VisEra Technologies Company Ltd.

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

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
11073 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 11073, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

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:

Contract Assets and Revenue Recognition

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

<u>Notice to Readers</u>

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)

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

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	December 31 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	December 31 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: Foreign Exchange Movement	Non-cash changes: Leases Modifications	Non-cash changes: Other Changes (Note)	Balance as of December 31, 2020
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: Foreign Exchange Movement	Non-cash changes: Leases Modifications	Non-cash changes: Other Changes (Note)	Balance as of December 31, 2019
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.

<u>Sensitivity analysis</u>

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

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	$ -

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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%.

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.

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.

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.

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.

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

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

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.