Balance at January 1, 2021	\$ 2,804,497	\$ 10,951,336	\$ 154,935	\$ 1,767	\$ 87,442	\$ 2,543,101	\$ 16,543,078
Additions	92,045	148,131	9,494	-	1,948	1,509,128	1,760,746
Reclassification	325,143	961,834	11,681	-	130	(1,240,468)	58,320
Balance at March 31, 2021	<u>\$ 3,221,685</u>	<u>\$ 12,061,301</u>	<u>\$ 176,110</u>	<u>\$ 1,767</u>	<u>\$ 89,520</u>	<u>\$ 2,811,761</u>	<u>\$ 18,362,144</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ 2,010,320	\$ 6,779,959	\$ 129,476	\$ 1,767	\$ 29,595	\$ -	\$ 8,951,117
Depreciation	41,264	265,060	4,021	-	5,736	-	316,081
Reclassification	38,654	-	-	-	-	-	38,654
Balance at March 31, 2021	<u>\$ 2,090,238</u>	<u>\$ 7,045,019</u>	<u>\$ 133,497</u>	<u>\$ 1,767</u>	<u>\$ 35,331</u>	<u>\$ -</u>	<u>\$ 9,305,852</u>
Carrying amount at January 1, 2021	<u>\$ 794,177</u>	<u>\$ 4,171,377</u>	<u>\$ 25,459</u>	<u>\$ -</u>	<u>\$ 57,847</u>	<u>\$ 2,543,101</u>	<u>\$ 7,591,961</u>
Carrying amount at March 31, 2021	<u>\$ 1,131,447</u>	<u>\$ 5,016,282</u>	<u>\$ 42,613</u>	<u>\$ -</u>	<u>\$ 54,189</u>	<u>\$ 2,811,761</u>	<u>\$ 9,056,292</u>

No impairment assessment was performed for the three months ended March 31, 2022 and 2021 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
<u>Cost</u>	
Balance at January 1, 2022	\$ 15,464
Reclassification	-
Balance on March 31, 2022	<u>\$ 15,464</u>

(Continued)

**Buildings**Accumulated depreciation

Balance at January 1, 2022	\$ 10,760
Depreciation	<u>193</u>
Balance on March 31, 2022	<u>\$ 10,953</u>
Carrying amount at March 31, 2022	<u>\$ 4,511</u>

Cost

Balance at January 1, 2021	\$ 73,784
Reclassification	<u>(58,320)</u>
Balance on March 31, 2021	<u>\$ 15,464</u>

Accumulated depreciation

Balance at January 1, 2021	\$ 48,398
Depreciation	436
Reclassification	<u>(38,654)</u>
Balance on March 31, 2021	<u>\$ 10,180</u>
Carrying amount at March 31, 2021	<u>\$ 5,284</u> (Concluded)

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:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Year 1	\$ 12,744	\$ 16,992	\$ 16,992
Year 2	<u>-</u>	<u>-</u>	<u>12,744</u>
	<u>\$ 12,744</u>	<u>\$ 16,992</u>	<u>\$ 29,736</u>

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 three months ended March 31, 2022 and 2021 as there was no indication of impairment.

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

Buildings	20 years
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## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Land	\$ 179,991	\$ 183,251	\$ 193,033
Buildings	42,913	59,017	107,334
Transportation equipment	<u>1,593</u>	<u>1,770</u>	<u>-</u>
	<u>\$ 224,497</u>	<u>\$ 244,038</u>	<u>\$ 300,367</u>
	<b>For the Three Months Ended March 31</b>		
	<b>2022</b>	<b>2021</b>	
Additions to right-of-use assets		\$ <u>-</u>	\$ <u>611</u>
Depreciation charge for right-of-use assets			
Land		\$ 3,260	\$ 3,260
Buildings		16,104	16,049
Transportation equipment		<u>177</u>	<u>-</u>
		<u>\$ 19,541</u>	<u>\$ 19,309</u>

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 three months ended March 31, 2022 and 2021.

### b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Carrying amount</u>			
Current	\$ 55,863	\$ 71,982	\$ 76,008
Non-current	<u>174,260</u>	<u>177,417</u>	<u>228,400</u>
	<u>\$ 230,123</u>	<u>\$ 249,399</u>	<u>\$ 304,408</u>

Ranges of discount rates for lease liabilities were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Land	1.36%-2.14%	1.36%-2.14%	1.36%-2.14%
Buildings	1.03%-1.11%	1.03%-1.11%	1.03%-1.11%
Transportation equipment	1.08%	1.08%	-



c. Material lease 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 the leases 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

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 252	\$ 313
Expenses relating to low-value asset leases	\$ 1	\$ -
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 2,900	\$ 3,900
Total cash outflow for leases	\$ 23,484	\$ 24,241

## 12. INTANGIBLE ASSETS

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Computer software	\$ 42,102	\$ 24,874	\$ 13,402
Technology license fees	-	-	-
Technical expertise	-	-	-
	<u>\$ 42,102</u>	<u>\$ 24,874</u>	<u>\$ 13,402</u>

	<b>Technology License Fees</b>	<b>Technical Expertise</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 175,959	\$ 392,889
Additions	-	-	19,347	19,347
Balance at March 31, 2022	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 195,306</u>	<u>\$ 412,236</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2022	\$ 114,930	\$ 102,000	\$ 151,085	\$ 368,015
Additions	-	-	2,119	2,119
Balance at March 31, 2022	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 153,204</u>	<u>\$ 370,134</u>
Carrying amount at March 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,102</u>	<u>\$ 42,102</u>

(Continued)

	<b>Technology License Fees</b>	<b>Technical Expertise</b>	<b>Computer Software</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 151,210	\$ 368,140
Additions	<u>-</u>	<u>-</u>	<u>6,600</u>	<u>6,600</u>
Balance at March 31, 2021	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 157,810</u>	<u>\$ 374,740</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 142,114	\$ 359,044
Additions	<u>-</u>	<u>-</u>	<u>2,294</u>	<u>2,294</u>
Balance at March 31, 2021	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 144,408</u>	<u>\$ 361,338</u>
Carrying amount at March 31, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,402</u>	<u>\$ 13,402</u> (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

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
<u>Unsecured borrowings</u>			
Bank loans	\$ 3,510,000	\$ 3,510,000	\$ 2,660,000
Less: Discounts on government grants	(30,620)	(34,203)	(36,175)
Less: Current portion	<u>(391,666)</u>	<u>(166,666)</u>	<u>-</u>
	<u>\$ 3,087,714</u>	<u>\$ 3,309,131</u>	<u>\$ 2,623,825</u>

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 March 31, 2022, the Company acquired preferential interest rate loan subsidized by the government of \$3,510,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. The loan is repayable over a period of five years from the date of the first drawdown to September 2026, where repayment of interest 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 of 0.9%, the fair value of the loan was estimated at \$3,460,518 thousand on initial recognition. The difference

of \$49,482 thousand between the proceeds and the fair value of the loan was treated as the benefit derived from the preferential interest rate loan and had been recognized as deferred revenue, which was offset against interest expense on a monthly basis over the loan period. The amount offset against interest expense was \$3,583 thousand and \$3,282 thousand for the three months ended March 31, 2022 and 2021, respectively.

Under the bank loan agreement, the Company has to meet certain financial covenants. As of March 31, 2022, such financial covenants were not breached.

#### 14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Accrued expenses			
Payables for salaries or bonuses	\$ 156,903	\$ 235,273	\$ 172,901
Insurance payables	50,205	48,515	42,887
Utilities payables	45,153	29,341	25,213
Others	<u>147,772</u>	<u>262,103</u>	<u>120,418</u>
	<u>400,033</u>	<u>575,232</u>	<u>361,419</u>
Other current liabilities			
Refund liabilities	40,079	37,913	47,825
Others	<u>5,141</u>	<u>4,897</u>	<u>4,383</u>
	<u>45,220</u>	<u>42,810</u>	<u>52,208</u>
	<u>\$ 445,253</u>	<u>\$ 618,042</u>	<u>\$ 413,627</u>

#### 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

	March 31, 2022	December 31, 2021	March 31, 2021
Authorized stock (in thousands)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Authorized capital	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid stock (in thousands)	<u>293,456</u>	<u>293,299</u>	<u>291,153</u>
Issued capital	<u>\$ 2,934,561</u>	<u>\$ 2,932,991</u>	<u>\$ 2,911,531</u>

A holder of issued common stock with a par value of NT\$10 is entitled to vote and to receive dividends. The change in the Company's capital stock is mainly due to the exercise of employee share options.

The Company resolved in the board of directors' meeting on April 12, 2022 to issue new shares for public underwriting prior to the initial listing. It was proposed to issue 21,020 thousand new shares with

a par value of NT\$10 per share, which will be undertaken through competitive auction and public subscription. The Board of Directors authorized the chairman to determine the subscription base date.

According to the provisions of Article 267 of the Company Act, 11.99% of the total new shares issued amounting to 2,520 thousand shares were reserved for employees' subscription. If employees' subscription for the shares is insufficient or the employees give up their subscription rights, the chairman is authorized to conduct the placement of unsubscribed shares to specified persons. The remaining 88.01% of the shares amounting to 18,500 thousand shares will be provided for public underwriting before the initial listing of the Company's shares in accordance with the resolution of the extraordinary shareholders' meeting on March 23, 2022, where all the original shareholders gave up their rights to priority subscription of the new shares, and are not subject to the provisions of Article 267 of the Company Act, which stipulated that the shares should be divided first according to the proportion of the original shareholding proportions. The above issuance was declared effective by the TWSE on April 28, 2022.

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Issuance of ordinary shares	\$ 703,181	\$ 701,925	\$ 680,813
Employee share options exercised	7,277	6,781	-
Donations	12,893	12,893	12,893
<u>May only be used to offset a deficit</u>			
Donation from shareholders	762	762	356
<u>May not be used for any purpose</u>			
Compensation cost of employee share options	<u>10,720</u>	<u>10,438</u>	<u>11,134</u>
	<u>\$ 734,833</u>	<u>\$ 732,799</u>	<u>\$ 705,196</u>

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 a 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 the distribution of dividends and bonuses to shareholders.

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

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 and dividends per share for 2021 and 2020, which were approved in the Board of Directors' meeting and the shareholders' meeting on February 23, 2022 and July 22, 2021, respectively, were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 216,528	\$ 209,054
Cash dividends to shareholders	\$ 586,712	\$ 582,306
Cash dividends per share (NT\$)	\$ 2.0	\$ 2.0

The cash dividends per share for 2020 was adjusted to \$1.98, mainly due to the exercise of employee share options on August 4, 2021. The appropriation of earnings for 2021 is subject to the resolution of the shareholders in the shareholders' meeting to be held on May 24, 2022.

## 17. OPERATING REVENUE

### a. Contract information

For revenue generated from the manufacturing of color filters according to customized specifications agreed in the contractual agreement, because the customers have obtained control over the products during the provision of services, the Company's revenue from service contracts is recognized over time.

### b. Disaggregation of revenue from contracts with customers

<b>Product</b>	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Image Sensors	\$ 1,341,732	\$ 1,213,212
Micro-Optical Elements	916,286	416,838
Others	<u>37,534</u>	<u>22,386</u>
	<u>\$ 2,295,552</u>	<u>\$ 1,652,436</u>

  

<b>Region</b>	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Asia	\$ 2,002,901	\$ 1,321,949
Taiwan	281,283	319,988
Europe	5,548	5,964
United States	<u>5,820</u>	<u>4,535</u>
	<u>\$ 2,295,552</u>	<u>\$ 1,652,436</u>

c. Contract balances

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>	<b>January 1, 2021</b>
Contract assets	<u>\$ 303,354</u>	<u>\$ 248,248</u>	<u>\$ 146,437</u>	<u>\$ 137,376</u>
Contract liabilities	<u>\$ 10,901</u>	<u>\$ 9,994</u>	<u>\$ 6,070</u>	<u>\$ 5,823</u>

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

Revenue recognized for the three months ended March 31, 2022 and 2021 from the balance of contract liabilities at the beginning of the year amounted to \$3,768 thousand and \$4,106 thousand, 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 \$2,166 thousand and \$(9,047) thousand for the three months ended March 31, 2022 and 2021, respectively. As of March 31, 2022 and 2021, the aforementioned refund liabilities amounted to \$40,079 thousand and \$47,825 thousand, respectively, which were classified under accrued expenses and other current liabilities.

## 18. NET PROFIT

a. Other operating income and expenses

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Rental income - related party	\$ 7,098	\$ 8,165
Others	<u>(193)</u>	<u>(436)</u>
	<u>\$ 6,905</u>	<u>\$ 7,729</u>

b. Interest income

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Bank deposits	<u>\$ 2,608</u>	<u>\$ 1,581</u>

c. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on financial instruments at FVTPL	\$ (42,165)	\$ (13,798)
Others	<u>(292)</u>	<u>(292)</u>
	<u>\$ (42,457)</u>	<u>\$ (14,090)</u>

d. Depreciation and amortization

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 542,706	\$ 322,065
Operating expenses	35,422	13,325
Other operating income and expenses	<u>193</u>	<u>436</u>
	<u>\$ 578,321</u>	<u>\$ 335,826</u>
An analysis of amortization by function		
Operating costs	\$ 1,307	\$ 1,245
General and administrative expenses	<u>812</u>	<u>1,049</u>
	<u>\$ 2,119</u>	<u>\$ 2,294</u>

e. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Interest expense		
Interest on lease liabilities	\$ 1,055	\$ 1,285
Bank loans	4,536	2,484
Others	<u>5</u>	<u>5</u>
	5,596	3,774
Less: Amounts included in the cost of qualifying assets	<u>(3,163)</u>	<u>(972)</u>
	<u>\$ 2,433</u>	<u>\$ 2,802</u>

Information about capitalized interest is as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Capitalized interest amount	\$ 3,163	\$ 972
Capitalized rate	0.56%-0.66%	0.57%

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits (Note 15)		
Defined contribution plan	\$ 15,597	\$ 12,526
Share-based payments		
Equity-settled	778	1,703
Other employee benefits	<u>533,995</u>	<u>395,274</u>
Total employee benefits expense	<u>\$ 550,370</u>	<u>\$ 409,503</u>

(Continued)

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 383,871	\$ 311,287
Operating expenses	<u>166,499</u>	<u>98,216</u>
Total employee benefits expense	<u>\$ 550,370</u>	<u>\$ 409,503</u>
		(Concluded)

g. Compensation of employees and remuneration of directors

The Company accrues compensation of employees and remuneration of directors 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. 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). The compensation of employees and the remuneration of directors for the three months ended March 31, 2022 and 2021 are as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	\$ 104,573	\$ 73,911
Remuneration of directors	<u>\$ 784</u>	<u>\$ 270</u>

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 appropriations of employees' compensation and remuneration of directors for 2021 and 2020 that were resolved by the Board of Directors on February 23, 2022 and March 12, 2021, respectively, are \$433,056 thousand and \$418,109 thousand, and \$2,674 thousand and \$0, respectively.

There was no significant difference between the actual amounts of compensation of employees and remuneration of directors the aforementioned resolutions paid and the amounts recognized for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's Board of Directors is available at the Market Observation Post System website of the TWSE.

h. Gains or losses on foreign currency exchange

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Foreign exchange gains	\$ 53,330	\$ 48,106
Foreign exchange losses	<u>(9,668)</u>	<u>(29,122)</u>
	<u>\$ 43,662</u>	<u>\$ 18,984</u>



## 19. INCOME TAX

- a. Income tax expense consisted of the following:

	For the Three Months Ended March 31	
	2022	2021
Current income tax		
In respect of the current period	\$ 113,818	\$ 86,627
Income tax adjustments of prior periods	(33,615)	-
Deferred tax		
In respect of the current period	<u>8,495</u>	<u>5,756</u>
Income tax expense recognized in profit or loss	<u>\$ 88,698</u>	<u>\$ 92,383</u>

- b. Income tax examination

The tax authorities have examined income tax returns of the Company through 2019. All differences in investment tax credits assessed by the tax authorities have been adjusted accordingly.

## 20. EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2022	2021
Basic earnings per share	<u>\$ 1.78</u>	<u>\$ 1.27</u>
Diluted earnings per share	<u>\$ 1.76</u>	<u>\$ 1.15</u>

Earnings per share is computed as follows:

	Amount (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2022</u>			
Basic EPS			
Net income	\$ 522,866	293,347	<u>\$ 1.78</u>
Effect of potentially dilutive common stock	<u>                    </u>	<u>3,876</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 522,866</u>	<u>297,223</u>	<u>\$ 1.76</u> (Continued)

	Amount (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the three months ended March 31, 2021</u>			
Basic EPS			
Net income	\$ 369,532	291,153	\$ <u>1.27</u>
Effect of potentially dilutive common stock	<u>                    </u>	<u>30,363</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	\$ <u>369,532</u>	<u>321,516</u>	\$ <u>1.15</u> (Concluded)

If the Company offered to settle the obligation by cash or by issuing stock, the profit-sharing bonus for employees will be settled in stock and the resulting potential stock will be included in the weighted average number of stock outstanding in the calculation of diluted EPS, as the stock have a dilutive effect. Such dilutive effect of the potential stock is included in the calculation of diluted EPS until the profit-sharing bonus for employees to be settled in the form of common stock 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 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 year from the grant date. The options were granted at an exercise price equal to NT\$20. For any subsequent changes in the Company's ordinary shares, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Three Months Ended March 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	3,466	\$ 18.00	5,780	\$ 20.00
Options exercised	(157)	18.00	-	-
Options forfeited	<u>(26)</u>	-	<u>(24)</u>	-
Balance at March 31	<u>3,283</u>		<u>5,756</u>	
Options exercisable, end of period	<u>361</u>		<u>-</u>	

The weighted-average share price on the exercise date of the share options for the three months ended March 31, 2022 was \$503.52.

Information on outstanding options was as follows:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Range of exercise price (\$)	\$ 18	\$ 18	\$ 20
Weighted-average remaining contractual life (in years)	3.33	3.58	4.31

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

	<b>April 2020</b>	<b>December 2019</b>	<b>July 2019</b>
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 \$778 thousand and \$1,703 thousand for the three months ended March 31, 2022 and 2021, respectively.

## 22. CASH FLOW INFORMATION

### a. Non-cash transactions

	<b>For the Three Months Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Additions of property, plant and equipment	\$ 1,735,000	\$ 1,760,746
Less: Amounts included in the cost of qualifying assets	(3,163)	(972)
Changes in payables for purchases of equipment	<u>(789,657)</u>	<u>(53,566)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 942,180</u>	<u>\$ 1,706,208</u>

### b. Reconciliation of liabilities arising from financing activities

	<b>Balance as of January 1, 2022</b>	<b>Financing Cash Flow</b>	<b>Non-cash changes</b>			<b>Balance as of March 31, 2022</b>
			<b>Foreign Exchange Movement</b>	<b>Leases Modifications</b>	<b>Other Changes (Note)</b>	
Guarantee deposits	\$ 5,193	\$ -	\$ -	\$ -	\$ -	\$ 5,193
Lease liabilities	249,399	(20,331)	-	-	1,055	230,123
Long-term borrowings	<u>3,475,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,583</u>	<u>3,479,380</u>
Total	<u>\$ 3,730,389</u>	<u>\$ (20,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,638</u>	<u>\$ 3,714,696</u>

	Balance as of January 1, 2021	Financing Cash Flow	Non-cash changes			Balance as of March 31, 2021
			Foreign Exchange Movement	Leases Modifications	Other Changes (Note)	
Guarantee deposits	\$ 5,069	\$ -	\$ -	\$ -	\$ -	\$ 5,069
Lease liabilities	322,540	(20,028)	-	-	1,896	304,408
Long-term borrowings	<u>1,967,611</u>	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>(3,786)</u>	<u>2,623,825</u>
Total	<u>\$ 2,295,220</u>	<u>\$ 639,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,890)</u>	<u>\$ 2,933,302</u>

Note: Other changes include the 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 a going concern 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

##### March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ -</u>	<u>\$ 180</u>
Financial liabilities at FVTPL				
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 25,121</u>	<u>\$ -</u>	<u>\$ 25,121</u>

##### December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	<u>\$ -</u>	<u>\$ 6,003</u>	<u>\$ -</u>	<u>\$ 6,003</u>
Financial liabilities at FVTPL				
Derivatives financial liabilities	<u>\$ -</u>	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 86</u>

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 394	\$ -	\$ 394
Financial liabilities at FVTPL				
Derivatives financial liabilities	\$ -	\$ 18,453	\$ -	\$ 18,453

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2022 and 2021.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the three months ended March 31, 2022 and 2021.

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

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
FVTPL			
Held for trading	\$ 180	\$ 6,003	\$ 394
Amortized cost (1)	4,600,412	4,586,697	3,204,073
<u>Financial liabilities</u>			
FVTPL			
Held for trading	25,121	86	18,453
Amortized cost (2)	5,367,492	4,782,641	3,636,720

1) Including financial assets at amortized cost, which comprise cash and cash equivalents, accounts 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 (including current portion of 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 the 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 for the three months ended March 31, 2022 and 2021 will decrease by \$65,765 thousand and \$60,045 thousand, respectively.

### b) Interest rate risk

The Company's fixed and floating financial assets and floating interest rate financial liabilities are exposed to interest rate risk. 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 relationships with banks and performs timely assessments on possible interest rate risks for all interest-bearing debts, while taking actions to reduce the impact of interest rate changes on profitability.

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:

	<b>March 31, 2022</b>	<b>December 31, 2021</b>	<b>March 31, 2021</b>
Fair value interest rate risk			
Financial assets	\$ 1,972,821	\$ 2,405,031	\$ 1,151,737
Cash flow interest rate risk			
Financial assets	1,167,195	847,894	1,050,917
Financial liabilities	3,479,380	3,475,797	2,623,825

### Sensitivity analysis

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 sensitivity analyses below were determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If the market interest rate increases/decreases by 1% and all other variables were held constant, the Company's net profit before income tax for the three months ended March 31, 2021 and 2022 will decreased/increased by \$5,780 thousand and \$3,932 thousand, respectively, which was mainly a result of the Company's variable rate bank borrowings and variable rate deposits.

## 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 collateral 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 March 31, 2022, December 31, 2021 and March 31, 2021, the Company's five largest customers accounted for 93%, 83% and 86% 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.

March 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 882,180	\$ 202,408	\$ 769,573	\$ 5,193
Lease liabilities	6,777	13,554	39,187	196,619
Long-term borrowings	<u>1,994</u>	<u>4,311</u>	<u>410,551</u>	<u>3,531,347</u>
	<u>\$ 890,951</u>	<u>\$ 220,273</u>	<u>\$ 1,219,311</u>	<u>\$ 3,733,159</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 680,836	\$ 203,129	\$ 382,129	\$ 5,193
Lease liabilities	6,777	13,554	55,510	200,627
Long-term borrowings	<u>1,433</u>	<u>2,807</u>	<u>179,431</u>	<u>3,371,012</u>
	<u>\$ 689,046</u>	<u>\$ 219,490</u>	<u>\$ 617,070</u>	<u>\$ 3,576,832</u>

March 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 291,169	\$ 165,311	\$ 530,866	\$ 5,069
Lease liabilities	6,676	13,393	60,452	254,435
Long-term borrowings	<u>959</u>	<u>1,994</u>	<u>8,965</u>	<u>2,685,910</u>
	<u>\$ 298,804</u>	<u>\$ 180,698</u>	<u>\$ 600,283</u>	<u>\$ 2,945,414</u>

Additional information about the maturity analysis for lease liabilities:

March 31, 2022

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Non-interest bearing	<u>\$ 1,859,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lease liabilities	<u>\$ 121,663</u>	<u>\$ 76,556</u>	<u>\$ 45,747</u>	<u>\$ 12,171</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 3,948,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



December 31, 2021

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Non-interest bearing	<u>\$ 1,271,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lease liabilities	<u>\$ 138,166</u>	<u>\$ 76,556</u>	<u>\$ 48,934</u>	<u>\$ 12,812</u>	<u>\$ -</u>
Long-term borrowings	<u>\$ 3,554,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2021

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Non-interest bearing	<u>\$ 992,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lease liabilities	<u>\$ 185,171</u>	<u>\$ 76,556</u>	<u>\$ 58,495</u>	<u>\$ 12,812</u>	<u>\$ 1,922</u>
Long-term borrowings	<u>\$ 2,697,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

March 31, 2022

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 765,662	\$ 524,860	\$ -	\$ -	\$ -
Outflows	<u>(786,445)</u>	<u>(529,063)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (20,783)</u>	<u>\$ (4,203)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 653,775	\$ 915,768	\$ -	\$ -	\$ -
Outflows	<u>(650,339)</u>	<u>(913,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,436</u>	<u>\$ 2,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

March 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 642,538	\$ 565,094	\$ -	\$ -	\$ -
Outflows	<u>(655,661)</u>	<u>(570,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (13,123)</u>	<u>\$ (5,046)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company (TSMC), which held 72.79% and 86.94% of the ordinary shares of the Company on March 31, 2022 and 2021, respectively.

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

<u>Related Party Name</u>	<u>Related Party Category</u>
TSMC	The Company's parent company
Xintec Inc. (Xintec)	Other related party
Global Unichip Corp. (GUC)	Other related party

### b. Sales of goods

<u>Related Party Category/Name</u>	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Xintec	\$ 170,410	\$ 201,061
Others	<u>330</u>	<u>761</u>
	<u>\$ 170,740</u>	<u>\$ 201,822</u>

### c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
<u>For manufacturing</u>		
TSMC	<u>\$ 183</u>	<u>\$ 1,167</u>
<u>For researching and developing</u>		
TSMC	<u>\$ 3,985</u>	<u>\$ 6,300</u>

d. Rental income

Related Party Category/Name	For the Three Months Ended March 31	
	2022	2021
GUC	\$ 7,098	\$ 6,600
TSMC	<u>-</u>	<u>1,565</u>
	<u>\$ 7,098</u>	<u>\$ 8,165</u>

e. Manufacturing expense

Related Party Category/Name	For the Three Months Ended March 31	
	2022	2021
Xintec	<u>\$ 2,900</u>	<u>\$ 3,900</u>

f. Interest expense

Related Party Category/Name	For the Three Months Ended March 31	
	2022	2021
Xintec	\$ 142	\$ 319
Others	<u>5</u>	<u>5</u>
	<u>\$ 147</u>	<u>\$ 324</u>

g. Contract assets

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Xintec	\$ 1,874	\$ 2,222	\$ 1,184
Others	<u>-</u>	<u>-</u>	<u>57</u>
	<u>\$ 1,874</u>	<u>\$ 2,222</u>	<u>\$ 1,241</u>

h. Receivables from related parties

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Xinte	\$ 131,738	\$ 117,488	\$ 132,405
Others	<u>128</u>	<u>335</u>	<u>244</u>
	<u>\$ 131,866</u>	<u>\$ 117,823</u>	<u>\$ 132,649</u>

i. Expenses payable and other current liabilities

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
TSMC	\$ 3,085	\$ 4,046	\$ 7,125
Others	<u>-</u>	<u>65</u>	<u>-</u>
	<u>\$ 3,085</u>	<u>\$ 4,111</u>	<u>\$ 7,125</u>

j. 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, 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.

Line Item	Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
Lease liabilities	Xintec	<u>\$ 43,041</u>	<u>\$ 59,099</u>	<u>\$ 107,007</u>

		<b>For the Three Months Ended March 31</b>	
Related Party Category/Name		<b>2022</b>	<b>2021</b>
<u>Interest expense</u>			
Xintec		<u>\$ 142</u>	<u>\$ 319</u>
<u>Lease expense</u>			
Xintec		<u>\$ 2,900</u>	<u>\$ 3,900</u>

k. Deposit guarantee

Related Party Category/Name	March 31, 2022	December 31, 2021	March 31, 2021
GUC	\$ 2,832	\$ 2,832	\$ 2,832
Others	<u>6</u>	<u>6</u>	<u>6</u>
	<u>\$ 2,838</u>	<u>\$ 2,838</u>	<u>\$ 2,838</u>

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.

The Company rented/leased property, plant and equipment to/from related parties. The lease terms are determined in accordance with mutual agreements. The rentals were paid monthly; the related rentals were classified under other income and manufacturing expenses.

For the three months ended March 31, 2022 and 2021, no impairment loss was recognized for contract assets from related parties.

1. Remuneration of key management personnel

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

Related Party Category/Name	For the Three Months Ended March 31	
	2022	2021
Short-term employee benefits	\$ 23,874	\$ 18,062
Post-employment benefits	<u>180</u>	<u>166</u>
	<u>\$ 24,054</u>	<u>\$ 18,228</u>

The remuneration of directors and other key management personnel was determined by the compensation committee 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 March 31, 2022, December 31, 2021 and March 31, 2021, the Company provided certificates of deposits amounting to \$20,311 thousand, 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 March 31, 2022, December 31 and March 31, 2021 were as follows:

a. Unrecognized commitments

	March 31, 2022	December 31, 2021	March 31, 2021
Acquisition of property, plant and equipment	<u>\$ 1,386,957</u>	<u>\$ 2,184,568</u>	<u>\$ 2,974,340</u>

b. The Company entered into long-term energy purchase agreements with its supplier. The relative fulfillment period, quantity and price are specified in the agreement.

## 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:

March 31, 2022

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 62,578	28.598
JPY	1,301,550	0.2357
EUR	89	31.958

Financial liabilities

Monetary items		
USD	16,553	28.598
JPY	1,305,702	0.2357
EUR	87	31.958

December 31, 2021

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 58,883	27.674
JPY	155,921	0.2414
EUR	293	31.460

Financial liabilities

Monetary items		
USD	3,604	27.674
JPY	155,657	0.2414
EUR	302	31.460

March 31, 2021

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 48,139	28.507
JPY	473,430	0.2578
EUR	2,485	33.365
<u>Financial liabilities</u>		
Monetary items		
USD	5,948	28.507
JPY	482,320	0.2578
EUR	2,471	33.365

Note: Please refer to Note 18 for the foreign exchange gains and losses for the three months ended March 31, 2022 and 2021. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

## **29. 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 the 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, developing, designing, manufacturing, selling, packaging and testing of color filter products.

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.

## **30. 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 or 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. (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 1)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
- 9) Information about the derivative instrument transactions. (Note 7)
- b. Information on investees. (None)
- c. Information on investments in mainland China. (None)
- d. Information of major shareholders

List of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: See Table 3 attached.



**TABLE 1**

**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 THREE MONTHS ENDED MARCH 31, 2022  
(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	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
VisEra	Xintec	Other related parties	Sales	\$ 170,410	7	60 days after monthly closing	Note 25	Note 25	\$ 131,738	9	-

**TABLE 2**

**VISERA TECHNOLOGIES COMPANY LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
MARCH 31, 2022**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
VisEra	Xintec	Other related parties	\$ 131,738	5.47	\$ -	-	\$ 52,809	\$ -

**TABLE 3**

**VISERA TECHNOLOGIES COMPANY LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS**

**MARCH 31, 2022**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Shareholder	Shares	
	Total Shares Owned	Ownership Percentage (%)
TSMC	213,619,000	72.79
SmallCap World Fund Inc.	14,864,800	5.07