Formosa Optical Technology Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

FORMOSA OPTICAL TECHNOLOGY CORPORATION

By

KUO-CHOU TSAI
Chairman

March 26, 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Formosa Optical Technology Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

For the year ended December 31, 2020, the key audit matters of the Group's consolidated financial statements were as follows:

Allowance for Inventory Loss

Management's assessment of the net realizable value of inventory involves significant judgments, in particular, the estimation of the allowance for inventory loss. Therefore, we considered the estimation of allowance for inventory loss to be a key audit matter.

Our audit procedures performed in respect of the net realizable value of inventories were as follows:

1. We obtained an understanding of the Group's business and industry and the design and implementation of controls over normal and slow moving inventories, and evaluated the effectiveness of relevant internal controls.

2. We tested the ending balance of the carrying amount of inventory through sampling and recalculating the latest purchases and sales records, verified the calculation of inventory based on the lower of cost, and tested the accuracy of the net realizable value of inventory at the end of the period.

3. We obtained the inventory aging report, participated in the year-end inventory inspection, and evaluated the reasonableness of the estimated loss allowance for obsolete and damaged inventories.

Refer to Notes 4, 5 and 11 for accounting policies, critical accounting judgments, estimates, and assumption uncertainties related to impairment loss of inventory.

Allowance for Sales Returns and Discounts from Equity-Method Investments

Among the investments accounted for using the equity method, portion of the revenue is based on contractual agreements, in which sales returns and discounts to customers are recognized as a deduction in the share of profit of associates accounted for using the equity method. Since the accuracy of revenue recognized from the share of profit of associates accounted for using the equity method was significant to the consolidated financial statements as a whole, the recognition of revenue from equity-method investments was identified as one of the key audit matters.

Our main audit procedures performed in respect of the recognition of sales returns and discounts were as follows:

1. We communicated with the audit team to obtain an understanding and assessed the reasonableness of the investees' revenue recognition procedures, and evaluated the effectiveness of relevant controls over sales and collection cycle.

2. We also performed the test of controls for relevant sales contracts and documents, and conducted analytical procedures for major changes in customer's transactions and revenue by product.

3. We performed sampling tests on sales transactions before and after year end to verify that revenue was recognized in the proper period and that revenue and sales returns and allowances were recorded according to relevant IAS regulations.

Other Matter

We have also audited the parent company only financial statements of Formosa Optical Technology Corporation as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 consolidated financial statements.

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Tsai-Cheng Tsai and Yung-Hsiang Chao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

<u>*Notice to Readers*</u>

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 audit such consolidated financial statements are those generally applied in the Republic of China.

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020		2019	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 201,825	4	$ 291,539	6
Financial assets at fair value through profit or loss - current (Note 7)	50,090	1	53,018	1
Financial assets at fair value through other comprehensive income - current (Notes 8 and 28)	78,131	1	67,606	1
Financial assets at amortized cost - current (Note 9)	19,000	-	-	-
Trade receivables, net (Note 10)	15,619	-	19,422	-
Other receivables (Note 27)	36,011	1	29,918	1
Inventories, net (Notes 5 and 11)	606,517	11	609,240	11
Prepayments	23,579	-	27,017	1
Total current assets	1,030,772	18	1,097,760	21
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income-non-current (Note 8)	91,457	2	98,438	2
Financial assets at amortized cost - non- current (Note 9)	158,519	3	-	-
Investments accounted for using the equity method (Notes 5 and 13)	2,245,526	40	2,103,013	39
Property, plant and equipment, net (Notes 14 and 22)	1,146,999	20	1,055,254	20
Right-of-use assets (Note 15)	796,504	14	789,150	15
Investment properties, net (Notes 16 and 28)	80,333	2	81,296	2
Intangible assets, net	17,303	-	15,377	-
Deferred tax assets (Note 23)	12,540	-	11,932	-
Refundable deposits (Note 15)	75,572	1	76,198	1
Net defined benefit assets - non-current (Note 19)	12,399	-	8,703	-
Total non-current assets	4,637,152	82	4,239,361	79
TOTAL	$ 5,667,924	100	$ 5,337,121	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 313,500	6	$ 102,400	2
Notes payable to unrelated parties	25,068	-	35,938	1
Notes payable to related parties (Note 27)	410,321	7	431,360	8
Trade payables to unrelated parties	70,365	1	50,973	1
Trade payables to related parties (Note 27)	1,058	-	-	-
Other payables (Notes 18 and 27)	333,371	6	318,001	6
Current tax liabilities (Note 23)	10,735	-	12,520	-
Lease liabilities - current (Note 15)	254,878	4	272,617	5
Current portion of long-term borrowings (Note 17)	33,796	1	26,629	-
Other current liabilities	35,567	1	31,949	1
Total current liabilities	1,488,659	26	1,282,387	24
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	442,948	8	447,190	8
Provisions - non-current	12,670	-	10,803	-
Deferred tax liabilities (Note 23)	319,777	6	293,875	5
Lease liabilities - non-current (Note 15)	547,102	10	523,745	10
Other non-current liabilities (Note 18)	250,275	4	243,536	5
Total non-current liabilities	1,572,772	28	1,519,149	28
Total liabilities	3,061,431	54	2,801,536	52
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Ordinary shares	600,599	11	600,599	11
Capital surplus	483,469	9	483,457	9
Retained earnings				
Legal reserve	423,671	7	382,032	7
Special reserve	242,569	4	207,685	4
Unappropriated earnings	1,105,002	20	1,095,423	21
Total retained earnings	1,771,242	31	1,685,140	32
Other equity	(254,666)	(5)	(242,569)	(4)
Total equity attributable to owners of the Company	2,600,644	46	2,526,627	48
NON-CONTROLLING INTERESTS	5,849	-	8,958	-
Total equity	2,606,493	46	2,535,585	48
TOTAL	$ 5,667,924	100	$ 5,337,121	100

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 21)	$ 3,062,038	100	$ 3,216,310	100
COST OF GOODS SOLD (Notes 11 and 27)	(1,227,938)	(40)	(1,341,781)	(42)
GROSS PROFIT	1,834,100	60	1,874,529	58
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	(1,597,963)	(52)	(1,609,695)	(50)
General and administrative expenses	(110,573)	(4)	(98,789)	(3)
Reversal of expected credit loss	485	-	-	-
Total operating expenses	(1,708,051)	(56)	(1,708,484)	(53)
PROFIT FROM OPERATION	126,049	4	166,045	5
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 22)	12,824	1	13,203	-
Other income (Notes 22 and 27)	64,281	2	49,916	2
Other gains and losses (Note 22)	7,417	-	5,164	-
Finance costs (Note 22)	(20,831)	(1)	(19,757)	(1)
Share of profit of associates	182,825	6	227,622	7
Total non-operating income and expenses	246,516	8	276,148	8
PROFIT BEFORE INCOME TAX	372,565	12	442,193	13
INCOME TAX EXPENSE (Note 23)	(67,353)	(2)	(65,281)	(2)
NET PROFIT FOR THE YEAR	305,212	10	376,912	11
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	2,182	-	1,698	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(11,382)	-	55,531	2
Share of the other comprehensive income (loss) of associates accounted for using the equity method	151	-	(40)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	(436)	-	(340)	-
	(9,485)	-	56,849	2

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FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	**%**	**Amount**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of foreign operations	$ (2,443)	-	$ (151,812)	(5)
Share of the other comprehensive income of associates for using the equity method	21,644	-	70,691	2
Income tax related to items that may be reclassified subsequently to profit or loss	(3,792)	-	16,264	1
	15,409	-	(64,857)	(2)
Other comprehensive income (loss) for the year, net of income tax	5,924	-	(8,008)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 311,136	10	$ 368,904	11
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 308,321	10	$ 379,052	12
Non-controlling interests	(3,109)	-	(2,140)	-
	$ 305,212	10	$ 376,912	12
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 314,245	10	$ 371,044	11
Non-controlling interests	(3,109)	-	(2,140)	-
	$ 311,136	10	$ 368,904	11
EARNINGS PER SHARE (Note 24)				
Basic	$ 5.13		$ 6.31	
Diluted	$ 5.12		$ 6.29	

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
							Other Equity				
	Issue of Share Capital			Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019	60,060	$ 600,599	$ 483,443	$ 356,680	$ 113,739	$ 1,026,561	$ (85,518)	$ (122,167)	$ 2,373,337	$ 11,098	$ 2,384,435
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(7,282)	-	-	(7,282)	-	(7,282)
BALANCE AT JANUARY 1, 2019 AS RESTATED	60,060	600,599	483,443	356,680	113,739	1,019,279	(85,518)	(122,167)	2,366,055	11,098	2,377,153
Appropriation of the 2018 earnings											
Legal reserve	-	-	-	25,352	-	(25,352)	-	-	-	-	-
Special reserve	-	-	-	-	93,946	(93,946)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(228,228)	-	-	(228,228)	-	(228,228)
Other changes in capital surplus											
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	14	-	-	17,742	-	-	17,756	-	17,756
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	379,052	-	-	379,052	(2,140)	376,912
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	1,318	(65,055)	55,729	(8,008)	-	(8,008)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	380,370	(65,055)	55,729	371,044	(2,140)	368,904
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	25,558	-	(25,558)	-	-	-
BALANCE AT DECEMBER 31, 2019	60,060	600,599	483,457	382,032	207,685	1,095,423	(150,573)	(91,996)	2,526,627	8,958	2,535,585
Appropriation of the 2019 earnings											
Legal reserve	-	-	-	41,639	-	(41,639)	-	-	-	-	-
Special reserve	-	-	-	-	34,884	(34,884)	-	-	-	-	-
Cash dividends	-	-	-	-	-	(240,240)	-	-	(240,240)	-	(240,240)
Other changes in capital surplus											
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	12	-	-	-	-	-	12	-	12
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	-	308,321	-	-	308,321	(3,109)	305,212
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	1,897	15,169	(11,142)	5,924	-	5,924
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	310,218	15,169	(11,142)	314,245	(3,109)	311,136
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	16,124	-	(16,124)	-	-	-
BALANCE AT DECEMBER 31, 2020	60,060	$ 600,599	$ 483,469	$ 423,671	$ 242,569	$ 1,105,002	$ (135,404)	$ (119,262)	$ 2,600,644	$ 5,849	$ 2,606,493

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 372,565	$ 442,193
Adjustments for:		
Expected credit loss reversed on trade receivables	(485)	-
Depreciation expense	439,192	424,869
Amortization expense	9,559	5,720
Finance costs	20,831	19,757
Share of profit of associates	(182,825)	(227,622)
Interest income	(12,824)	(13,203)
Net loss on disposal of inventories	13,160	14,115
Gain on disposal of property, plant and equipment	2,159	(187)
Gain on disposal of investments accounted for using the equity method	(1,784)	(1,029)
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(11,179)	(190)
Gain on lease modification	(4,873)	(2,226)
Changes in operating assets and liabilities		
Notes receivable	-	16
Trade receivables	4,288	15,523
Other receivables	(6,093)	(2,476)
Inventories	(10,437)	(69,370)
Net defined benefit assets - non-current	(1,514)	(2,645)
Prepayments	3,438	1,950
Notes payable	(31,909)	(1,200)
Trade payables	20,450	1,779
Other payables	15,434	14,023
Provisions	-	(510)
Other current liabilities	3,618	(12,609)
Cash generated from operations	640,771	606,678
Interest received	12,824	13,203
Dividends received	57,276	98,306
Interest paid	(20,440)	(19,337)
Income tax paid	(48,074)	(74,659)
Net cash generated from operating activities	642,357	624,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(49,996)	(34,280)
Proceeds from sale of financial assets at fair value through other comprehensive income	35,069	139,016
Purchase of financial assets at amortized cost	(177,519)	(9,331)
Proceeds from sale of financial assets at amortized cost	-	118,190
Purchase of financial assets at fair value through profit or loss	(405,990)	(368,000)

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FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	2020	2019
Proceeds from sale of financial assets at fair value through profit or loss	$ 420,097	$ 315,172
Proceeds from sale of investments accounted for using the equity	6,690	3,485
Payments for property, plant and equipment	(216,401)	(139,542)
Proceeds from disposal of property, plant and equipment	3,247	615
Decrease in refundable deposits	626	487
Payments for intangible assets	(11,485)	(10,451)
Payments for investment properties	-	(36)
Net cash (used in) generated from investing activities	(395,662)	15,325
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	211,100	87,900
Proceeds from long-term borrowings	30,000	-
Repayments of long-term borrowings	(27,075)	(103,762)
Repayment of the principal portion of lease liabilities	(314,430)	(312,057)
Proceeds from (refund of) guarantee deposits received	6,739	(7,706)
Cash dividends	(240,240)	(228,228)
Net cash used in financing activities	(333,906)	(563,853)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(2,503)	(8,286)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(89,714)	67,377
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	291,539	224,162
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 201,825	$ 291,539

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

1. GENERAL INFORMATION

Formosa Optical Technology Corporation (the "Company") was established in November 1989, and is mainly engaged in eyewear business. The Company's shares have been listed on the Taipei Exchange (TPEx) Mainboard since May 1996.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors for issue on March 24, 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)

   Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   1) Amendments to IAS 1 and IAS 8 "Definition of Material"

      The Group adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to "could reasonably be expected to influence". Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

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

      The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Group shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

      The Group applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

2) Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

3) Amendments to IAS 8 "Definition of Accounting Estimates"

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These consolidated 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.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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:

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

2) 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

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) 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:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 4 for detailed information on the subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group, transactions in currencies other than the entity's functional currency (i.e., 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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 from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from 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 a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Group (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

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

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. 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.

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

j. Intangible assets

1) 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 estimates accounted for on a prospective basis.

2) 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.

k. Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group 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 such assets 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 Group 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.

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 reversed, the carrying amount of the asset or cash-generating unit 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 for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 an 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26: Financial Instruments.

ii. Financial assets at amortized cost

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

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

ii) The contractual terms of the financial asset 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 and trade receivables, at amortized cost, 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, 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.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost including trade receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group 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 Group 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 a 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.

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 Group 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. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group 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 Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

m. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of optical glasses. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

o. Leases

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group 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 any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated 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.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee’s incremental borrowing rate.

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, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially the less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

p. Employee benefits

1) 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.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

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

1) Current tax

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings 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.

2) Deferred tax

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 and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profit 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

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 Group’s accounting policies, management is required to make judgments, estimates 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 Group 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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Allowance for inventory valuation losses

We evaluated the ending balance of inventory’s net reliable value with the lower of cost or net realizable value method. The Group assesses the amount of inventory obsolescence or no market sales value at the end of the financial reporting period and reduces the inventory cost to the net realizable value. This inventory assessment is based primarily on the estimated product demand for a specific period of time in the future and may result in significant changes.

b. Share of profit of associates-allowance for sales returns and discounts from equity-method investments

The associates are required to provide sales discounts and returns based on the contractual arrangements with the customers. In making such judgments, management needs to consider whether sales discounts, returns and allowances meet the contract agreements. Provision for liabilities, as these assessments are based on management’s assessment and judgment of contracts for different customers based on current sales, may affect the results of the estimates.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	$ 14,443	$ 13,618
Checking accounts and demand deposits	187,382	76,721
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	-	201,200
	$ 201,825	$ 291,539

The market rate of cash in banks was 1.95% as of December 31, 2019.

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2020	2019
Financial assets at fair value through profit or loss (FVTPL) - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 50,090	$ 53,108

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2020	2019
Current		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares and emerging market shares - ordinary shares	$ -	$ 34,726
Listed shares and emerging market shares - preferred shares	78,131	32,880
	$ 78,131	$ 67,606
Non-current		
Investments in equity instruments at FVTOCI		
Domestic investments		
Unlisted ordinary shares	$ 91,457	$ 98,438

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI.

The Group sold its investments to diversify risks in 2020, and transferred unrealized gain on financial assets at FVTOCI of $16,124 thousand from other equity to retained earnings.

Refer to Note 28 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2020	2019
Current		
Domestic investments		
Time deposits with original maturity of more than 3 months	$ 19,000	$ -
Non-current		
Repatriated offshore funds	$ 158,159	$ -

The repatriated offshore funds were restricted for use due to the regulations on the management and application of repatriated offshore funds and taxation, and classified as financial assets at amortized cost - non-current.

10. TRADE RECEIVABLES

	December 31	
	2020	2019
Trade receivables		
At amortized cost		
Gross carrying amount	$ 15,727	$ 20,015
Less: Allowance for impairment loss	(108)	(593)
	$ 15,619	$ 19,422

The primary trade receivables were receivables of credit cards from National Credit Card Center of the ROC., CTBC Bank Co., Ltd., department stores and malls. The Group adopted a policy of only dealing with entities that are rated the equivalents of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

In order to minimize the credit risk, the management of the Group has regularly evaluated for credits approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group’s credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by FIRS 9, which permits the use of lifetime expected loss provisions for all trade receivables.

The aging of receivables was as follows:

	December 31	
	2020	2019
0-30 days	$ 10,401	$ 12,705
31-60 days	5,234	6,805
61-90 days	92	505
	$ 15,727	$ 20,015

Movements in allowances of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2020	2019
Balance at January 1	$ 593	$ 593
Less: Net remeasurement of loss allowance	(485)	-
Balance at December 31	$ 108	$ 593

11. INVENTORIES, NET

	December 31	
	2020	2019
Merchandise	$ 606,517	$ 609,240

The cost of goods sold included the reversal of write-down and disposal of inventory as follows:

	For the Year Ended December 31	
	2020	2019
Reversal of inventory write-down	$ (6,632)	$ (271)
Loss on scrap and physical inventories	13,160	14,115

Previous write-downs were reversed as a result of selling the inventory that had been written down.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

			% of Ownership December 31	
Investor	Investee	Main Business	2020	2019
The Company	New Path International Co., Ltd.	Investment activities	100.00	100.00
	Milanno Optical Co., Ltd.	Sell optical glasses, frames and eye drops, office machinery and equipment, and retail sale of telecom instruments	100.00	100.00
	Bao Wei Optical Co., Ltd.	Sell optical glasses, frames and eye drops	100.00	100.00
	Bao Xiang Optical Co., Ltd.	Sell optical glasses, frames and eye drops	70.00	70.00

b. Subsidiaries excluded from the consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31	
	2020	**2019**
Material associates		
Polylite Taiwan Co., Ltd.	$ 113,758	$ 124,936
Ginko International Co., Ltd.	2,131,768	1,978,077
	$ 2,245,526	$ 2,103,013

	Proportion of Ownership and Voting Rights	
Name of Associates	**2020**	**2019**
Polylite Taiwan Co., Ltd.	13,44%	13.98%
Ginko International Co., Ltd.	18.39%	18.39%

Refer to Table 4 “Information on Investees” and Table 5 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

The Group cooperated with Ginko International Co., Ltd. to issue an overallotment offering on the mainboard of TPEx in April 2012. The Group sold 292 thousand shares, so the proportion of ownership declined from 21.62% to 18.83%. Since the management considered that the transaction did not have a significant influence on Ginko International Co., Ltd., the investment was accounted for using the equity method.

The Group serves as the director and main legal person shareholder of Polylite Taiwan Co., Ltd. The management of the Company considered the Company as exercising significant influence on Polylite Taiwan Co., Ltd. and, therefore, it was accounted for using the equity method.

The Group disposed of portion of the shares of Polylite Taiwan Co., Ltd. during the year ended December 31, 2020. The profit and loss recognized are as follows:

	For the Year Ended December 31, 2020
Proceeds from sale of investments accounted for using the equity method	$ 6,690
Less: Carrying amount	(4,906)
Gain on disposal of investments accounted for using the equity method	$ 1,784

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

	December 31	
Name of Associate	**2020**	**2019**
Polylite Taiwan Co., Ltd.	$ 120,310	$ 176,641
Ginko International Co., Ltd.	$ 2,606,596	$ 3,604,686

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Polylite Taiwan Co., Ltd.

	December 31	
	2020	**2019**
Current assets	$ 524,815	$ 406,835
Non-current assets	747,661	755,659
Current liabilities	(360,324)	(200,110)
Non-current liabilities	(28,351)	(29,834)
Non-controlling interests	(37,157)	(38,520)
Equity	$ 846,644	$ 894,030
Proportion of the Group's ownership	13.44%	13.98%
Equity attributable to the Group	$ 113,758	$ 124,936
Carrying amount	$ 113,758	$ 124,936

	For the Year Ended December 31	
	2020	**2019**
Operating revenue	$ 445,877	$ 498,931
Net (loss) profit for the year	$ (182)	$ 49,142
Other comprehensive (loss) income	(660)	(631)
Total comprehensive income (loss) for the year	$ (842)	$ 48,511
Dividends received from Polylite Taiwan Co., Ltd.	$ 6,266	$ 13,290

Ginko International Co., Ltd.

	December 31	
	2020	**2019**
Current assets	$ 13,516,681	$ 13,161,204
Non-current assets	8,665,792	9,083,153
Current liabilities	(6,286,655)	(7,798,276)
Non-current liabilities	(4,318,184)	(3,707,461)
Non-controlling interests	13,279	16,639
Equity	$ 11,590,913	$ 10,755,259
Proportion of the Group's ownership	18.39%	18.39%
Equity attributable to the Group	$ 2,131,768	$ 1,978,077
Carrying amount	$ 2,131,768	$ 1,978,077

	For the Year Ended December 31	
	2020	2019
Operating revenue	$ 7,329,725	$ 8,180,183
Net profit for the year	$ 993,776	$ 1,199,556
Other comprehensive loss	119,229	(385,035)
Total comprehensive income for the year	$ 1,113,005	$ 814,521
Dividends received from Ginko International Co., Ltd.	$ 51,010	$ 85,016

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were based on the associates' financial statements which have been audited for the same years.

14. PROPERTY, PLANT AND EQUIPMENT,

	Freehold Land	Buildings	Transportation Equipment	Office Equipment	Decoration Equipment	Leasehold Improvement	Other Equipment	Total
Cost								
Balance at January 1, 2020	$ 288,993	$ 495,066	$ 4,595	$ 464,318	$ 677,838	$ 9,482	$ 361	$ 1,940,653
Additions	-	-	836	118,876	96,479	1,411	211	217,813
Disposals	-	-	-	(14,890)	(26,731)	-	-	(41,621)
Reclassification	-	-	-	4,006	(4,006)	-	-	-
Balance at December 31, 2020	$ 288,993	$ 495,066	$ 5,431	$ 572,310	$ 743,580	$ 10,893	$ 572	$ 2,116,845
Accumulated depreciation								
Balance at January 1, 2020	$ -	$ 43,081	$ 1,430	$ 329,498	$ 508,631	$ 2,626	$ 133	$ 885,399
Depreciation expense	-	11,310	1,052	42,144	65,479	567	110	120,662
Disposals	-	-	-	(12,582)	(23,633)	-	-	(36,215)
Reclassification	-	-	-	200	(200)	-	-	-
Balance at December 31, 2020	$ -	$ 54,391	$ 2,482	$ 359,260	$ 550,277	$ 3,193	$ 243	$ 969,846
Balance at December 31, 2020, net	$ 288,993	$ 440,675	$ 2,949	$ 213,050	$ 193,303	$ 7,700	$ 329	$ 1,146,999
Cost								
Balance at January 1, 2019	$ 288,316	$ 495,304	$ 2,661	$ 443,429	$ 586,845	$ 8,678	$ 194	$ 1,825,427
Additions	677	(238)	2,430	28,698	108,222	804	167	140,760
Disposals	-	-	(496)	(13,175)	(11,863)	-	-	(25,534)
Reclassification	-	-	-	5,366	(5,366)	-	-	-
Balance at December 31, 2019	$ 288,993	$ 495,066	$ 4,595	$ 464,318	$ 677,838	$ 9,482	$ 361	$ 1,940,653
Accumulated depreciation								
Balance at January 1, 2019	$ -	$ 31,795	$ 687	$ 305,808	$ 460,385	$ 2,124	$ 111	$ 800,910
Depreciation expense	-	11,286	879	36,835	60,071	502	22	109,595
Disposals	-	-	(136)	(13,145)	(11,825)	-	-	(25,106)
Reclassification	-	-	-	-	-	-	-	-
Balance at December 31, 2019	$ -	$ 43,081	$ 1,430	$ 329,498	$ 508,631	$ 2,626	$ 133	$ 885,399
Balance at December 31, 2019, net	$ 288,993	$ 451,985	$ 3,165	$ 134,820	$ 169,207	$ 6,856	$ 228	$ 1,055,254

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

Buildings	20-50 years
Office equipment	1-10 years
Transportation equipment	1-5 years
Decoration equipment	1-6 years
Leasehold improvement	10-20 years
Other equipment	5-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2020	2019
Carrying amount	$ 796,504	$ 789,150

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	$ 324,922	$ 370,337
Depreciation charge for right-of-use assets	$ 317,567	$ 314,214

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amount (incremental borrowing rate of 1.39%)		
Current	$ 254,878	$ 272,617
Non-current	$ 547,102	$ 523,745

c. Material lease-in activities and terms (the Group is lessee)

The Group leases buildings for the use of retail stores with lease term of 1 to 12 years. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent. As of December 31, 2020 and 2019, the Group leased part of the warehouse, office and business premises to the lessor, and paid deposits of $75,424 thousand and $76,042 thousand, respectively, which were recognized as refundable deposits.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	$ 1,024	$ 2,009
Total cash outflow for leases	$ 326,780	$ 325,347

16. INVESTMENT PROPERTIES

	Completed Investment Properties
Cost	
Balance at January 1, 2020	$ 98,387
Additions	-
Balance at December 31, 2020	$ 98,387
Accumulated depreciation	
Balance at January 1, 2020	$ 17,091
Depreciation expense	963
Balance at December 31, 2020	$ 18,054
Balance at December 31, 2020, net	$ 80,333
Cost	
Balance at January 1, 2019	$ 98,351
Additions	36
Balance at December 31, 2019	$ 98,387
Accumulated depreciation	
Balance at January 1, 2019	$ 16,031
Depreciation expense	1,060
Balance at December 31, 2019	$ 17,091
Balance at December 31, 2019, net	$ 81,296

The abovementioned investment properties are leased out for 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	55 years
Decoration equipment	8 years
Office equipment	8 years

The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

	December 31	
	2020	2019
Fair value	$ 240,629	$ 221,091

The investment properties pledged as collateral for bank borrowing are set out in Note 28.

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Unsecured borrowings		
Line of credit borrowings	$ 313,500	$ 102,400

The weighted average effective interest rates on bank loans were 0.93%-1.08% and 1.08% per annum as of December 31, 2020 and 2019, respectively.

b. Long-term borrowings

	December 31	
	2020	2019
Secured borrowings (Note 28)		
Bank loans	$ 446,744	$ 473,819
Unsecured borrowings		
Line of credit borrowing	30,000	-
	476,744	473,819
Less: Current portions	(33,796)	(26,629)
Long-term borrowings	$ 442,948	$ 447,190

1) The Group borrowed $525,980 thousand from Taiwan Business Bank which was secured by land and building mortgage guarantee. The loan term is from December 23, 2015 to December 23, 2035. During the first 2 years, the Group paid monthly interest. From the third year, principal with interest will be paid on a monthly basis for 20 years. The effective interest rates were 1.1% and 1.39% per annum as of December 31, 2020 and 2019, respectively.

2) A subsidiary of the Group, Milanno Optical Co., Ltd., borrowed $10,000 thousand under project financing loan from Taipei Fubon Bank in order to maintain its operations, which was secured by credit guarantee. The loan term is from August 27, 2020 to August 27, 2023. After one year from the date of transfer, the principal will be paid equally in 24 installments. The effective interest rate was 0.61% per annum as of December 31, 2020.

3) A subsidiary of the Group, Bao Xiang Optical Co., Ltd., borrowed $20,000 thousand under project financing loan from Taipei Fubon Bank in order to maintain its operations, which was secured by credit guarantee. The loan term is from August 27, 2020 to August 27, 2023. After one year from the date of transfer, the principal will be paid equally in 24 installments. The effective interest rate was 0.61%-0.66% per annum as of December 31, 2020.

18. OTHER LIABILITIES

	December 31	
	2020	2019
Current		
Other payables		
Payables for salaries or bonuses	$ 200,765	$ 205,504
Payables for purchases of equipment	37,242	21,314
Payables for annual leave	17,835	16,037
Payables for business tax	14,222	13,723
Payables for premiums	12,569	12,477
Payables for services	1,490	1,338
Others	49,248	47,608
	$ 333,371	$ 318,001
Non-current		
Guarantee deposits		
Guarantee deposits for engagement	$ 248,875	$ 242,136
Others	1,400	1,400
	$ 250,275	$ 243,536

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	$ 22,309	$ 23,336
Fair value of plan assets	(34,708)	(32,039)
Net defined benefit assets	$ (12,399)	$ (8,703)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	$ 23,850	$ (28,211)	$ (4,361)
Service cost			
Net interest expense (income)	239	(295)	(56)
Recognized in profit or loss	239	(295)	(56)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(945)	(945)
Actuarial loss - experience adjustments	(753)	-	(753)
Recognized in other comprehensive loss	(753)	(945)	(1,698)
Contributions from the employer	-	(2,588)	(2,588)
Balance at December 31, 2019	23,336	(32,039)	(8,703)
Service cost			
Net interest expense (income)	233	(333)	(100)
Recognized in profit or loss	233	(333)	(100)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(922)	(922)
Actuarial loss - experience adjustments	(1,260)	-	(1,260)
Recognized in other comprehensive loss	(1,260)	(922)	(2,182)
Contributions from the employer	-	(1,414)	(1,414)
Balance at December 31, 2020	$ 22,309	$ (34,708)	$ (12,399)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2020	2019
Discount rate	0.50%	1%
Expected rate of salary increase	2%	2%
Turnover rate	1%-40%	1%-40%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2020	2019
Discount rate		
0.25% increase	$ (536)	$ (575)
0.25% decrease	$ 553	$ 595
Expected rate of salary increase		
1% increase	$ 2,262	$ 2,452
1% decrease	$ (2,036)	$ (2,192)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2020	2019
Expected contributions to the plans for the next year	$ 1,414	$ 2,588
Average duration of the defined benefit obligation	9.7 years	10.1 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	85,000	85,000
Shares authorized	$ 850,000	$ 850,000
Number of shares issued and fully paid (in thousands)	60,060	60,060
Shares issued	$ 600,599	$ 600,599

b. Capital surplus

	December 31	
	2020	**2019**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Treasury share transactions	$ 502	$ 502
May only be used to offset a deficit		
Changes in percentage of ownership interests in subsidiaries	482,785	482,773
May not be used for any purpose		
Others	182	182
	$ 483,469	$ 483,457

* 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 (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, 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 policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 22, g.

The Company's dividend policy is designed to meet the current and future development plans and takes into consideration the investment environment, funding requirements, and foreign and domestic competition while simultaneously meeting the interests of shareholders. When there is no cumulative loss, the Company shall distribute dividends at no less than 20% of the net profit. The Company shall not distribute dividends when the net profit is less than 70% of the paid-in capital. The dividends could be distributed either through cash or shares, and cash dividends shall not be less than 10% of the total dividends.

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.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

The appropriations of earnings for 2019 and 2018 that were approved in the shareholders' meetings on June 24, 2020 and June 21, 2019, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Legal reserve	$ 41,639	$ 25,352		
Special reserve	34,884	93,946		
Cash dividends	240,240	228,228	$4	$3.8

The appropriation of earnings for 2020 had been proposed by the Company's board of directors on March 24, 2021. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 32,634	
Special reserve	12,097	
Cash dividends	240,240	$4

The appropriation of earnings for 2020 is subject to resolution in the shareholders' meeting to be held on June 23, 2021.

21. REVENUE

According to IFRS 15, customer contract revenue is identified as product sales revenue. The sales revenue of the Group comes from sales of optical glasses.

	For the Year Ended December 31	
	2020	2019
Customer contracts revenue		
Sales revenue of optical glasses	$ 3,062,038	$ 3,216,310

22. NET PROFIT (LOSS)

Net profit in 2020 includes the following items:

a. Interest income

	For the Year Ended December 31	
	2020	2019
Discounted bills	$ 8,924	$ 9,674
Financial assets at amortized cost	3,640	1,680
Bank deposits	260	1,849
	$ 12,824	$ 13,203

b. Other income (Note 27)

	For the Year Ended December 31	
	2020	2019
Rental income	$ 24,034	$ 23,921
Others	40,247	25,995
	$ 64,281	$ 49,916

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Financial assets mandatorily classified as at FVTPL	$ 11,719	$ 190
Gain on disposal of associates	1,784	1,029
Net foreign exchange gain (loss)	(8,260)	1,532
(Loss) gain on disposal of property, plant and equipment	(2,159)	187
Gain on lease modification	4,873	2,226
	$ 7,417	$ 5,164

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on loans	$ 8,672	$ 8,044
Interest on leases liabilities	11,704	11,281
Unwinding of discount on provisions	455	432
	$ 20,831	$ 19,757

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	$ 120,662	$ 109,595
Right-of-use assets	317,567	314,214
Investment properties	963	1,060
Intangible assets	9,559	5,720
	$ 448,751	$ 430,589
An analysis of depreciation by function		
Selling and marketing expenses	$ 422,603	$ 410,338
General and administrative expenses	16,589	14,531
	$ 439,192	$ 424,869
An analysis of amortization by function		
Selling and marketing expenses	$ 4,811	$ 4,544
General and administrative expenses	4,748	1,176
	$ 9,559	$ 5,720

f. Employee benefits expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits (Note 19)		
Defined contribution plans	$ 36,806	$ 35,512
Defined benefit plans	(100)	(56)
	36,706	35,456
Other employee benefits	951,325	969,925
Total employee benefits expense	$ 988,031	$1,005,381
An analysis of employee benefits expense by function		
Operating expenses	$ 988,031	$1,005,381

g. Compensation of employees and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 24, 2021 and March 27, 2020, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2020	2019
Compensation of employees	2.5%	2.5%
Remuneration of directors and supervisors	1%	1%

Amount

	For the Year Ended December 31	
	2020	2019
	Cash	Cash
Compensation of employees	$ 9,618	$ 11,339
Remuneration of directors and supervisors	3,847	4,536

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

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAX

a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current period	$ 32,151	$ 44,828
Adjustments for prior year	(1,673)	1
Repatriated offshore funds	15,809	-
	46,287	44,829
Deferred tax		
In respect of the current period	36,875	44,934
Repatriated offshore funds	(15,809)	(24,482)
	21,066	20,452
Income tax expense recognized in profit or loss	$ 67,353	$ 65,281

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2020	2019
Profit before tax	$ 372,565	$ 442,193
Income tax expense calculated at the statutory rate	$ 74,513	$ 88,438
Tax-exempt income	(2,877)	(2,233)
Nondeductible expenses in determining taxable income	830	158
Realized investment losses	(8,000)	-
Tax preference of repatriated offshore funds	-	(24,482)
Unrecognized loss carryforwards	4,264	3,206
Unrecognized deductible temporary differences	296	193
Adjustments for prior year	(1,673)	1
Income tax expense recognized in profit or loss	$ 67,353	$ 65,281

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. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

The Regulations on the Management, Utilization and Taxation of Overseas Fund Repatriation were implemented in August 2019 (only implemented for 2 years). The tax rates for the repatriation of funds are 8% and 10% in the first year and the second year, respectively. The Group has considered relevant tax preference of repatriated offshore funds when calculating current income tax.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income or Loss	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 5,590	$ (1,692)	$ -	$ 3,898
Payables for annual leave	3,207	360	-	3,567
Unrealized exchange losses	2	1,760	-	1,762
Others	2,552	180	-	2,732
Loss carryforwards	581	-	-	581
	$ 11,932	$ 608	$ -	$ 12,540
Deferred tax liabilities				
Temporary differences				
Associates	$ 15,383	$ -	$ -	$ 15,383
Defined benefit obligation	3,871	303	436	4,610
Unappropriated earnings of subsidiaries	274,621	21,371	3,792	299,784
	$ 293,875	$ 21,674	$ 4,228	$ 319,777

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income or Loss	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 5,815	$ (225)	$ -	$ 5,590
Payables for annual leave	2,439	768	-	3,207
Unrealized exchange losses	2	-	-	2
Others	2,405	147	-	2,552
Loss carryforwards	581	-	-	581
	$ 11,242	$ 690	$ -	$ 11,932

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income or Loss	Closing Balance
Deferred tax liabilities				
Temporary differences				
Associates	$ 15,383	$ -	$ -	$ 15,383
Defined benefit obligation	3,003	528	340	3,871
Unappropriated earnings of subsidiaries	270,271	20,614	(16,264)	274,621
	$ 288,657	$ 21,142	$ (15,924)	$ 293,875

(Concluded)

c. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2020	2019
Loss carryforwards	$ 86,216	$ 64,894
Deductible temporary differences	$ 6,641	$ 5,164

d. Information about unused investment credits, unused loss carryforwards and tax-exemptions

Loss carryforwards as of December 31, 2020 comprised:

Unused Amount	Expiry Year
$ 312	Due in 2022
1,878	Due in 2023
5,399	Due in 2024
7,464	Due in 2025
7,668	Due in 2026
10,829	Due in 2027
18,219	Due in 2028
16,032	Due in 2029
21,322	Due in 2030
$ 89,123	

e. Income tax assessments

The tax returns of the Company, Bao Wei Optical Co., Ltd. And Milanno Optical Co., Ltd. through 2018 have been assessed by the tax authorities.

The tax returns of its subsidiaries, Bao Xiang Optical Co., Ltd., through 2017 have been assessed by the tax authorities.

24. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share are as follows:

	For the Year Ended December 31	
	2020	2019
Profit for the year attributable to owners of the Company		
Net profit for the year	$ 308,321	$ 379,052

Unit: In Thousand Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares outstanding in computation of basic earnings per share	60,060	60,060
Effect of potentially dilutive ordinary shares:		
Compensation of employees	213	207
Weighted average number of ordinary shares outstanding in the computation of diluted earnings per share	60,273	60,267

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the foreseeable future.

The Group is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

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

The management considers that the carrying amounts of financial assets and financial liabilities are not measured at fair value approximate their fair values when their fair values cannot be measured reliably.

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				
Mutual funds	$ 50,090	$ -	$ -	$ 50,090
Financial assets at FVTOCI				
Investment in equity instruments				
Listed shares and emerging market shares - preferred shares	$ 78,131	$ -	$ -	$ 78,131
Unlisted shares - ordinary shares	-	-	91,457	91,457
	$ 78,131	$ -	$ 91,457	$ 169,588

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 53,018	$ -	$ -	$ 53,018
Financial assets at FVTOCI				
Investment in equity instruments				
Listed shares and emerging market shares - ordinary shares	$ 34,726	$ -	$ -	$ 34,726
Listed shares and emerging market shares - preferred shares	32,880	-	-	32,880
Unlisted shares - ordinary shares	-	-	98,438	98,438
	$ 67,606	$ -	$ 98,438	$ 166,044

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for Level 2 fair value measurement: None.

4) Valuation techniques and inputs applied for Level 3 fair value measurement: The fair values of unlisted equity securities - ROC were determined using the market approach. The market approach is used to arrive at their fair values, for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered.

c. Categories of financial instruments

	December 31	
	2020	**2019**
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	$ 50,090	$ 53,018
Financial assets at amortized cost (1)	430,974	340,879
Financial assets at FVTOCI		
Equity instruments	169,588	166,044
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,387,249	1,166,160

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables and other receivables.

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, trade payables, other payables, current portion of long-term borrowings and long-term borrowings.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables, and borrowings. The objective of the financial risk management is to manage the risks including market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk related to management and operating activities. In order to reduce the financial risk, the Group identifies, assesses and manages the uncertainties to lower the potential unfavorable effect of financial performance which resulted from market changes.

The Group's financial activities are reviewed by the board of directors and audit committee in accordance with related rules and internal control systems. The Group should implement the overall financial management objective as well as observe the delegated authority in all levels and ensure that those delegated authorities carry out their duties.

1) Market risk

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

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 29.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the NTD against the USD. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit associated with the NTD depreciating 5% against the USD. For a 5% appreciation of the NTD against the USD, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact (*)	
	For the Year Ended December 31	
	2020	2019
Profit or loss	$ 7,932	$ 6

* This was mainly attributable to the exposure on outstanding financial assets at amortized cost in USD of cash flow hedges at the end of the year.

b) Interest rates risk

The Group was exposed to interest rate risk because of market rate changes. The impact on floating fair value of financial instrument and floating cash flows is shown below.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	$ -	$ 201,200
Financial liability	10,000	-
Cash flow interest rate risk		
Financial assets	351,115	75,471
Financial liabilities	780,244	576,219

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's profit or loss are as follows:

	Market Rate Change Impact	
	For the Year Ended December 31	
	2020	2019
Profit or loss	$ (439)	$ (501)

c) Other price risk

The financial instruments are mutual funds and equity securities listed in R.O.C. approved by the board of directors.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by $2,505 thousand and $2,651 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income for the year ended December 31, 2020 and 2019 would have increased/decreased by $8,479 thousand and $8,302 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk from deposits, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation. However, since the Group's counterparties are all reputable financial institutions, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management is to maintain sufficient operating cash and cash equivalents in order to ensure that the Group has financial flexibility.

As of December 31, 2020 and 2019, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2020

	Weighted Average Effective Interest Rate	**On Demand or Less than 1 Year**	**2-3 Years**	**4-5 Years**	**5+ Years**
Non-derivative financial liabilities					
Non-interest bearing liabilities		$ 597,005	$ -	$ -	$ -
Lease liabilities		254,878	378,625	136,338	32,139
Variable interest rate liabilities	0.61%-1.39%	342,117	88,392	64,642	323,212
Fixed interest rate liabilities	1.08%	10,005	-	-	-
		$ 1,204,005	$ 467,017	$ 200,980	$ 355,351

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5+ Years	Total
Lease liabilities	$ 263,777	$ 526,454	$ 32,530	$ 822,761

December 31, 2019

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Year	2-3 Years	4-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities		$ 612,717	$ -	$ -	$ -
Lease liabilities		272,617	360,682	139,503	23,560
Variable interest rate liabilities	1.08%-1.8%	136,496	66,092	66,092	363,504
		$ 1,021,830	$ 426,774	$ 205,595	$ 387,064

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5+ Years	Total
Lease liabilities	$ 281,548	$ 510,716	$ 23,869	$ 816,133

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2020	2019
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 313,500	$ 102,400
Amount unused	584,000	677,600
	$ 897,500	$ 780,000
Secured bank overdraft facilities:		
Amount used	$ 476,744	$ 473,819
Amount unused	79,236	52,161
	$ 555,980	$ 525,980

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Group
Yung Sheng Optical Co., Ltd.	Other related party - same chairman as the Company's chairman
Pao Lien Optical Co., Ltd.	Other related party - its chairman and the Company's chairman are second-degree relatives
Polylite Taiwan Co., Ltd.	Associate
Ginko International Co., Ltd.	Associate

b. Purchases of goods

Related Party/Name	For the Year Ended December 31 2020	2019
Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	$ 924,672	$ 1,065,204

The purchases of goods to related parties had no significant difference with other non-related parties.

c. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party/Name	December 31 2020	2019
Other receivables	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	$ 32,055	$ 28,874

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment losses were recognized for trade receivables form related parties.

d. Payables to related parties (excluding loans from related parties)

Line Item	Related Party/Name	December 31 2020	2019
Notes payables	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	$ 410,321	$ 431,360
Trades payables	Other related party	1,058	-
Other payables	Other related party	2,448	3,087
		$ 413,827	$ 434,447

The outstanding trade payables from related parties are unsecured.

e. Other transactions with related parties

Line Item	Related Party/Name	For the Year Ended December 31 2020	2019
1) Other expenditures	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	$ 10,658	$ 13,634
2) Rental income	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	$ 14,399	$ 14,229
	Other related party - same chairman as the Company's chairman - Yung Sheng Optical Co., Ltd.	5,150	5,143
		$ 19,549	$ 19,372

Rental income is negotiated by both parties and collected on a monthly basis.

The Company leases offices, branches and warehouses to Pao Lien Optical Co., Ltd. (other related party - its chairman and the Company's chairman are second-degree relatives). The lease period is from January 16, 2017 to January 31, 2022. The average monthly rent is $1,200 thousand and charge by sight check monthly.

The Company leases buildings to Yung Sheng Optical Co., Ltd. (other related party - same chairman as the Company's chairman), the lease period is from January 2018 to December 2022. The average monthly rent for the years ended December 31, 2020 and 2019 was both $429 thousand and charge by sight check monthly.

Line Item	Related Party/Name	For the Year Ended December 31 2020	2019
3) Other income	Other related party	$ 1,748	$ 928
	Associates	2,886	2,369
		$ 4,634	$ 3,297

f. Compensation of key management personnel

	For the Year Ended December 31 2020	2019
Short-term employee benefits	$ 17,246	$ 18,734
Post-employment benefits	539	509
	$ 17,785	$ 19,243

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings.

	December 31	
	2020	2019
Property, plant and equipment, net	$ 680,018	$ 688,945
Investment properties	80,333	81,296
Financial assets at FVTOCI - listed shares and preference shares	47,051	-
	$ 807,402	$ 770,241

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The entities in the Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 5,570	28.48 (USD:NTD)	$ 158,641
Non-monetary items			
Investments accounted for using the equity method			
RMB	487,039	4.377 (RMB:NTD)	2,131,768

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Non-monetary items			
Investments accounted for using the equity method			
RMB	$ 459,483	4.305 (RMB:NTD)	$ 1,978,077

30. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

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) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties 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: See Table 2 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.

9) Trading in derivative instruments: None.

10) Intercompany relationships and significant intercompany transactions: See Table 3 below.

11) Information on investees: See Table 4 below.

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 5 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purpose.

e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

c. Information on major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: See Table 6.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's reportable segments were as follows:

a. Segment revenue and results

The following was an analysis of the Group's revenue and results by reportable segments:

	Parent's Function	Bao Wei Optical Co., Ltd.	Others	Eliminations	Total
For the year ended December 31, 2020					
Revenue from external customers	$ 2,234,017	$ 733,164	$ 94,857	$ -	$ 3,062,038
Inter-segment revenue	-	-	-	-	-
Segment revenue	$ 2,234,017	$ 733,164	$ 94,857	$ -	$ 3,062,038
Segment income	$ 126,552	$ 19,280	$ (27,495)	$ 7,712	$ 126,049
Interest income					12,824
Other income					64,281
Share of profit of associates accounted for using the equity method					182,825
Other gains and losses					7,417
Finance costs					(20,831)
Profit before tax					$ 372,565
For the year ended December 31, 2019					
Revenue from external customers	$ 2,322,314	$ 773,110	$ 120,886	$ -	$ 3,216,310
Inter-segment revenue	-	-	-	-	-
Segment revenue	$ 2,322,314	$ 773,110	$ 120,886	$ -	$ 3,216,310
Segment income	$ 146,332	$ 31,573	$ (20,100)	$ 8,240	$ 166,045
Interest income					13,203
Other income					49,916
Share of profit of associates accounted for using the equity method					227,622
Other gains and losses					5,164
Finance costs					(19,757)
Profit before tax					$ 442,193

Inter-segment revenue was accounted for according to cost.

Segment profit represented the profit before tax earned by each segment without other income, the share of profit of associates, other gains and losses or finance costs. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	For the Year Ended December 31	
	2020	2019
Spectacle frames	$ 808,443	$ 840,941
Lenses	1,024,293	1,064,432
Contact lens	1,118,474	1,196,551
Other	110,828	114,386
	$ 3,062,038	$ 3,216,310

c. Geographical information

The Group has no revenue-generating unit that operates outside the ROC.

d. Information on major customers

There was no customer accounting for at least 10% of the Group's total operating revenue for the years ended December 31, 2020 and 2019.

32. OTHERS

Since January 2020, due to the spread of COVID-19 pandemic, governments of various countries have successively implemented epidemic prevention measures. However, the domestic epidemic has slowed down and government policies have been loosened; therefore, the Group assessed that it had little impact on its overall operations. Since the future of global epidemic is still uncertain, the Group will continue to pay attention to the development of the epidemic and adopt relevant countermeasures to alleviate the impact on the Group's operations.

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Formosa Optical Technology Corporation	Ordinary shares							
	Sunder Biomedical Tech Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,463	$ 91,457	12.44	$ 91,457	
	Tsai Huei Tech Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,305	-	1.92	-	Note
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVTOCI - current	1,111	47,051	0.50	47,051	
Bao Wei Optical Technology Corporation	Preferred shares							
	Union Bank of Taiwan Preference Share A	-	Financial assets at FVTOCI - current	600	31,080	0.30	31,080	
	Mutual funds							
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	1,151	12,002	-	12,002	
	Fuhua Ruihua Fund	-	Financial assets at FVTPL - current	1,931	20,018	-	20,018	
New Path International Corporation	Ordinary shares							
	Clear Idea L.L.C	-	Financial assets at FVTOCI - non-current	2,648	US$ -	19.70	US$ -	Note
Milanno Optical Co., Ltd.	Mutual funds							
	Fuhua Patron Saint Fund	-	Financial assets at FVTPL - current	570	10,070	-	10,070	
	TCB Taiwan Money Market Fund	-	Financial assets at FVTPL - current	391	4,000	-	4,000	
	Franklin Templeton Sinoam Money Market Fund	-	Financial assets at FVTPL - current	384	4,000	-	4,000	

Note: The carrying values of financial instruments were all assessed for impairment.

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

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, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Formosa Optical Technology Corporation	Pao Lien Optical Co., Ltd.	Its chairman and the Company's chairman are second-degree relatives	Purchase	$ 637,382	71.65	128 days	No significant difference	120 days	Notes payable $ 288,153	94.95	
Bao Wei Optical Technology Corporation	Pao Lien Optical Co., Ltd.	Same chairman as the Company	Purchase	245,438	81.59	128 days	No significant difference	120 days	Notes payable 107,676	93.66	

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statements Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
0	Formosa Optical Technology Corporation	Bao Wei Optical Corporation Ltd.	a.	Other income	$ 6,906	-	-
		Bao Wei Optical Corporation Ltd.	a.	Rental income	60	-	-
		Bao Wei Optical Corporation Ltd.	a.	Other receivables	612	-	-
		Bao Xiang Optical Corporation Ltd.	a.	Other income	686	-	-
		Bao Xiang Optical Corporation Ltd.	a.	Rental income	60	-	-
		Bao Xiang Optical Corporation Ltd.	a.	Other receivables	39	-	-

Note 1: The Company and its subsidiaries are coded as follows:

a. The parent company is coded “0”.
b. The subsidiaries are coded consecutively beginning from “1” in the order presented in the table above.

Note 2: Nature of relationships are coded as follows:

a. From the parent company to its subsidiary.
b. From a subsidiary to its parent company.
c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item’s end-of-period balance is shown as a percentage to the consolidated total assets as of December 31, 2019. For profit or loss items, cumulative amounts are shown as percentages to consolidated total operating revenue for the year ended December 31, 2020.

Note 4: The table above only discloses related-party transactions which are material.

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Formosa Optical Technology Corporation	Polylite Taiwan Corporation Limited	Taiwan	Manufacturing, processing, importing, exporting and selling all kinds of glasses, frames, optical equipment, eye contact and eye solution	$ 37,798	$ 39,318	6,266	13.44	$ 113,758	$ (182)	$ 52	Accounted for using the equity method
	New Path International Corporation Limited	Mauritius	Investment activities	123,682	123,682	-	100.00	2,187,426	185,896	185,896	Subsidiary (Note 1)
	Milanno Optical Corporation Limited	Taiwan	Sell optical glasses, frames and eye care solution, office machinery and equipment, and retail sale of telecom instruments	50,212	50,212	5,000	100.00	40,881	(12,356)	(12,356)	Subsidiary (Note 1)
	Bao Wei Optical Corporation Limited	Taiwan	Sell optical glasses, frames and eye care solution	100,000	100,000	10,000	100.00	148,853	18,411	18,411	Subsidiary (Note 1)
	Bao Xiang Optical Corporation Limited	Taiwan	Sell optical glasses, frames and eye care solution	42,000	42,000	4,200	70.00	13,647	(10,365)	(7,256)	Subsidiary (Note 1)
New Path International Corporation Limited	Ginko International Corporation Limited	Cayman	Investment activities	US$ 2,089	US$ 2,089	17,853	18.39	US$ 74,851	993,776	N/A	Accounted for using the equity method
Ginko International Co., Ltd.	Prosper Link International Limited (BVI)	British Virgin Islands	Investment activities	US$ 2,089	US$ 2,089	-	100.00	14,540,495	995,975	N/A	Subsidiary of joint venture
	Yung Sheng Optical Corporation Limited	Taiwan	Merchandise and sale of contact lenses and care solution	1,560,000	1,560,000	156,000	100.00	3,607,767	67,873	N/A	Subsidiary of joint venture
Prosper Link International Limited (BVI)	Haichang International Limited.	Hong Kong	Investment activities	US$ 2,089	US$ 2,089	-	100.00	14,740,959	986,902	N/A	Subsidiary of joint venture
Haichang Contact Lens Corporation Limited	Gain Bless Management Ltd.	British Virgin Islands	Investment activities	US$ 1,150	US$ 1,150	1,150	100.00	26,624	10,610	N/A	Subsidiary of joint venture
Gain Bless Management Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	Malaysia	Sale of contact lenses and care solution	US$ 971	US$ 971	1,750	70.00	21,586	10,676	N/A	Subsidiary of joint venture
Yung Sheng Optical Corporation Limited	Master Harvest Global Ltd.	Anguilla	Investment activities	US$ 10,000	US$ 10,000	10,000	100.00	176,914	(17,370)	N/A	Subsidiary of joint venture
Master Harvest Global Ltd.	Eishou Optical Co, Ltd.	Japan	Sale of contact lenses and care solution	JPY 63,700	JPY 63,700	6,300	70.00	(28,041)	9,340	N/A	Subsidiary of joint venture
	Uni-Beauty Co., Ltd.	Japan	Sale of contact lenses and care solution	JPY 290,000	JPY 290,000	29,000	100.00	14,810	(18,708)	N/A	Subsidiary of joint venture

Note 1: All amounts have been eliminated upon consolidation

Note 2: Refer to Table 5 for information on investments in mainland China.

TABLE 5

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits (Losses) (Note 2)	Carrying Amount as of December 31, 2020 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Haichang Contact Lens Corporation Limited	Merchandise and sale of contact lenses and care solution	$ 1,888,765 (US$ 66,319)	Note 1	$ 59,495 (US$ 2,089)	$ -	$ -	$ 59,495 (US$ 2,089)	$ 914,471 (RMB213,562)	18.39	$ 168,171	$ 10,187,551	$ 162,564 (US$ 5,708)
Jiangsu Horien Contact Lens Corporation Limited	Merchandise and sale of contact lenses and care solution	65,655 (RMB 15,000)	Note 1	3,731 (US$ 131)	-	-	3,731 (US$ 131)	299,092 (RMB 69,849)	18.39	55,003	4,492,369	-
Heilongjiang Province Dingtai Pharmaceutical Corporation Limited	Manufacture tablet, capsule, powder and granule	78,930 (RMB 18,033)	Note 1	5,867 (US$ 206)	-	-	5,867 (US$ 206)	(5,597) (RMB -1,307)	9.09	-	(1,709) (US$ -60)	-
Heilongjiang Haichang Biological Technology Corporation Limited	Regular operation subjects: manufacture health care products, provide technology consultant, technology service. Provision on operation subjects: R&D and manufacture bottle water, water spray, medical adhesive tape, artificial skin, disinfectant, preservative, bio-antibacterial, whey protein and other medical material and products (with related effective provision)	299,040 (US$ 10,500)	Note 1	64,194 (US$ 2,254)	-	-	64,194 (US$ 2,254)	(5,751) (RMB -1,343)	11.36	-	(11,058) (US$ -388)	-

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ 133,286 (US$ 4,680)	$ 498,685 (US$ 17,510) (Note 4)	$ 1,560,386 (Note 5)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements that were used as basis for calculating the investments were all not reviewed by the independent auditors.

Note 3: The investment is transferred to the subsidiary which was 100% owned by the Group. The book value of the investment at the end of the period is the book value of the equity recognized by Ginko International Co., Ltd., which is accounted for using the equity method.

Note 4: Investment amount approved by the Ministry of Economic Affairs, R.O.C. are as follows:

Name of Investee	Date	Order No.	Approved Amounts
Haichang Contact Lens Corporation Limited	2004.05.13	093009671	US$ 1,789
Haichang Contact Lens Corporation Limited	2004.12.06	093036370	US$ 1,130
Haichang Contact Lens Corporation Limited	2006.09.01	09500279650	US$ 2,549
Haichang Contact Lens Corporation Limited	2007.07.30	09600265450	US$ 1,128
Haichang Contact Lens Corporation Limited	2009.01.08	09700502730	US$ 432
Haichang Contact Lens Corporation Limited	2013.02.26	10200045160	US$ 1,134
Haichang Contact Lens Corporation Limited	2013.03.26	10200107280	US$ 941
Haichang Contact Lens Corporation Limited	2013.07.25	10200284980	US$ 752
Haichang Contact Lens Corporation Limited	2013.09.26	10200366260	US$ 1,313
Haichang Contact Lens Corporation Limited	2014.01.23	10300012480	US$ 738
Haichang Contact Lens Corporation Limited	2014.03.24	10300064660	US$ 368
Haichang Contact Lens Corporation Limited	2014.10.07	10300249790	US$ 734
Jiangsu Horien Contact Lens Corporation Limited	2006.10.30	09500346290	US$ 136
Heilongjiang Province Dingtai Pharmaceutical Corporation Limited	2006.10.18	09500314110	US$ 102
Heilongjiang Province Dingtai Pharmaceutical Corporation Limited	2007.01.25	09600019060	US$ 171
Heilongjiang Haichang Biological Technology Corporation Limited	2008.05.07	09700127800	US$ 341
Heilongjiang Haichang Biological Technology Corporation Limited	2009.01.08	09700496830	US$ 1,651
Heilongjiang Haichang Biological Technology Corporation Limited	2009.07.06	09800229750	US$ 262
Haichang Contact Lens Corporation Limited	2020.07.09	10900168550	US$ 1,839
			US$ 17,510

Note 5: The Company's upper limit on investments in mainland China (calculated based on the higher of 60% of Formosa Optical Technology Corporation's net worth or consolidated net worth of $80 million, plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $2,600,644 (net worth) × 60% = $1,560,386.

FORMOSA OPTICAL TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON MAJOR SHAREHOLDERS
DECEMBER 31, 2020

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Chieh Fu International Co., Ltd.	10,785,057	17.95
Chi Sheng Co., Ltd.	5,745,025	9.56
JPMorgan Chase Bank, National Association	4,996,000	8.31
Standard Chartered Bank (Taiwan) Limited	3,725,000	6.2
Chen, Zhi-Yong	3,204,558	5.33

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.