

# **VisEra Technologies Company Ltd.**

**Financial Statements for the  
Six Months Ended June 30, 2021 and 2020 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
VisEra Technologies Company Ltd.

### **Introduction**

We have reviewed the accompanying balance sheets of VisEra Technologies Company Ltd. (the "Company") as of June 30, 2021 and 2020, and the related statements of comprehensive income, the statements of changes in equity and cash flows for the three months then ended June 30, 2021 and 2020, and the related notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements"). Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

### **Scope of Review**

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

### **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying financial statements do not give a true and fair view of (or "do not present fairly, in all material respects,") the financial position of the Company as of June 30, 2021 and 2020, and of its financial performance and its cash flows for the six months ended June 30, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

August 11, 2021

Notice to Readers

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

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

**VISERA TECHNOLOGIES COMPANY LTD.**

**BALANCE SHEETS**  
**(In Thousands of New Taiwan Dollars)**

ASSETS	June 30, 2021		December 31, 2020		June 30, 2020		LIABILITIES AND EQUITY	June 30, 2021		December 31, 2020		June 30, 2020	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Note 6)	\$ 2,235,808	17	\$ 2,537,344	22	\$ 3,173,152	36	Financial liabilities at fair value through profit or loss						
Financial assets at fair value through profit or loss - current (Note 7)	882	-	9,128	-	9,670	-	- current (Note 7)	\$ 5,351	-	\$ 29	-	\$ 17	-
Contract assets - current (Notes 17 and 25)	265,373	2	137,376	1	177,461	2	Contract liabilities - current (Note 17)	3,222	-	5,823	-	3,552	-
Accounts receivable, net (Note 8)	1,063,122	8	730,474	6	776,980	9	Accounts payable (Note 25)	230,233	2	199,739	2	180,269	2
Accounts receivable from related parties (Notes 8 and 25)	111,204	1	188,516	2	101,606	1	Lease liabilities - current (Notes 11 and 25)	76,910	-	75,325	1	38,337	-
Other receivables	27,728	-	28,760	-	18,547	1	Accrued profit sharing bonus to employees and compensation to directors (Note 18)	585,379	4	418,109	3	347,668	4
Other receivables from related parties (Note 25)	-	-	1,643	-	1,685	-	Payables to equipment suppliers	274,938	2	560,277	5	1,014,739	12
Inventories (Note 9)	97,238	1	85,450	1	73,599	1	Current tax liabilities (Note 19)	220,012	2	438,674	4	325,641	4
Prepayments and other current assets	45,165	-	48,316	-	17,201	-	Accrued expenses and other current liabilities (Notes 14, 17 and 25)	378,306	3	527,274	4	346,736	4
Total current assets	3,846,520	29	3,767,007	32	4,349,901	50	Total current liabilities	1,774,351	13	2,225,250	19	2,256,959	26
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Property, plant and equipment (Note 10)	9,149,007	69	7,617,347	65	4,137,834	47	Long-term borrowings (Note 13)	3,171,331	24	1,967,611	17	-	-
Right-of-use assets (Notes 11 and 25)	283,019	2	319,065	3	230,127	3	Deferred tax liabilities (Note 19)	24,446	-	11,399	-	13,814	-
Intangible assets (Note 12)	13,549	-	9,096	-	7,204	-	Lease liabilities - non-current (Notes 11 and 25)	210,718	2	247,215	2	193,913	2
Deferred tax assets (Note 19)	27,208	-	36,763	-	34,437	-	Deferred revenue - non-current (Note 13)	38,669	-	32,389	-	-	-
Other non-current assets (Note 26)	22,490	-	22,490	-	22,384	-	Guarantee deposits (Note 25)	5,069	-	5,069	-	5,282	-
Total non-current assets	9,495,273	71	8,004,761	68	4,431,986	50	Total non-current liabilities	3,450,233	26	2,263,683	19	213,009	2
							Total liabilities	5,224,584	39	4,488,933	38	2,469,968	28
							EQUITY (Note 16)						
							Capital stock	2,911,531	22	2,911,531	25	2,911,531	33
							Capital surplus	706,918	5	703,493	6	699,662	8
							Retained earnings						
							Appropriated as legal reserve	785,581	6	785,581	7	785,581	9
							Unappropriated earnings	3,713,179	28	2,882,230	24	1,915,145	22
								4,498,760	34	3,667,811	31	2,700,726	31
							Total equity	8,117,209	61	7,282,835	62	6,311,919	72
TOTAL	\$ 13,341,793	100	\$ 11,771,768	100	\$ 8,781,887	100	TOTAL	\$ 13,341,793	100	\$ 11,771,768	100	\$ 8,781,887	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)

	For the Six Months Ended June 30			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 17 and 25)	\$ 3,791,730	100	\$ 3,411,737	100
OPERATING COSTS (Notes 9, 18 and 25)	<u>2,412,782</u>	<u>64</u>	<u>1,763,470</u>	<u>52</u>
GROSS PROFIT	<u>1,378,948</u>	<u>36</u>	<u>1,648,267</u>	<u>48</u>
OPERATING EXPENSES (Notes 18 and 25)				
Sales and marketing	29,484	1	28,307	1
General and administrative	104,606	2	67,816	2
Research and development	<u>223,354</u>	<u>6</u>	<u>164,130</u>	<u>5</u>
Total operating expenses	<u>357,444</u>	<u>9</u>	<u>260,253</u>	<u>8</u>
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 10, 18 and 25)	<u>14,550</u>	<u>-</u>	<u>21,276</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>1,036,054</u>	<u>27</u>	<u>1,409,290</u>	<u>41</u>
NON-OPERATING INCOME AND EXPENSES (Notes 18 and 25)				
Interest income	3,327	-	9,228	-
Other income	209	-	275	-
Other gains and losses	2,898	-	9,528	-
Foreign exchange loss, net	(592)	-	(15,553)	-
Finance costs	<u>(5,864)</u>	<u>-</u>	<u>(2,176)</u>	<u>-</u>
Total non-operating income and expenses	<u>(22)</u>	<u>-</u>	<u>1,302</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,036,032	27	1,410,592	41
INCOME TAX EXPENSE (Note 19)	<u>205,083</u>	<u>5</u>	<u>287,132</u>	<u>8</u>
NET INCOME	<u>830,949</u>	<u>22</u>	<u>1,123,460</u>	<u>33</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 830,949</u>	<u>22</u>	<u>\$ 1,123,460</u>	<u>33</u>
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 2.85</u>		<u>\$ 3.86</u>	
Diluted earnings per share	<u>\$ 2.73</u>		<u>\$ 3.71</u>	

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

# **VISERA TECHNOLOGIES COMPANY LTD.**

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

	<b>Capital Stock - Common Stock</b>			<b>Retained Earnings</b>			
	<b>Stock</b>	<b>Amount</b>	<b>Capital Surplus</b>	<b>Legal Reserve</b>	<b>Unappropriated Earnings</b>	<b>Total</b>	<b>Total Equity</b>
	<b>(In Thousands)</b>						
BALANCE, JANUARY 1, 2020	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)	-	-
Compensation cost of employee share options	-	-	2,987	-	-	-	2,987
Net profit and total comprehensive income for the six months ended June 30, 2020	-	-	-	-	1,123,460	1,123,460	1,123,460
BALANCE, JUNE 30, 2020	<u>291,153</u>	<u>\$ 2,911,531</u>	<u>\$ 699,662</u>	<u>\$ 785,581</u>	<u>\$ 1,915,145</u>	<u>\$ 2,700,726</u>	<u>\$ 6,311,919</u>
BALANCE, JANUARY 1, 2021	291,153	\$ 2,911,531	\$ 703,493	\$ 785,581	\$ 2,882,230	\$ 3,667,811	\$ 7,282,835
Compensation cost of employee share options	-	-	3,425	-	-	-	3,425
Net profit and total comprehensive income for the six months ended June 30, 2021	-	-	-	-	830,949	830,949	830,949
BALANCE, JUNE 30, 2021	<u>291,153</u>	<u>\$ 2,911,531</u>	<u>\$ 706,918</u>	<u>\$ 785,581</u>	<u>\$ 3,713,179</u>	<u>\$ 4,498,760</u>	<u>\$ 8,117,209</u>

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

# VISERA TECHNOLOGIES COMPANY LTD.

## STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,036,032	\$ 1,410,592
Adjustments for:		
Depreciation expense	810,604	279,599
Amortization expense	4,772	3,048
Finance costs	5,864	2,176
Interest income	(3,327)	(9,228)
Compensation cost of employee share options	3,425	2,987
Gain on disposal of property, plant and equipment, net	-	(355)
Foreign exchange gain, net	(6,282)	(12,685)
Changes in operating assets and liabilities:		
Financial instruments at fair value through profit or loss	13,568	(1,499)
Contract assets	(127,997)	(75,796)
Accounts receivable, net	(332,648)	(231,887)
Receivables from related parties, net	77,312	19,966
Other receivables	1,205	(11,110)
Other receivables from related parties	1,643	1,037
Inventories	(11,788)	(16,496)
Prepayments and other current assets	3,151	(4,902)
Contract liabilities	(2,601)	1,013
Accounts payable	30,494	49,883
Accrued profit sharing bonus to employees and compensation to directors	167,270	224,914
Accrued expenses and other current liabilities	(149,844)	4,868
Cash generated from operations	1,520,853	1,636,125
Income taxes paid	(401,143)	(55,934)
Net cash generated from operating activities	<u>1,119,710</u>	<u>1,580,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(2,582,641)	(1,651,866)
Proceeds from disposal of property, plant and equipment	-	3,165
Increase in refundable deposits	-	(10)
Decrease in refundable deposits	-	147
Payments for intangible assets	(9,225)	-
Increase in other current assets	-	(2,563)
Interest received	3,154	11,843
Net cash used in investing activities	<u>(2,588,712)</u>	<u>(1,639,284)</u>

(Continued)

# VISERA TECHNOLOGIES COMPANY LTD.

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

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	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 1,210,000	\$ -
Guarantee deposits received	-	750
Repayment of the principal portion of lease liabilities	(37,546)	(37,511)
Interest paid	<u>(4,988)</u>	<u>(2,161)</u>
Net cash generated from (used) in financing activities	<u>1,167,466</u>	<u>(38,922)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(301,536)	(98,015)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,537,344</u>	<u>3,271,167</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,235,808</u>	<u>\$ 3,173,152</u>

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

(Concluded)

# **VISERA TECHNOLOGIES COMPANY LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020**

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

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#### **1. GENERAL INFORMATION**

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

The Company’s stock has been approved by Taipei Exchange (TPEX) and listed on the Emerging Stock Board (ESB) since April, 2021.

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

#### **2. APPROVAL OF FINANCIAL STATEMENTS**

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023

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

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

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

##### **Basis of Preparation**

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

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

- a. Taxation

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

For other related information, refer to the statements of critical accounting judgments and key sources of estimation uncertainty to the financial statements for the year ended December 31, 2020.

## 6. CASH AND CASH EQUIVALENTS

	June 30, 2021	December 31, 2020	June 30, 2020
Deposits in banks	\$ 2,235,798	\$ 2,537,334	\$ 3,173,142
Petty cash	<u>10</u>	<u>10</u>	<u>10</u>
	<u>\$ 2,235,808</u>	<u>\$ 2,537,344</u>	<u>\$ 3,173,152</u>

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
Mandatorily measured at FVTPL			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	<u>\$ 882</u>	<u>\$ 9,128</u>	<u>\$ 9,670</u>
<u>Financial liabilities</u>			
Held for trading			
Derivative financial liabilities (not under hedge accounting)			
Forward exchange contracts	<u>\$ 5,351</u>	<u>\$ 29</u>	<u>\$ 17</u>

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

Outstanding forward exchange contracts consisted of the following:

	<b>Maturity Date</b>	<b>Contract Amount (In Thousands)</b>
<u>June 30, 2021</u>		
Sell US\$/Buy NT\$	July 2021 to September 2021	US\$ 53,000/NT\$ 1,473,583
<u>December 31, 2020</u>		
Sell US\$/Buy NT\$	January 2021 to March 2021	US\$ 39,000/NT\$ 1,104,781
<u>June 30, 2020</u>		
Sell US\$/Buy NT\$	July 2020 to September 2020	US\$ 29,500 /NT\$ 877,706

## 8. ACCOUNTS RECEIVABLE

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>At amortized cost</u>			
Accounts receivable from unrelated parties	\$ 1,063,326	\$ 731,308	\$ 777,930
Less: Allowance for impairment loss	<u>(204)</u>	<u>(834)</u>	<u>(950)</u>
	1,063,122	730,474	776,980
Accounts receivable from related parties	<u>111,204</u>	<u>188,516</u>	<u>101,606</u>
	<u>\$ 1,174,326</u>	<u>\$ 918,990</u>	<u>\$ 878,586</u>

In principle, the average payment terms granted to customers are 30 days to 90 days from the end of the month when the invoice is issued. No interest is charged on accounts 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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Not past due	\$ 1,167,483	\$ 918,425	\$ 874,796
1-60 days	<u>6,843</u>	<u>565</u>	<u>3,790</u>
Total	<u>\$ 1,174,326</u>	<u>\$ 918,990</u>	<u>\$ 878,586</u>

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

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
1-60 days	<u>\$ 6,843</u>	<u>\$ 565</u>	<u>\$ 3,790</u>

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

Movements of the loss allowance

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 834	\$ -
Net remeasurement of loss allowance	<u>(630)</u>	<u>950</u>
Balance on December 31	<u>\$ 204</u>	<u>\$ 950</u>

For the six months ended June 30, 2021, the changes in loss allowance were mainly due to the variations in the accounts receivable book value of different risk levels.

## 9. INVENTORIES

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Raw materials	<u>\$ 97,238</u>	<u>\$ 85,450</u>	<u>\$ 73,599</u>

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Cost of inventories sold	<u>\$ 2,412,782</u>	<u>\$ 1,763,470</u>
Reversal of write-down of inventories	<u>\$ (70)</u>	<u>\$ (1,341)</u>

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Assets used by the Company	\$ 9,143,917	\$ 7,591,961	\$ 4,109,456
Assets leased under operating leases	<u>5,090</u>	<u>25,386</u>	<u>28,378</u>
	<u>\$ 9,149,007</u>	<u>\$ 7,617,347</u>	<u>\$ 4,137,834</u>

a. Assets used by the Company

	Buildings	Machinery and Equipment	Office Equipment	Transportation Equipment	Other Equipment	Equipment under Installation and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2021	\$ 2,804,497	\$ 10,951,336	\$ 154,935	\$ 1,767	\$ 87,442	\$ 2,543,101	\$ 16,543,078
Additions	293,456	1,149,083	12,576	-	17,419	831,050	2,303,584
Disposals	-	-	-	-	-	-	-
Reclassification	325,143	1,876,414	11,681	-	130	(2,155,048)	58,320
Balance at June 30, 2021	<u>\$ 3,423,096</u>	<u>\$ 13,976,833</u>	<u>\$ 179,192</u>	<u>\$ 1,767</u>	<u>\$ 104,991</u>	<u>\$ 1,219,103</u>	<u>\$ 18,904,982</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ 2,010,320	\$ 6,779,959	\$ 129,476	\$ 1,767	\$ 29,595	\$ -	\$ 8,951,117
Depreciation	94,573	656,818	8,989	-	11,118	-	771,498
Disposals	-	-	-	-	-	-	-
Reclassification	38,450	-	-	-	-	-	38,450
Balance at June 30, 2021	<u>\$ 2,143,343</u>	<u>\$ 7,436,777</u>	<u>\$ 138,465</u>	<u>\$ 1,767</u>	<u>\$ 40,713</u>	<u>\$ -</u>	<u>\$ 9,761,065</u>
Carrying amount at June 30, 2021	<u>\$ 1,279,753</u>	<u>\$ 6,540,056</u>	<u>\$ 40,727</u>	<u>\$ -</u>	<u>\$ 64,278</u>	<u>\$ 1,219,103</u>	<u>\$ 9,143,917</u>
<u>Cost</u>							
Balance at January 1, 2020	\$ 2,385,201	\$ 7,194,974	\$ 131,268	\$ 1,767	\$ 22,181	\$ 381,978	\$ 10,117,369
Additions	32,547	637,594	4,080	-	34,133	1,805,503	2,513,857
Disposals	-	(51,139)	(101)	-	-	-	(51,240)
Reclassification	41,750	196,090	9,300	-	633	(211,078)	36,695
Balance at June 30, 2020	<u>\$ 2,459,498</u>	<u>\$ 7,977,519</u>	<u>\$ 144,547</u>	<u>\$ 1,767</u>	<u>\$ 56,947</u>	<u>\$ 1,976,403</u>	<u>\$ 12,616,681</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ 1,889,122	\$ 6,265,978	\$ 119,015	\$ 1,767	\$ 19,537	\$ -	\$ 8,295,419
Depreciation	45,451	185,917	4,672	-	2,026	-	238,066
Disposals	-	(48,329)	(101)	-	-	-	(48,430)
Reclassification	22,170	-	-	-	-	-	22,170
Balance at June 30, 2020	<u>\$ 1,956,743</u>	<u>\$ 6,403,566</u>	<u>\$ 123,586</u>	<u>\$ 1,767</u>	<u>\$ 21,563</u>	<u>\$ -</u>	<u>\$ 8,507,225</u>
Carrying amount at June 30, 2020	<u>\$ 502,755</u>	<u>\$ 1,573,953</u>	<u>\$ 20,961</u>	<u>\$ -</u>	<u>\$ 35,384</u>	<u>\$ 1,976,403</u>	<u>\$ 4,109,456</u>

No impairment assessment was performed for the six months ended June 30, 2021 and 2020 as there was no indication of impairment.

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

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

b. Assets leased under operating leases

	Buildings
<u>Cost</u>	
Balance at January 1, 2021	\$ 73,784
Reclassification	<u>(58,320)</u>
Balance on June 30, 2021	<u>\$ 15,464</u>
	(Continued)

**Buildings**Accumulated depreciation

Balance at January 1, 2021	\$ 48,398
Depreciation	426
Reclassification	<u>(38,450)</u>
Balance on June 30, 2021	<u>\$ 10,374</u>
Carrying amount at June 30, 2021	<u>\$ 5,090</u>

Cost

Balance at January 1, 2020	\$ 111,831
Reclassification	<u>(36,695)</u>
Balance on June 30, 2020	<u>\$ 75,136</u>

Accumulated depreciation

Balance at January 1, 2020	\$ 66,701
Depreciation	2,227
Reclassification	<u>(22,170)</u>
Balance on June 30, 2020	<u>\$ 46,758</u>
Carrying amount at June 30, 2020	<u>\$ 28,378</u> (Concluded)

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

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

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Year 1	\$ 16,992	\$ 18,557	\$ 27,947
Year 2	8,496	16,992	16,992
Year 3	-	-	8,496
Year 4	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,488</u>	<u>\$ 35,549</u>	<u>\$ 53,435</u>

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

No impairment assessment was performed for the six months ended June 30, 2021 and 2020 as there was no indication of impairment.

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

Buildings	20 years
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## 11. LEASE ARRANGEMENTS

### a. Right-of-use assets

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Land	\$ 189,772	\$ 196,293	\$ 202,813
Buildings	91,224	122,772	27,314
Transportation equipment	<u>2,023</u>	<u>-</u>	<u>-</u>
	<u>\$ 283,019</u>	<u>\$ 319,065</u>	<u>\$ 230,127</u>
		<b>For the Six Months Ended June 30</b>	
		<b>2021</b>	<b>2020</b>
Additions to right-of-use assets		<u>\$ 2,634</u>	<u>\$ 48,212</u>
Depreciation charge for right-of-use assets			
Land		\$ 6,521	\$ 5,967
Buildings		32,159	32,987
Transportation equipment		<u>-</u>	<u>352</u>
		<u>\$ 38,680</u>	<u>\$ 39,306</u>

Other than the abovementioned additions and depreciation expense recognized, the Company did not have significant sublease or impairment of right-of-use assets during the six months ended June 30, 2021 and 2020.

### b. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Carrying amount</u>			
Current	\$ 76,910	\$ 75,325	\$ 38,337
Non-current	<u>210,718</u>	<u>247,215</u>	<u>193,913</u>
	<u>\$ 287,628</u>	<u>\$ 322,540</u>	<u>\$ 232,250</u>

Range of discount rate for lease liabilities was as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Land	1.36%-2.14%	1.36%-2.14%	1.36%-2.14%
Buildings	1.03%-1.11%	1.11%-1.50%	1.50%
Transportation equipment	1.08%	-	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 Six Months Ended June 30	
	2021	2020
Expenses relating to short-term leases	\$ 629	\$ -
Expenses relating to low-value asset leases	\$ 2	\$ 1
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ 5,800	\$ 6,300
Total cash outflow for leases	\$ 46,487	\$ 45,973

## 12. INTANGIBLE ASSETS

	June 30, 2021	December 31, 2020	June 30, 2020
Computer software	\$ 13,549	\$ 9,096	\$ 7,204
Technology license fees	-	-	-
Technical expertise	-	-	-
	<u>\$ 13,549</u>	<u>\$ 9,096</u>	<u>\$ 7,204</u>

	Technology License Fee	Technical Expertise	Computer Software	Total
<u>Cost</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 151,210	\$ 368,140
Additions	-	-	9,225	9,225
Disposals	-	-	-	-
Balance at June 30, 2021	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 160,435</u>	<u>\$ 377,365</u>

(Continued)

	<b>Technology License Fee</b>	<b>Technical Expertise</b>	<b>Computer Software</b>	<b>Total</b>
<u>Accumulated amortization</u>				
Balance at January 1, 2021	\$ 114,930	\$ 102,000	\$ 142,114	\$ 359,044
Additions	-	-	4,772	4,772
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 146,886</u>	<u>\$ 363,816</u>
Carrying amount at June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,549</u>	<u>\$ 13,549</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 114,930	\$ 102,000	\$ 146,200	\$ 363,130
Additions	-	-	-	-
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 146,200</u>	<u>\$ 363,130</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2020	\$ 114,930	\$ 102,000	\$ 135,948	\$ 352,878
Additions	-	-	3,048	3,048
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2020	<u>\$ 114,930</u>	<u>\$ 102,000</u>	<u>\$ 138,996</u>	<u>\$ 355,926</u>
Carrying amount at June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,204</u>	<u>\$ 7,204</u> (Concluded)

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

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

### 13. LONG-TERM BORROWINGS

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
<u>Unsecured borrowings</u>			
Bank loans	\$ 3,210,000	\$ 2,000,000	\$ -
Less: Discounts on government grants	<u>(38,669)</u>	<u>(32,389)</u>	<u>-</u>
	<u>\$ 3,171,331</u>	<u>\$ 1,967,611</u>	<u>\$ -</u>

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

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

As of June 30, 2021, the Company acquired preferential interest rate loan subsidized by the government of \$3,210,000 thousand, and the loan proceeds are used to fund qualifying capital expenditure. Such loans are due in March 2026. 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 \$3,163,136 thousand on initial recognition. The difference of \$46,864 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 six months ended June 30, 2021 and 2020, the amount offset against interest expense was \$6,301 thousand and nil, respectively.

Under bank loan agreements, the Company has to meet certain financial covenants and criteria. As of June 30, 2021, such financial covenants were not breached.

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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Current</u>			
Accrued expenses			
Payables for salaries or bonuses	\$ 122,565	\$ 251,713	\$ 135,042
Insurance payables	45,338	39,418	27,274
Utilities payables	33,687	31,785	14,949
Others	<u>137,184</u>	<u>138,594</u>	<u>125,612</u>
	<u>338,774</u>	<u>461,510</u>	<u>302,877</u>
Other current liabilities			
Refund liabilities	34,864	61,819	37,066
Others	<u>4,668</u>	<u>3,945</u>	<u>6,793</u>
	<u>39,532</u>	<u>65,764</u>	<u>43,859</u>
	<u>\$ 378,306</u>	<u>\$ 527,274</u>	<u>\$ 346,736</u>

#### 15. RETIREMENT BENEFIT PLANS

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

## 16. EQUITY

### a. Capital stock

	June 30, 2021	December 31, 2020	June 30, 2020
Authorized stock (in thousands)	400,000	400,000	400,000
Authorized capital	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Issued and paid stock (in thousands)	291,153	291,153	291,153
Issued capital	<u>\$ 2,911,531</u>	<u>\$ 2,911,531</u>	<u>\$ 2,911,531</u>

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

### b. Capital surplus

	June 30, 2021	December 31, 2020	June 30, 2020
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	\$ 680,813
Donations	12,893	12,893	12,893
<u>May only be used to offset a deficit</u>			
Donation from shareholders	356	356	151
<u>May not be used for any purpose</u>			
Compensation cost of employee share options	<u>12,856</u>	<u>9,431</u>	<u>5,805</u>
	<u>\$ 706,918</u>	<u>\$ 703,493</u>	<u>\$ 699,662</u>

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

### c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles, where the Company made profit in a fiscal year, when allocating earnings, the Company shall first estimate and reserve the taxes to be paid, offset its losses, set aside a legal capital reserve at 10% of the remaining earnings (until the accumulated legal capital reserve equals the Company's paid-in capital), and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

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

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 appropriation of earnings for 2020 and 2019, which were approved in the shareholders' meetings on July 22, 2021 and June 19, 2020, respectively, were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Legal reserve	<u>\$ 209,054</u>	<u>\$ 61,384</u>
Cash dividends to shareholders	<u>\$ 582,306</u>	<u>\$ -</u>
Cash dividends per share (NT\$)	<u>\$ 2.0</u>	<u>\$ -</u>

## 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

<b>Production</b>	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Color filter and optical coating manufacturing	\$ 3,732,115	\$ 3,356,861
Others	<u>59,615</u>	<u>54,876</u>
	<u>\$ 3,791,730</u>	<u>\$ 3,411,737</u>

  

<b>Region</b>	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Asia	\$ 3,190,581	\$ 2,775,972
Taiwan	570,208	596,274
Europe	19,480	33,337
United States	<u>11,461</u>	<u>6,154</u>
	<u>\$ 3,791,730</u>	<u>\$ 3,411,737</u>

### c. Contract balances

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Contract assets	<u>\$ 265,373</u>	<u>\$ 137,376</u>	<u>\$ 177,461</u>
Contract liabilities	<u>\$ 3,222</u>	<u>\$ 5,823</u>	<u>\$ 3,552</u>

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 \$4,322 thousand and \$1,396 thousand for the six months ended June 30, 2021 and 2020, 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 \$(21,976) thousand and \$(6,302) thousand for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the aforementioned refund liabilities amounted to \$34,864 thousand and \$37,066 thousand, respectively, which were classified under accrued expenses and other current liabilities.

## 18. NET PROFIT

a. Other operating income and expenses

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Rental income - related party	\$ 14,976	\$ 23,503
Others	<u>(426)</u>	<u>(2,227)</u>
	<u>\$ 14,550</u>	<u>\$ 21,276</u>

b. Interest income

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Bank deposits	<u>\$ 3,327</u>	<u>\$ 9,228</u>

c. Other gains and losses

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Gain (loss) on financial instruments at FVTPL	\$ 3,483	\$ 9,623
Others	<u>(585)</u>	<u>(95)</u>
	<u>\$ 2,898</u>	<u>\$ 9,528</u>

d. Depreciation and amortization

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
An analysis of depreciation by function		
Operating costs	\$ 775,223	\$ 272,414
Operating expenses	34,955	4,958
Other operating income and expenses	<u>426</u>	<u>2,227</u>
	<u>\$ 810,604</u>	<u>\$ 279,599</u>
An analysis of amortization by function		
Operating costs	\$ 2,630	\$ 1,626
General and administrative expenses	<u>2,142</u>	<u>1,422</u>
	<u>\$ 4,772</u>	<u>\$ 3,048</u>

e. Finance costs

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Interest expense		
Interest on lease liabilities	\$ 2,510	\$ 2,161
Bank loans	5,505	-
Others	<u>10</u>	<u>15</u>
	8,025	2,176
Less: Amounts included in the cost of qualifying assets	<u>(2,161)</u>	<u>-</u>
	<u>\$ 5,864</u>	<u>\$ 2,176</u>

Information about capitalized interest is as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Capitalized interest amount	\$ 2,161	\$ -
Capitalized rate	0.57%	-

f. Employee benefits expense

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Post-employment benefits (Note 15)		
Defined contribution plan	\$ 25,543	\$ 19,837
Share-based payments		
Equity-settled	3,426	2,987
Other employee benefits	<u>878,643</u>	<u>854,413</u>
Total employee benefits expense	<u>\$ 907,612</u>	<u>\$ 877,237</u>

(Continued)

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 680,067	\$ 687,639
Operating expenses	<u>227,545</u>	<u>189,598</u>
	<u>\$ 907,612</u>	<u>\$ 877,237</u>
		(Concluded)

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). The compensation of employees and the remuneration of directors and supervisors for the six months ended June 31, 2021 and 2020 are as follows:

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Compensation of employees	<u>\$ 166,190</u>	<u>\$ 224,914</u>
Remuneration of directors and supervisors	<u>\$ 1,080</u>	<u>\$ -</u>

If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriations of employees' compensation and remuneration of directors and supervisors for 2020 and 2021 that were resolved by the board of directors on March 12, 2021 and March 6, 2020, respectively are \$418,109 thousand and \$122,768, with the amount of \$0 of remuneration of directors and supervisors.

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

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Foreign exchange gains	\$ 48,134	\$ 27,474
Foreign exchange losses	<u>(48,726)</u>	<u>(43,027)</u>
	<u>\$ (592)</u>	<u>\$ (15,553)</u>

## 19. INCOME TAX

- a. Income tax expense consisted of the following:

	For the Six Months Ended June 30	
	2021	2020
Current income tax		
In respect of the current year	\$ 184,605	\$ 271,063
Income tax adjustments on prior years	(2,123)	5,014
Deferred tax		
In respect of the current year	<u>22,601</u>	<u>11,055</u>
Income tax expense recognized in profit or loss	<u>\$ 205,083</u>	<u>\$ 287,132</u>

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. Income tax examination

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

## 20. EARNINGS PER SHARE

	For the Six Months Ended June 30	
	2021	2020
Basic earnings per share	<u>\$ 2.85</u>	<u>\$ 3.86</u>
Diluted earnings per share	<u>\$ 2.73</u>	<u>\$ 3.71</u>

Earnings per share is computed as follows:

	Amounts (Numerator)	Number of Stocks (Denominator) (In Thousands)	Earnings Per Share (NT\$)
<u>For the six months ended June 30, 2021</u>			
Basic EPS			
Net income	\$ 830,949	291,153	<u>\$ 2.85</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>12,933</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	<u>\$ 830,949</u>	<u>304,086</u>	<u>\$ 2.73</u>

(Continued)

	<b>Amounts (Numerator)</b>	<b>Number of Stocks (Denominator) (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the six months ended June 30, 2020</u>			
Basic EPS			
Net income	\$ 1,123,460	291,153	\$ <u>3.86</u>
Effect of potentially dilutive common stock	<u>-</u>	<u>11,991</u>	
Diluted EPS			
Net income available to common shareholders plus effect of potentially dilutive common stock	\$ <u>1,123,460</u>	<u>303,144</u>	\$ <u>3.71</u> (Concluded)

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:

	<b>For the Six Months Ended June 30</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	5,780	\$ 20	5,392	\$ 20
Options granted	-	20	460	20
Options forfeited	<u>(24)</u>	-	<u>-</u>	-
Balance at June 30	<u>5,756</u>	20	<u>5,852</u>	20
Options exercisable, end of the year	<u>-</u>		<u>-</u>	
Weighted-average fair value of options granted (\$)	<u>3.69</u>		<u>3.71</u>	

Information on outstanding options was as follows:

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Range of exercise price (\$)	\$ 20	\$ 20
Weighted-average remaining contractual life (in years)	4.06	5.06

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

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

Compensation costs recognized were \$3,425 thousand and \$2,987 thousand for the six months ended June 30, 2021 and 2020, respectively.

## 22. CASH FLOW INFORMATION

### a. Non-cash transactions

	<b>For the Six Months Ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Additions of property, plant and equipment	\$ 2,303,584	\$ 2,513,857
Changes in payables for purchases of equipment	<u>279,057</u>	<u>(861,991)</u>
Payments for acquisition of property, plant and equipment	<u>\$ 2,582,641</u>	<u>\$ 1,651,866</u>

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

	<b>Balance as of January 1, 2021</b>	<b>Financing Cash Flow</b>	<b>Non-cash changes</b>			<b>Balance as of June 30, 2021</b>
			<b>Foreign Exchange Movement</b>	<b>Leases Modifications</b>	<b>Other Changes (Note)</b>	
Guarantee deposits	\$ 5,069	\$ -	\$ -	\$ -	\$ -	\$ 5,069
Lease liabilities	322,540	(40,056)	-	-	5,144	287,628
Long-term borrowings	<u>1,967,611</u>	<u>1,210,000</u>	<u>-</u>	<u>-</u>	<u>(6,280)</u>	<u>3,171,331</u>
Total	<u>\$ 2,295,220</u>	<u>\$ 1,169,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,136)</u>	<u>\$ 3,464,028</u>

  

	<b>Balance as of January 1, 2020</b>	<b>Financing Cash Flow</b>	<b>Non-cash changes</b>			<b>Balance as of June 30, 2020</b>
			<b>Foreign Exchange Movement</b>	<b>Leases Modifications</b>	<b>Other Changes (Note)</b>	
Guarantee deposits	\$ 4,532	\$ 750	\$ -	\$ -	\$ -	\$ 5,282
Lease liabilities	<u>221,549</u>	<u>(39,672)</u>	<u>-</u>	<u>-</u>	<u>50,373</u>	<u>232,250</u>
Total	<u>\$ 226,081</u>	<u>\$ (38,922)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,373</u>	<u>\$ 237,532</u>

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

##### June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 882	\$ -	\$ 882
Financial liabilities at FVTPL				
Derivatives financial liabilities	\$ -	\$ 5,351	\$ -	\$ 5,351

##### 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

##### June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 9,670	\$ -	\$ 9,670
Financial liabilities at FVTPL				
Derivatives financial liabilities	\$ -	\$ 17	\$ -	\$ 17

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2021 and 2020.

The Company did not acquire or dispose of financial assets measured at fair value in Level 3 for the six months ended June 30, 2021 and 2020.

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

	June 30, 2021	December 31, 2020	June 30, 2020
<u>Financial assets</u>			
FVTPL			
Held for trading	\$ 882	\$ 9,128	\$ 9,670
Amortized cost (1)	3,440,041	3,488,916	4,074,043
<u>Financial liabilities</u>			
FVTPL			
Held for trading	5,351	29	17
Amortized cost (2)	3,902,448	2,946,438	1,374,918

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

The sensitivity analysis of foreign currency exchange rate risk is based on the unfavorable impact of foreign currency monetary items, including cash, accounts receivable, other receivables, accounts payable and other payables, as of the end of the reporting period. If the unfavorable change in foreign currencies reaches 5%, the Company's net income will decrease by \$73,513 thousand and \$42,984 thousand in June 2021 and June 2020, 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:

	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Fair value interest rate risk			
Financial assets	\$ 1,346,377	\$ 1,327,232	\$ 1,883,312
Cash flow interest rate risk			
Financial assets	909,724	1,230,404	1,310,132
Financial liabilities	3,171,331	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 June 30, 2021, December 31, 2020 and June 30, 2020, the Company's ten largest customers accounted for 90%, 92% and 90% 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.

#### June 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 304,144	\$ 158,043	\$ 263,343	\$ 5,069
Lease liabilities	6,733	13,548	60,967	235,737
Long-term borrowings	<u>1,150</u>	<u>2,561</u>	<u>11,434</u>	<u>3,240,561</u>
	<u>\$ 312,027</u>	<u>\$ 174,152</u>	<u>\$ 335,744</u>	<u>\$ 3,481,367</u>

#### December 31, 2020

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

June 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 93,775	\$ 302,151	\$ 1,005,380	\$ 5,282
Lease liabilities	<u>6,676</u>	<u>13,352</u>	<u>22,283</u>	<u>222,514</u>
	<u>\$ 100,451</u>	<u>\$ 315,503</u>	<u>\$ 1,027,663</u>	<u>\$ 227,796</u>

Additional information about the maturity analysis for lease liabilities:

June 30, 2021

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 171,028</u>	<u>\$ 76,556</u>	<u>\$ 55,308</u>	<u>\$ 12,812</u>	<u>\$ 1,281</u>

December 31, 2020

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 200,756</u>	<u>\$ 76,556</u>	<u>\$ 61,683</u>	<u>\$ 12,812</u>	<u>\$ 2,562</u>

June 30, 2020

	<b>Less than 5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
Lease liabilities	<u>\$ 103,556</u>	<u>\$ 76,556</u>	<u>\$ 68,057</u>	<u>\$ 12,812</u>	<u>\$ 3,844</u>

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

June 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 557,265	\$ 916,318	\$ -	\$ -	\$ -
Outflows	<u>(557,780)</u>	<u>(920,337)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ (515)</u>	<u>\$ (4,019)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2020

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

June 30, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 626,535	\$ 251,171	\$ -	\$ -	\$ -
Outflows	<u>(618,009)</u>	<u>(250,147)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,526</u>	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## 25. TRANSACTIONS WITH RELATED PARTIES

The Company's parent company is Taiwan Semiconductor Manufacturing Company (TSMC), which held 73.37% and 86.94% of the ordinary shares of the Company on June 30, 2021 and 2020, respectively.

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

a. Related party name and category

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

b. Sales of goods

	<b>For the Six Months Ended June 30</b>	
<b>Related Party Category/Name</b>	<b>2021</b>	<b>2020</b>
Xintec	\$ 330,821	\$ 389,526
Others	<u>3,319</u>	<u>5,804</u>
	<u>\$ 334,140</u>	<u>\$ 395,330</u>

c. Purchases of goods

Related Party Category/Name	For the Six Months Ended June 30	
	2021	2020
<u>For manufacturing</u>		
TSMC	\$ <u>3,072</u>	\$ <u>518</u>
<u>For researching and developing</u>		
TSMC	\$ <u>7,683</u>	\$ <u>10,211</u>

d. Rental income

Related Party Category/Name	For the Six Months Ended June 30	
	2021	2020
GUC	\$ 13,411	\$ 12,885
TSMC	<u>1,565</u>	<u>10,618</u>
	\$ <u>14,976</u>	\$ <u>23,503</u>

e. Manufacturing expense

Related Party Category/Name	For the Six Months Ended June 30	
	2021	2020
Xintec	\$ <u>5,800</u>	\$ <u>6,300</u>

f. Interest expense

Related Party Category/Name	For the Six Months Ended June 30	
	2021	2020
Xintec	\$ 593	\$ 321
Others	<u>11</u>	<u>15</u>
	\$ <u>604</u>	\$ <u>336</u>

g. Contract assets

Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
Xintec	\$ <u>2,744</u>	\$ <u>1,964</u>	\$ <u>2,196</u>

h. Receivables from related parties

<b>Related Party Category/Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Xinte	\$ 108,907	\$ 187,488	\$ 99,134
Others	<u>2,297</u>	<u>1,028</u>	<u>2,472</u>
	<u>\$ 111,204</u>	<u>\$ 188,516</u>	<u>\$ 101,606</u>

i. Other Receivables

<b>Related Party Category/Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
TSMC	<u>\$ -</u>	<u>\$ 1,643</u>	<u>\$ 1,685</u>

j. Expenses payable and other current liabilities

<b>Related Party Category/Name</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
TSMC	\$ 5,125	\$ 1,539	\$ 4,156
Others	<u>-</u>	<u>-</u>	<u>52</u>
	<u>\$ 5,125</u>	<u>\$ 1,539</u>	<u>\$ 4,208</u>

k. 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.

Line Item	Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities	Xintec	<u>\$ 91,081</u>	<u>\$122,888</u>	<u>\$ 26,916</u>
		For the Six Months Ended June 30		
Related Party Category/Name		2021	2020	
<u>Interest expense</u>				
Xintec			<u>\$ 593</u>	<u>\$ 321</u>
<u>Lease expense</u>				
Xintec			\$ 5,800	\$ 6,300

l. Deposit guarantee

Related Party Category/Name	June 30, 2021	December 31, 2020	June 30, 2020
GUC	\$ 2,832	\$ 2,832	\$ 2,832
Others	<u>6</u>	<u>6</u>	<u>6</u>
	<u>\$ 2,838</u>	<u>\$ 2,838</u>	<u>\$ 2,838</u>

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

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

For the six months ended June 30, 2021 and 2020, no impairment loss was recognized for contract assets from related parties.

m. Remuneration of key management personnel

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

	For the Six Months Ended June 30	
	2021	2020
Short-term employee benefits	\$ 16,802	\$ 23,019
Post-employment benefits	<u>337</u>	<u>1,225</u>
	<u>\$ 17,139</u>	<u>\$ 24,244</u>

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 June 30, 2021, December 31, 2020 and June 30, 2020, the Company provided certificate of deposits amounted to \$20,311 thousand, \$20,311 thousand and \$20,312 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 June 30, 2021, December 31 and June 30, 2020 were as follows:

a. Unrecognized commitments

	June 30, 2021	December 31, 2020	June 30, 2020
Acquisition of property, plant and equipment	<u>\$ 3,069,396</u>	<u>\$ 3,267,400</u>	<u>\$ -</u>

## 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:

June 30, 2021

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 56,101	27.889
JPY	246,129	0.2526
EUR	562	33.219

Financial liabilities

Monetary items		
USD	3,244	27.889
JPY	259,282	0.2526
EUR	578	33.219

December 31, 2020

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
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

June 30, 2020

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate (Note)</b>
<u>Financial assets</u>		
Monetary items		
USD	\$ 44,161	29.429
JPY	1,851,258	0.2731
EUR	290	33.108

Financial liabilities

Monetary items		
USD	13,966	29.429
JPY	1,953,764	0.2731
EUR	318	33.108

Note: Please refer to Note 18 for foreign exchange gain and loss for the six months ended June 30, 2021 and 2020. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

## 29. OPERATING SEGMENT INFORMATION

### a. Operating segments, segment revenue and operating results

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

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

## 30. ADDITIONAL DISCLOSURES

### a. Significant transactions

- 1) Financing provided to others. (None)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held. (None)
- 4) Marketable securities acquired 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. (None)

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

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

**TABLE 1**

**VISERA TECHNOLOGIES COMPANY LTD.**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2021  
(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	\$ 330,821	9	60 days after monthly closing	Note 25	Note 25	\$ 108,907	9	-

**TABLE 2**

**VISERA TECHNOLOGIES COMPANY LTD.**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
JUNE 30, 2021**

**(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	\$ 108,907	4.46	\$ -	-	\$ 36,089	\$ -

**VISERA TECHNOLOGIES COMPANY LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS**

**JUNE 30, 2021**

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

Shareholders	Shares	
	Total Shares Owned	Ownership Percentage
TSMC	213,619,000	73.37%