

Formosa Optical Technology Corporation

**Financial Statements for the
Years Ended December 31, 2021 and 2020 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Formosa Optical Technology Corporation

Opinion

We have audited the accompanying financial statements of Formosa Optical Technology Corporation (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the year ended December 31, 2021, the key audit matters identified in the Company's financial statements were as follows:

Allowance for Inventory Write-down

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

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

1. We obtained an understanding of the Company's business and industry and the design and implementation of controls over normal and slow-moving inventories, and we evaluated the effectiveness of the 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, and 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 judgements, 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, a 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 financial statements as a whole, the recognition of allowance for sales returns and discounts 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 obtained an understanding and assessed the reasonableness of the investees' revenue recognition procedures, and we evaluated the effectiveness of the relevant controls over sales and collections cycle.
2. We also performed test of controls for the relevant sales contracts and documents, and we conducted analytical procedures for the major changes in the customers' transactions and revenue by product category.
3. We selected samples of sales transactions and tested the before and after year-end transactions. We verified that revenue was recognized in the proper period and confirmed that recorded revenue and sales returns and allowances were in conformity to the relevant IAS regulations.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 financial statements for the year ended December 31, 2021 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 Yung-Hsiang Chao and Ching-Hsia Chang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2022

Notice to Readers

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

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION

BALANCE SHEETS

DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Note 6)	\$ 84,563	2	\$ 72,360	2
Financial assets at fair value through profit or loss - current (Note 7)	20,000	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 8 and 27)	101,263	2	47,051	1
Financial assets at amortized cost - current (Note 9)	10,000	-	19,000	-
Notes receivable, net	198	-	-	-
Trade receivables, net (Note 10)	12,639	-	6,174	-
Other receivables (Note 26)	27,026	1	30,757	1
Inventories, net (Notes 5 and 11)	398,169	8	410,201	8
Prepayments	17,260	-	17,280	-
Total current assets	<u>671,118</u>	<u>13</u>	<u>602,823</u>	<u>12</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	107,086	2	91,457	2
Financial assets at amortized cost - non-current (Note 9)	91,535	2	158,519	3
Investments accounted for using the equity method (Notes 5 and 12)	2,580,321	50	2,504,565	49
Property, plant and equipment, net (Notes 13, 26 and 27)	1,033,158	20	1,033,967	20
Right-of-use assets (Note 14)	500,489	10	571,206	11
Investment properties, net (Notes 15 and 27)	79,745	2	80,333	2
Intangible assets, net	16,111	-	16,613	-
Deferred tax assets (Note 22)	10,646	-	10,233	-
Refundable deposits (Note 14)	55,229	1	53,922	1
Net defined benefit assets - non-current (Note 18)	16,485	-	12,399	-
Total non-current assets	<u>4,490,805</u>	<u>87</u>	<u>4,533,214</u>	<u>88</u>
TOTAL	<u>\$ 5,161,923</u>	<u>100</u>	<u>\$ 5,136,037</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 353,500	7	\$ 313,500	6
Notes payable to unrelated parties	4,413	-	15,326	-
Notes payable to related parties (Note 26)	282,645	5	288,153	6
Trade payables to unrelated parties	38,868	1	59,175	1
Other payables (Notes 17 and 26)	280,781	5	261,103	5
Current tax liabilities (Note 22)	38,644	1	9,405	-
Lease liabilities - current (Note 14)	165,968	3	180,685	4
Current portion of long-term borrowings (Note 16)	27,850	1	27,546	1
Other current liabilities	29,992	1	26,295	-
Total current liabilities	<u>1,222,661</u>	<u>24</u>	<u>1,181,188</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	391,348	8	419,198	8
Provisions - non-current	14,481	-	8,267	-
Deferred tax liabilities (Note 22)	341,708	7	319,777	6
Lease liabilities - non-current (Note 14)	336,362	6	394,299	8
Guarantee deposits received (Note 17)	208,029	4	212,664	4
Total non-current liabilities	<u>1,291,928</u>	<u>25</u>	<u>1,354,205</u>	<u>26</u>
Total liabilities	<u>2,514,589</u>	<u>49</u>	<u>2,535,393</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Ordinary shares	600,599	12	600,599	12
Capital surplus	481,505	9	483,469	9
Retained earnings				
Legal reserve	456,305	9	423,671	8
Special reserve	254,666	5	242,569	5
Unappropriated earnings	1,111,601	21	1,105,002	22
Total retained earnings	1,822,572	35	1,771,242	35
Other equity	(257,342)	(5)	(254,666)	(5)
Total equity	<u>2,647,334</u>	<u>51</u>	<u>2,600,644</u>	<u>51</u>
TOTAL	<u>\$ 5,161,923</u>	<u>100</u>	<u>\$ 5,136,037</u>	<u>100</u>

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 20)	\$ 2,148,426	100	\$ 2,234,017	100
COST OF GOODS SOLD (Notes 11 and 26)	<u>(841,847)</u>	<u>(39)</u>	<u>(872,437)</u>	<u>(39)</u>
GROSS PROFIT	<u>1,306,579</u>	<u>61</u>	<u>1,361,580</u>	<u>61</u>
OPERATING EXPENSES (Notes 21 and 26)				
Selling and marketing expenses	(1,117,716)	(52)	(1,124,361)	(50)
General and administrative expenses	<u>(93,188)</u>	<u>(5)</u>	<u>(109,610)</u>	<u>(5)</u>
Total operating expenses	<u>(1,210,904)</u>	<u>(57)</u>	<u>(1,233,971)</u>	<u>(55)</u>
PROFIT FROM OPERATION INCOME	<u>95,675</u>	<u>4</u>	<u>127,609</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	8,713	1	11,038	1
Other income (Notes 21 and 26)	84,927	4	58,276	3
Other gains and losses (Notes 21 and 26)	3,541	-	6,807	-
Finance costs (Note 21)	(17,444)	(1)	(17,236)	(1)
Share of profit of associates	<u>178,103</u>	<u>8</u>	<u>184,747</u>	<u>8</u>
Total non-operating income and expenses	<u>257,840</u>	<u>12</u>	<u>243,632</u>	<u>11</u>
PROFIT BEFORE INCOME TAX	353,515	16	371,241	17
INCOME TAX EXPENSE (Note 22)	<u>(63,617)</u>	<u>(3)</u>	<u>(62,920)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>289,898</u>	<u>13</u>	<u>308,321</u>	<u>14</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	3,780	-	2,182	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	8,521	1	6,199	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	3,228	-	(17,190)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	<u>(756)</u>	<u>-</u>	<u>(436)</u>	<u>-</u>
	<u>14,773</u>	<u>1</u>	<u>(9,245)</u>	<u>(1)</u>

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ (18,603)	(1)	\$ 18,961	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>3,721</u>	<u>-</u>	<u>(3,792)</u>	<u>-</u>
	<u>(14,882)</u>	<u>(1)</u>	<u>15,169</u>	<u>1</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(109)</u>	<u>-</u>	<u>5,924</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 289,789</u>	<u>13</u>	<u>\$ 314,245</u>	<u>14</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 4.83</u>		<u>\$ 5.13</u>	
Diluted	<u>\$ 4.81</u>		<u>\$ 5.12</u>	

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

(Concluded)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	Issue of Share Capital		Capital Surplus	Retained Earnings			Other Equity		Total
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated 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	
BALANCE AT JANUARY 1, 2020	60,060	\$ 600,599	\$ 483,457	\$ 382,032	\$ 207,685	\$ 1,095,423	\$ (150,573)	\$ (91,996)	\$ 2,526,627
Appropriation of the 2019 earnings									
Legal reserve	-	-	-	41,639	-	(41,639)	-	-	-
Special reserve	-	-	-	-	34,884	(34,884)	-	-	-
Cash dividends	-	-	-	-	-	(240,240)	-	-	(240,240)
Other changes in capital surplus									
Changes in capital surplus from investments in associates using the equity method	-	-	12	-	-	-	-	-	12
Net profit for the year ended December 31, 2020	-	-	-	-	-	308,321	-	-	308,321
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	1,897	15,169	(11,142)	5,924
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	310,218	15,169	(11,142)	314,245
Disposal of investments in equity instruments designated 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
Appropriation of the 2020 earnings									
Legal reserve	-	-	-	32,634	-	(32,634)	-	-	-
Special reserve	-	-	-	-	12,097	(12,097)	-	-	-
Cash dividends	-	-	-	-	-	(240,240)	-	-	(240,240)
Other changes in capital surplus									
Changes in capital surplus from investments in associates using the equity method	-	-	(1,964)	-	-	-	-	-	(1,964)
Net profit for the year ended December 31, 2021	-	-	-	-	-	289,898	-	-	289,898
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	2,567	(14,882)	12,206	(109)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	292,465	(14,882)	12,206	289,789
Disposal of investments in equity instruments designated fair value through other comprehensive income by associates	-	-	-	-	-	(895)	-	-	(895)
BALANCE AT DECEMBER 31, 2021	60,060	\$ 600,599	\$ 481,505	\$ 456,305	\$ 254,666	\$ 1,111,601	\$ (150,286)	\$ (107,056)	\$ 2,647,334

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

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 353,515	\$ 371,241
Adjustments for:		
Depreciation expense	320,268	312,636
Amortization expense	5,668	8,559
Net gain on fair value change of financial assets as at FVTPL	(2,320)	(10,000)
Finance costs	17,444	17,236
Interest income	(8,713)	(11,038)
Dividend income	(5,230)	-
Share of profit of subsidiaries and associates	(178,103)	(184,747)
Net loss (gain) on disposal of property, plant and equipment	49	(858)
Gain on lease modification	(4,921)	(3,926)
Gain on disposal of investments accounted for using equity the method	-	(1,784)
Changes in operating assets and liabilities		
Notes receivable	(198)	-
Trade receivables	(6,465)	1,003
Other receivables	6,051	(5,440)
Inventories	12,032	(11,347)
Prepayments	20	4,233
Net defined benefit liabilities	(306)	(1,514)
Notes payable	(16,421)	(26,779)
Trade payables	(20,307)	17,742
Other payables	19,641	11,654
Other current liabilities	<u>3,697</u>	<u>2,745</u>
Cash generated from operations	495,401	489,616
Interest received	8,713	11,038
Dividends received from associates and subsidiaries	84,113	245,519
Interest paid	(17,042)	(16,979)
Income tax paid	<u>(9,895)</u>	<u>(42,088)</u>
Net cash generated from operating activities	<u>561,290</u>	<u>687,106</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(61,320)	(49,996)
Purchase of financial assets at amortized cost	-	(177,519)
Proceeds from sale of financial assets at amortized cost	75,984	-
Purchase of financial assets at fair value through profit or loss	(40,000)	(112,990)
Proceeds from sale of financial assets at fair value through profit or loss	20,000	122,990
Proceeds from sale of investments accounted for using the equity	-	6,690
Acquisition of investments accounted for using the equity method	-	(40,000)
Payments for property, plant and equipment	(84,519)	(167,078)
Proceeds from disposal of property, plant and equipment	308	3,247

(Continued)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Increase in refundable deposits	\$ (1,307)	\$ (1,052)
Payments for intangible assets	(5,166)	(11,141)
Dividend income received	<u>5,230</u>	<u>-</u>
Net cash used in investing activities	<u>(90,790)</u>	<u>(426,849)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	40,000	233,500
Repayments of long-term borrowings	(27,546)	(27,075)
Repayment of the principal portion of lease liabilities	(225,876)	(221,885)
(Refund of) proceeds from guarantee deposits received	(4,635)	6,477
Cash dividends	<u>(240,240)</u>	<u>(240,240)</u>
Net cash used in financing activities	<u>(458,297)</u>	<u>(249,223)</u>
NET INCREASE IN CASH	12,203	11,034
CASH AT THE BEGINNING OF THE YEAR	<u>72,360</u>	<u>61,326</u>
CASH AT THE END OF THE YEAR	<u>\$ 84,563</u>	<u>\$ 72,360</u>

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

(Concluded)

FORMOSA OPTICAL TECHNOLOGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. GENERAL INFORMATION

Formosa Optical Technology Corporation (the “Company”) was established in November 1989, and the Company is mainly engaged in eyewear business. The Company’s shares have been listed on the mainboard of Taipei Exchange (TPEX) since May 1996.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors for issue on March 24, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: 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 2: 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 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company'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)
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 IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: 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.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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 Company 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 Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company 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 Company'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 Company'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 Company 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 Company 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 Company 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 Company 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 Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company 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 Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Company 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates, as appropriate, in these parent company only financial statements.

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 Company 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

e. 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

Profits or losses resulting from downstream transactions are eliminated in full in the consolidated financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the consolidated financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

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 Company's proportionate interest in the associate. The Company 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 Company'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.

When the entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent that interests in the associate are not related to the Company.

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 asset, investment properties and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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.

1. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to 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 25: 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 the financial asset; 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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company 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 Company'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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost including trade receivables.

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. 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 Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company'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 Company 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 Company 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 Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus 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 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 Company 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 Company 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 balance sheets.

The Company 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, 2022, 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 Company 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 Company 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. Government grants

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

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

q. 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 service.

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 Company'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.

r. Taxation

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

1) Current tax

According to the Income Tax Act 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 Company 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 Company 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 Company's accounting policies, management is required to make judgments, estimates and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the 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 Company assesses the amount of obsolete inventory 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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash on hand	\$ 17,548	\$ 11,315
Checking accounts and demand deposits	<u>67,015</u>	<u>61,045</u>
	<u>\$ 84,563</u>	<u>\$ 72,360</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	<u>\$ 20,000</u>	<u>\$ -</u>

8. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares and emerging market shares -ordinary shares	\$ 53,657	\$ -
Listed shares and emerging market shares - preferred shares	<u>47,606</u>	<u>47,051</u>
	<u>\$ 101,263</u>	<u>\$ 47,051</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Unlisted ordinary shares	<u>\$ 107,086</u>	<u>\$ 91,457</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes.

Refer to Note 27 for information relating to investments in equity instruments at FVTOCI pledged as security.

9. FINANCIAL ASSETS AT AMORTIZED COSTS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ <u>10,000</u>	\$ <u>19,000</u>
<u>Non-current</u>		
Repatriated offshore funds	\$ <u>91,535</u>	\$ <u>158,159</u>

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

10. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 12,747	\$ 6,282
Less: Allowance for impairment loss	<u>(108)</u>	<u>(108)</u>
	<u>\$ 12,639</u>	<u>\$ 6,174</u>

The primary trade receivables were receivables of credit cards from National Credit Card Center of the ROC., electronic payment platform, department stores and malls. The Company 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 Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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:

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
0-30 days	\$ 11,788	\$ 5,454
31-60 days	<u>959</u>	<u>828</u>
	<u>\$ 12,747</u>	<u>\$ 6,282</u>

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

	December 31	
	2021	2020
Balance at January 1	\$ 108	\$ 108
Add: Expected credit loss	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 108</u>	<u>\$ 108</u>

11. INVENTORIES, NET

	December 31	
	2021	2020
Merchandise	<u>\$ 398,169</u>	<u>\$ 410,201</u>

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

	For the Year Ended December 31	
	2021	2020
Reversal of inventory write-down	\$ (1,668)	\$ (5,771)
Loss on scrap and physical inventories	6,444	5,850

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 2,470,986	\$ 2,390,807
Investments in associates	<u>109,335</u>	<u>113,758</u>
	<u>\$ 2,580,321</u>	<u>\$ 2,504,565</u>

Income and other comprehensive income of the subsidiaries that adopted the equity method in 2021 and 2020 were recognized based on the financial reports of the subsidiaries in the same periods that had been audited by accountants.

a. Investments in subsidiaries

	December 31	
	2021	2020
New Path International Co., Ltd.	\$ 2,291,320	\$ 2,187,426
Bao Wei Optical Co., Ltd.	150,251	148,853
Milanno Optical Co., Ltd.	25,676	40,881
Boa Xiang Optical Co., Ltd.	<u>3,739</u>	<u>13,647</u>
	<u>\$ 2,470,986</u>	<u>\$ 2,390,807</u>

Name of Company	Proportion of Ownership and Voting Rights	
	2021	2020
New Path International Co., Ltd.	100%	100%
Milanno Optical Co., Ltd.	100%	100%
Bao Wei Optical Co., Ltd.	100%	100%
Boa Xiang Optical Co., Ltd.	70%	70%

To enlarge its economy of scale, the Company acquired 1,800,000 shares in total of 30% shares of its subsidiary Baoxiang Optical Co., Ltd. at \$1.29 per share on January 18, 2022. The Company held 100% of the shares of Baoxiang Optical Co., Ltd. after the completion of the transaction.

b. Investments in associates

	December 31	
	2021	2020
Material associates		
Polylite Taiwan Co., Ltd.	<u>\$ 109,335</u>	<u>\$ 113,758</u>

Name of Company	Proportion of Ownership and Voting Rights	
	2021	2020
Polylite Taiwan Co., Ltd.	13.44%	13.44%

Refer to Table 3 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

The Company 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 Company disposed a 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	<u>(4,906)</u>
Gain on disposal of investments accounted for using the equity method	<u>\$ 1,784</u>

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

Name of Company	December 31	
	2021	2020
Polylite Taiwan Co., Ltd.	<u>\$ 114,043</u>	<u>\$ 120,310</u>

Summarized financial information in respect of each of the Company'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 Company for equity accounting purposes.

Polylite Taiwan Co., Ltd.

	December 31	
	2021	2020
Current assets	\$ 605,221	\$ 524,815
Non-current assets	658,869	747,661
Current liabilities	(397,104)	(360,324)
Non-current liabilities	(29,111)	(28,351)
Non-controlling interests	<u>(24,153)</u>	<u>(37,157)</u>
Equity	<u>\$ 813,722</u>	<u>\$ 846,644</u>
Proportion of the Company's ownership	13.44%	13.44%
Equity attributable to the Company	<u>\$ 109,335</u>	<u>\$ 113,758</u>
Carrying amount	<u>\$ 109,335</u>	<u>\$ 113,758</u>
	For the Year Ended December 31	
	2021	2020
Operating revenue	<u>\$ 451,129</u>	<u>\$ 445,877</u>
Net loss for the year	\$ (13,128)	\$ (182)
Other comprehensive loss	<u>(19,834)</u>	<u>(660)</u>
Total comprehensive loss for the year	<u>\$ (32,962)</u>	<u>\$ (842)</u>
Dividends received from PolyLite Taiwan Co., Ltd.	<u>\$ -</u>	<u>\$ 6,266</u>

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Transportation Equipment	Office Equipment	Decoration Equipment	Leasehold Improvement	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 288,993	\$ 495,066	\$ 3,948	\$ 395,169	\$ 595,142	\$ 6,759	\$ 224	\$ 1,785,301
Additions	-	-	156	46,103	38,260	5,849	-	90,368
Disposals	-	-	-	(7,926)	(9,250)	-	-	(17,176)
Reclassification	-	-	-	1,966	(1,966)	-	-	-
Balance at December 31, 2021	<u>\$ 288,993</u>	<u>\$ 495,066</u>	<u>\$ 4,104</u>	<u>\$ 435,312</u>	<u>\$ 622,186</u>	<u>\$ 12,608</u>	<u>\$ 224</u>	<u>\$ 1,858,493</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 54,392	\$ 2,055	\$ 239,133	\$ 454,111	\$ 1,496	\$ 147	\$ 751,334
Disposals	-	-	-	(7,651)	(9,168)	-	-	(16,819)
Depreciation expenses	-	11,310	854	31,087	47,211	337	21	90,820
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 65,702</u>	<u>\$ 2,909</u>	<u>\$ 262,569</u>	<u>\$ 492,154</u>	<u>\$ 1,833</u>	<u>\$ 168</u>	<u>\$ 825,335</u>
Balance at December 31, 2021, net	<u>\$ 288,993</u>	<u>\$ 429,364</u>	<u>\$ 1,195</u>	<u>\$ 172,743</u>	<u>\$ 130,032</u>	<u>\$ 10,775</u>	<u>\$ 56</u>	<u>\$ 1,033,158</u>

(Continued)

	Freehold Land	Buildings	Transportation Equipment	Office Equipment	Decoration Equipment	Leasehold Improvement	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2020	\$ 288,993	\$ 495,066	\$ 3,840	\$ 301,863	\$ 548,112	\$ 5,924	\$ 224	\$ 1,644,022
Additions	-	-	108	102,912	64,058	835	-	167,913
Disposals	-	-	-	(13,152)	(13,482)	-	-	(26,634)
Reclassification	-	-	-	3,546	(3,546)	-	-	-
Balance at December 31, 2020	<u>\$ 288,993</u>	<u>\$ 495,066</u>	<u>\$ 3,948</u>	<u>\$ 395,169</u>	<u>\$ 595,142</u>	<u>\$ 6,759</u>	<u>\$ 224</u>	<u>\$ 1,785,301</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ -	\$ 43,082	\$ 1,258	\$ 222,056	\$ 420,692	\$ 1,199	\$ 126	\$ 688,413
Disposals	-	-	-	(10,842)	(13,403)	-	-	(24,245)
Depreciation expenses	-	11,310	797	27,919	46,822	297	21	87,166
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 54,392</u>	<u>\$ 2,055</u>	<u>\$ 239,133</u>	<u>\$ 454,111</u>	<u>\$ 1,496</u>	<u>\$ 147</u>	<u>\$ 751,334</u>
Balance at December 31, 2020, net	<u>\$ 288,993</u>	<u>\$ 440,674</u>	<u>\$ 1,893</u>	<u>\$ 156,036</u>	<u>\$ 141,031</u>	<u>\$ 5,263</u>	<u>\$ 77</u>	<u>\$ 1,033,967</u>

(Concluded)

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	1-5 years
Leasehold improvement	20 years
Other equipment	5-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Carrying amount	<u>\$ 500,489</u>	<u>\$ 571,206</u>
	For the Year Ended December 31	
	<u>2021</u>	<u>2020</u>
Additions to right-of-use assets	<u>\$ 158,143</u>	<u>\$ 222,958</u>
Depreciation charge for right-of-use assets	<u>\$ 228,860</u>	<u>\$ 224,507</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2021 and 2020.

b. Lease liabilities

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Carrying amount (incremental borrowing rate of 1.39%)</u>		
Current	<u>\$ 165,968</u>	<u>\$ 180,685</u>
Non-current	<u>\$ 336,362</u>	<u>\$ 394,299</u>

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

The Company leases buildings for the use of retail stores with lease term of 1 to 12 years. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease term. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent. As of December 31, 2021 and 2020, the Company leased part of the warehouse, office and business premises to the lessor, and paid deposits of \$55,229 thousand and \$53,922 thousand, respectively, which were recognized as refundable deposits.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 1,968</u>	<u>\$ 757</u>
Total cash outflow for leases	<u>\$ 236,235</u>	<u>\$ 231,330</u>

15. INVESTMENT PROPERTIES

	Completed Investment Properties
<u>Cost</u>	
Balance at January 1, 2021	\$ 98,387
Additions	<u>-</u>
Balance at December 31, 2021	<u>\$ 98,387</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 18,054
Depreciation expense	<u>588</u>
Balance at December 31, 2021	<u>\$ 18,642</u>
Balance at December 31, 2021, net	<u>\$ 79,745</u>
<u>Cost</u>	
Balance at January 1, 2020	\$ 98,387
Additions	<u>-</u>
Balance at December 31, 2020	<u>\$ 98,387</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2020	\$ 17,091
Depreciation expense	<u>963</u>
Balance at December 31, 2020	<u>\$ 18,054</u>
Balance at December 31, 2020, net	<u>\$ 80,333</u>

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.

	<u>December 31</u>	
	2021	2020
Fair value	<u>\$ 240,573</u>	<u>\$ 240,629</u>

The investment properties pledged as collateral for bank borrowing are set out in NOTE 27.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings (Note 27)</u>		
Bank loans	\$ 26,800	\$ 28,080
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>326,700</u>	<u>285,420</u>
	<u>\$ 353,500</u>	<u>\$ 313,500</u>

The weighted average effective interest rates on bank loans were 0.90%-1.10% and 0.93%-1.08% per annum as of December 31, 2021 and 2020, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2021	2020
<u>Secured borrowings</u>		
Bank loans	\$ 419,198	\$ 446,744
Less: Current portions	<u>(27,850)</u>	<u>(27,546)</u>
Long-term borrowings	<u>\$ 391,348</u>	<u>\$ 419,198</u>
Expiry period	2035	2035
Interest rate range	1.1%	1.1%

Please refer to Note 27 for details of the collaterals pledged for the above long-term borrowings

17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 154,546	\$ 156,556
Payables for purchases of equipment	40,638	29,113
Payables for annual leave	14,444	14,475
Payables for business tax	13,467	11,240
Payables for premiums	9,823	8,867
Payables for services	1,195	1,114
Others	<u>46,668</u>	<u>39,738</u>
	<u>\$ 280,781</u>	<u>\$ 261,103</u>
<u>Non-current</u>		
Guarantee deposits		
Guarantee deposits for engagement	\$ 207,329	\$ 211,964
Others	<u>700</u>	<u>700</u>
	<u>\$ 208,029</u>	<u>\$ 212,664</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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 Company in accordance with the Labor Standards Act 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 contribute 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 19,077	\$ 22,309
Fair value of plan assets	<u>(35,562)</u>	<u>(34,708)</u>
Net defined benefit assets	<u>\$ (16,485)</u>	<u>\$ (12,399)</u>

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, 2020	\$ 23,336	\$ (32,039)	\$ (8,703)
Service cost			
Net interest expense (income)	<u>233</u>	<u>(333)</u>	<u>(100)</u>
Recognized in profit or loss	<u>233</u>	<u>(333)</u>	<u>(100)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(922)	(922)
Actuarial loss - experience adjustments	<u>(1,260)</u>	<u>-</u>	<u>(1,260)</u>
Recognized in other comprehensive loss	<u>(1,260)</u>	<u>(922)</u>	<u>(2,182)</u>
Contributions from the employer	<u>-</u>	<u>(1,414)</u>	<u>(1,414)</u>
Balance at December 31, 2020	22,309	(34,708)	(12,399)
Service cost			
Net interest expense (income)	<u>112</u>	<u>(178)</u>	<u>(66)</u>
Recognized in profit or loss	<u>112</u>	<u>(178)</u>	<u>(66)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(436)	(436)
Actuarial loss - experience adjustments	<u>(3,344)</u>	<u>-</u>	<u>(3,344)</u>
Recognized in other comprehensive loss	<u>(3,344)</u>	<u>(436)</u>	<u>(3,780)</u>
Contributions from the employer	<u>-</u>	<u>(240)</u>	<u>(240)</u>
Balance at December 31, 2021	<u>\$ 19,077</u>	<u>\$ (35,562)</u>	<u>\$ (16,485)</u>

Through the defined benefit plans under the Labor Standards Act, the Company 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:

	<u>December 31</u>	
	2021	2020
Discount rate	0.75%	0.5%
Expected rate of salary increase	2%	2%
Turnover rate	1%-40%	1%-40%

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

	<u>December 31</u>	
	2021	2020
Discount rate		
0.25% increase	<u>\$ (426)</u>	<u>\$ (536)</u>
0.25% decrease	<u>\$ 440</u>	<u>\$ 553</u>
Expected rate of salary increase		
1% increase	<u>\$ 1,788</u>	<u>\$ 2,262</u>
1% decrease	<u>\$ (1,619)</u>	<u>\$ (2,036)</u>

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.

	<u>December 31</u>	
	2021	2020
Expected contributions to the plans for the next year	<u>\$ 240</u>	<u>\$ 1,414</u>
Average duration of the defined benefit obligation	8.9 years	9.7 years

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2021	2020
Number of shares authorized (in thousands)	<u>85,000</u>	<u>85,000</u>
Shares authorized	<u>\$ 850,000</u>	<u>\$ 850,000</u>
Number of shares issued and fully paid (in thousands)	<u>60,060</u>	<u>60,060</u>
Shares issued	<u>\$ 600,599</u>	<u>\$ 600,599</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital*</u>		
Treasury share transactions	\$ 502	\$ 502
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries	480,821	482,785
<u>May not be used for any purpose</u>		
Others	<u>182</u>	<u>182</u>
	<u>\$ 481,505</u>	<u>\$ 483,469</u>

* 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 21, 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 or 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.

The shareholders of the Company held their regular meeting on July 27, 2021 and in that meeting, resolved the amendments to the Company's Articles of Incorporation (the "Articles"). The amendments explicitly stipulate that when a special reserve is appropriated for cumulative net debit balance reserves from prior period, the sum of net profit for current period and items other than net profit that are included directly in the unappropriated earnings for current period is used if the prior unappropriated earnings is not sufficient. Before the Articles is amended, the special reserve is appropriated from the prior unappropriated earnings.

The appropriations of earnings for 2020 and 2019 that were approved in the shareholders' meetings on July 27, 2021 and June 24, 2020, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Legal reserve	\$ 32,634	\$ 41,639		
Special reserve	12,097	34,884		
Cash dividends	240,240	240,240	\$4	\$4

The appropriation of earnings for 2021 was proposed by the Company's board of directors on March 24, 2022. The appropriation and distribution of dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 29,157	
Special reserve	2,676	
Cash dividends	258,258	\$4.3

The appropriation of earnings for 2021 is subject to resolution in the shareholders' meeting to be held on June 27, 2022.

20. REVENUE

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

	For the Year Ended December 31	
	2021	2020
Customer contracts revenue		
Sales revenue of optical glasses	<u>\$ 2,148,426</u>	<u>\$ 2,234,017</u>

21. NET PROFIT

Net profit in 2021 includes the following items:

a. Interest income

	For the Year Ended December 31	
	2021	2020
Discounted bills	\$ 6,198	\$ 7,294
Financial assets at amortized cost	2,459	3,640
Others	<u>56</u>	<u>104</u>
	<u>\$ 8,713</u>	<u>\$ 11,038</u>

b. Other income (Note 26)

	<u>For the Year Ended December 31</u>	
	2021	2020
Government grant	\$ 34,508	\$ 11,800
Rental income	20,725	20,821
Others	<u>29,694</u>	<u>25,655</u>
	<u>\$ 84,927</u>	<u>\$ 58,276</u>

c. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2021	2020
Financial assets mandatorily classified as at FVTPL	\$ 2,320	\$ 10,000
Gain on disposal of associates	-	1,784
Net foreign exchange loss	(3,063)	(8,798)
Gain on disposal of property, plant and equipment (Note 26.g)	49	858
Gain on lease modification	4,921	3,926
Depreciation charge for investment properties	<u>(588)</u>	<u>(963)</u>
	<u>\$ 3,541</u>	<u>\$ 6,807</u>

d. Finance costs

	<u>For the Year Ended December 31</u>	
	2021	2020
Interest on loans	\$ 8,689	\$ 8,230
Interest on leases liabilities	8,391	8,688
Unwinding of discount on provisions	<u>364</u>	<u>318</u>
	<u>\$ 17,444</u>	<u>\$ 17,236</u>

e. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2021	2020
An analysis of depreciation by function		
Selling and marketing expenses	\$ 304,595	\$ 296,047
General and administrative expenses	<u>15,085</u>	<u>15,626</u>
	<u>\$ 319,680</u>	<u>\$ 311,673</u>
An analysis of amortization by function		
Selling and marketing expenses	\$ 4,443	\$ 3,811
General and administrative expenses	<u>1,225</u>	<u>4,748</u>
	<u>\$ 5,668</u>	<u>\$ 8,559</u>

f. Employee benefits expense

	<u>For the Year Ended December 31</u>	
	2021	2020
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 26,952	\$ 26,404
Defined benefit plans	<u>(66)</u>	<u>(100)</u>
	26,886	26,304
Other employee benefits	<u>689,899</u>	<u>701,925</u>
Total employee benefits expense	<u>\$ 716,785</u>	<u>\$ 728,229</u>
An analysis of employee benefits expense by function		
Operating expenses	<u>\$ 716,785</u>	<u>\$ 728,229</u>

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, 2021 and 2020, which were approved by the Company's board of directors on March 24, 2022 and March 24, 2021, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	2021	2020
Compensation of employees	2.5%	2.5%
Remuneration of directors and supervisors	1%	1%

Amount

	<u>For the Year Ended December 31</u>	
	2021	2020
	Cash	Cash
Compensation of employees	\$ 9,158	\$ 9,618
Remuneration of directors and supervisors	3,663	3,847

If there is a change in the amounts after the annual 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 financial statements for the years ended December 31, 2020 and 2019.

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

h. Gains or losses on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2021	2020
Foreign exchange gains	\$ -	\$ -
Foreign exchange losses	<u>(3,063)</u>	<u>(8,798)</u>
	<u>\$ (3,063)</u>	<u>\$ (8,798)</u>

22. INCOME TAX

a. Income tax recognized in profit or loss

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Current tax		
In respect of the current period	\$ 37,362	\$ 27,885
Income tax on unappropriated earnings	1,808	-
Adjustments for prior year	-	(1,401)
Repatriated offshore funds	<u>-</u>	<u>15,809</u>
	<u>39,134</u>	<u>42,293</u>
Deferred tax		
In respect of the current period	24,483	36,436
Repatriated offshore funds	<u>-</u>	<u>(15,809)</u>
	<u>24,483</u>	<u>20,627</u>
Income tax expense recognized in profit or loss	<u>\$ 63,617</u>	<u>\$ 62,920</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Income before income tax	<u>\$ 353,515</u>	<u>\$ 371,241</u>
Income tax expense calculated at the statutory rate	\$ 70,703	\$ 74,248
Nondeductible expenses in determining taxable income	137	200
Tax-exempt income	(9,031)	(2,127)
Income tax on unappropriated earnings	1,808	-
Realized investment losses	-	(8,000)
Adjustments for prior year	<u>-</u>	<u>(1,401)</u>
Income tax expense recognized in profit or loss	<u>\$ 63,617</u>	<u>\$ 62,920</u>

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, 2021

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Compre- hensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 2,994	\$ (333)	\$ -	\$ 2,661
Payables for annual leave	2,895	(6)	-	2,889
Unrealized exchange losses	1,762	613	-	2,375
Others	<u>2,582</u>	<u>139</u>	<u>-</u>	<u>2,721</u>
	<u>\$ 10,233</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 10,646</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit obligation	\$ 4,610	\$ 62	\$ 756	\$ 5,428
Share of profit of subsidiaries and associates	<u>315,167</u>	<u>24,834</u>	<u>(3,721)</u>	<u>336,280</u>
	<u>\$ 319,777</u>	<u>\$ 24,896</u>	<u>\$ (2,965)</u>	<u>\$ 341,708</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Compre- hensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 4,149	\$ (1,155)	\$ -	\$ 2,994
Payables for annual leave	2,576	319	-	2,895
Unrealized exchange losses	2	1,760	-	1,762
Others	<u>2,459</u>	<u>123</u>	<u>-</u>	<u>2,582</u>
	<u>\$ 9,186</u>	<u>\$ 1,047</u>	<u>\$ -</u>	<u>\$ 10,233</u>
				(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Compre- hensive Income (Loss)	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit obligation	\$ 3,871	\$ 303	\$ 436	\$ 4,610
Share of profit of subsidiaries and associates	<u>290,004</u>	<u>21,371</u>	<u>3,792</u>	<u>315,167</u>
	<u>\$ 293,875</u>	<u>\$ 21,674</u>	<u>\$ 4,228</u>	<u>\$ 319,777</u> (Concluded)

c. Income tax assessments

The tax returns of the Company through 2019 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Net profit for the year	<u>\$ 289,898</u>	<u>\$ 308,321</u>

Unit: In Thousand Shares

	<u>For the Year Ended December 31</u>	
	2021	2020
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	<u>193</u>	<u>213</u>
Weighted average number of ordinary shares outstanding in the computation of diluted earnings per share	<u>60,253</u>	<u>60,273</u>

The Company may settle the compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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.

24. CAPITAL MANAGEMENT

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

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

25. 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 that 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, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Financial assets at FVTOCI				
Investment in equity instruments				
Listed shares - ordinary shares	\$ 53,657	\$ -	\$ -	\$ 53,657
Listed shares - preference shares	47,606	-	-	47,606
Unlisted shares - ordinary shares	<u>-</u>	<u>-</u>	<u>107,086</u>	<u>107,086</u>
	<u>\$ 101,263</u>	<u>\$ -</u>	<u>\$ 107,086</u>	<u>\$ 208,349</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investment in equity instruments				
Listed shares - preference shares	\$ 47,051	\$ -	\$ -	\$ 47,051
Unlisted shares - ordinary shares	<u>-</u>	<u>-</u>	<u>91,457</u>	<u>91,457</u>
	<u>\$ 47,051</u>	<u>\$ -</u>	<u>\$ 91,457</u>	<u>\$ 138,508</u>

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 market approach. The market approach is used to arrive at their par 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	
	2021	2020
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 20,000	\$ -
Financial assets at amortized cost (1)	225,961	286,810
Financial assets at FVTOCI		
Equity instruments	208,349	138,508
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,188,379	1,193,410

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

d. Financial risk management objectives and policies

The Company'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 Company identifies, assesses and manages the uncertainties to lower the potential unfavorable effect of financial performance which resulted from market changes.

The Company's financial activities are reviewed by the board of directors and audit committee in accordance with related rules and internal control systems. The Company 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 Company'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 have been no changes to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

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

Sensitivity analysis

The following table details the Company'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	
	2021	2020
Profit or loss	\$ 4,583	\$ 7,932

* 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 reporting period.

b) Interest rates risk

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

	December 31	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ -	\$ 10,000
Cash flow interest rate risk		
Financial assets	157,921	227,817
Financial liabilities	772,698	750,244

Sensitivity analysis

The sensitivity analyses were determined based on the Company'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 Company's profit or loss before income tax would have been as follows:

	Market Rate Change Impact	
	For the Year Ended December 31	
	2021	2020
Profit or loss before income tax	\$ (615)	\$ (522)

c) Other price risk

The financial instruments is equity securities listed in the ROC and 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, 2021 would have increased/decreased by \$1,000 thousand, 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, 2021 and 2020 would have increased/decreased by \$10,417 thousand and \$6,925 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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk from deposits, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation. However, since the Company'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 Company has financial flexibility.

As of December 31, 2021 and 2020, the Company 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 Company'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 Company 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, 2021

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities		\$ 606,707	\$ -	\$ -	\$ -
Lease liabilities		171,645	241,982	86,387	15,037
Variable interest rate liabilities	0.90%-1.39%	<u>385,891</u>	<u>64,642</u>	<u>64,692</u>	<u>290,891</u>
		<u>\$ 1,164,243</u>	<u>\$ 306,624</u>	<u>\$ 151,079</u>	<u>\$ 305,928</u>

December 31, 2020

	Weighted Average Effective Interest Rate	On Demand or Less than 1 Year	2-3 Years	4-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities		\$ 623,757	\$ -	\$ -	\$ -
Lease liabilities		187,248	279,575	98,525	24,823
Variable interest rate liabilities	0.93%-1.39%	345,918	64,644	64,644	323,222
Fixed interest rate liabilities	1.08%	<u>10,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,166,928</u>	<u>\$ 344,219</u>	<u>\$ 163,169</u>	<u>\$ 348,045</u>

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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 326,700	\$ 285,420
Amount unused	<u>413,300</u>	<u>384,580</u>
	<u>\$ 740,000</u>	<u>\$ 670,000</u>
Secured bank overdraft facilities:		
Amount used	\$ 445,998	\$ 474,824
Amount unused	<u>114,482</u>	<u>85,656</u>
	<u>\$ 560,480</u>	<u>\$ 560,480</u>

26. TRANSACTIONS WITH RELATED PARTIES

The details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
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
Milanno Optical Co., Ltd.	Subsidiary
Bao Wei Optical Co., Ltd.	Subsidiary
Bao Xiang Optical Co., Ltd.	Subsidiary

b. Purchases of goods

Related Party/Name	For the Year Ended December 31	
	2021	2020
Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	<u>\$ 626,458</u>	<u>\$ 637,382</u>

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	
		2021	2020
Other receivables	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	\$ 22,876	\$ 26,533
	Subsidiaries	<u>696</u>	<u>653</u>
		<u>\$ 23,572</u>	<u>\$ 27,186</u>

The outstanding trade receivables from related parties are unsecured.

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

Line Item	Related Party/Name	December 31	
		2021	2020
Notes payable	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	\$ 282,645	\$ 288,153
Other payables	Other related party	<u>1,964</u>	<u>2,322</u>
		<u>\$ 284,609</u>	<u>\$ 290,475</u>

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	
		2021	2020
1) Other expenditures	Other related party	<u>\$ 11,217</u>	<u>\$ 10,139</u>
2) Rental income	Other related party - its chairman and the Company's chairman are second-degree relatives - Pao Lien Optical Co., Ltd.	\$ 14,412	\$ 14,399
	Other related party - same chairman as the Company's chairman - Yung Sheng Optical Co., Ltd.	4,950	5,150
	Subsidiaries	<u>120</u>	<u>120</u>
		<u>\$ 19,482</u>	<u>\$ 19,669</u>

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 is \$429 thousand and charge by sight check monthly. Due to severe impact of the COVID-19 pandemic on the market economy in 2021, the Company agreed to provide an unconditional rent reduction of 15% from July 1 to September 30, 2022.

The Company leases buildings to Bao Wei Optical Co., Ltd. (subsidiary) and Bao Xiang Optical Co., Ltd. (subsidiary). The lease period is from January 1, 2021 to December 31, 2023 and August 5, 2019 to August 4, 2022, respectively. The average monthly rent of \$5 thousand is collected by means of check.

Line Item	Related Party/Name	For the Year Ended December 31	
		2021	2020
3) Other income	Subsidiary - Bao Wei Optical Co., Ltd.	\$ 6,678	\$ 7,273
	Subsidiaries	515	686
	Other related party	3,001	1,544
	Associates	-	315
		<u>\$ 10,194</u>	<u>\$ 9,818</u>

f. Acquisition of property, plant and equipment

Related Party Category/Name	Purchase Price	
	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Subsidiaries - Milano Optical Co., Ltd.	<u>\$ 130</u>	<u>\$ -</u>

g. Disposal of property, plant and equipment

Related Party Name	Disposal Value		Gain on Disposal	
	For the Year Ended December 31 2021	For the Year Ended December 31 2020	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Subsidiaries - Bao Wei Optical Co., Ltd.	<u>\$ 37</u>	<u>\$ 164</u>	<u>\$ 17</u>	<u>\$ 164</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 11,529	\$ 11,772
Post-employment benefits	<u>254</u>	<u>254</u>
	<u>\$ 11,783</u>	<u>\$ 12,026</u>

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

27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	2021	2020
Property, plant and equipment, net	\$ 671,090	\$ 680,018
Investment properties	79,745	80,333
Financial assets at FVTOCI - listed shares and preference shares	<u>47,606</u>	<u>47,051</u>
	<u>\$ 798,441</u>	<u>\$ 807,402</u>

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company' 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, 2021

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,311	27.68 (USD:NTD)	\$ 91,653
Non-monetary items			
Investments accounted for using the equity method			
USD	82,779	27.68 (USD:NTD)	2,291,320

December 31, 2020

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,570	28.48 (USD:NTD)	\$ 158,641
Non-monetary items			
Investments accounted for using the equity method			
USD	76,806	28.48 (USD:NTD)	2,187,426

29. 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) Information on investees: See Table 3 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 4 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 5.

30. OTHERS

- a. Due to the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, the Company assessed that these have little impact on its overall operations. However, since the future of global epidemic is still uncertain, the Company will continue to pay attention to the development of the epidemic and adopt relevant countermeasures to alleviate the impact on the Company's operations.
- b. The 100%-owned subsidiary of the Company, New Path International Co., Ltd., which held approximately 18.39% of the issued shares of Ginko International Co., Ltd., participated in Ginko International Co., Ltd. and Glamor Vision Ltd. merger, which was approved by the Company's board of directors on November 26, 2021. After the completion of the merger, New Path International Co., Ltd. will indirectly hold approximately 18.39% of the equity of Ginko International Co., Ltd. through Glamor Vision Ltd., the same as the current shareholding ratio. The merger was approved by the extraordinary shareholders' meeting of Ginko International Co., Ltd., on January 27, 2022 and is subject for approval by the relevant competent authorities.

FORMOSA OPTICAL TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(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, 2021				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Formosa Optical Technology Corporation	<u>Ordinary shares</u>							
	Sunder Biomedical Tech Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,463	\$ 107,086	12.44	\$ 107,086	
	Tsai Huei Tech Co., Ltd.	-	Financial assets at FVTOCI - non-current	1,305	-	1.92	-	
	Shin Kong Financial Holding Co., Ltd. Preferred Shares B	-	Financial assets at FVTOCI - current	1,111	47,606	0.50	47,606	
	Largan Precision Co., Ltd.	-	Financial assets at FVTOCI - current	15	36,975	-	36,975	
	I Sheng Electric Wire & Cable Co., Ltd.	-	Financial assets at FVTOCI - current	117	5,019	-	5,019	
	Taiwan Secom Co., Ltd.	-	Financial assets at FVTOCI - current	56	5,824	-	5,824	
	WPG Holding Co., Ltd.	-	Financial assets at FVTOCI - current	111	5,839	-	5,839	
	<u>Mutual funds</u>							
	Jih Sun Global Smart Car Fund (TWD A)	-	Financial assets at FVTPL - current	1,142	20,000	-	20,000	

FORMOSA OPTICAL TECHNOLOGY CORPORATION

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, 2021
(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	\$ 626,458	75.21	128 days	No significant difference	120 days	Notes payable \$ 282,645	98.46	

TABLE 3

FORMOSA OPTICAL TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2021	December 31, 2020	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Formosa Optical Technology Corporation	PolyLite Taiwan Corporation Limited	Taiwan	Manufacture, process, import, export and sell all kinds of glasses, frames, optical equipment, contact lenses and eye solutions	\$ 37,798	\$ 37,798	6,266	13.44	\$ 109,335	\$ (13,128)	\$ (1,764)	Accounted for using the equity method
	New Path International Corporation Limited	Mauritius	Investment activities	123,682	123,682	-	100.00	2,291,320	177,205	177,205	Subsidiary (Note 1)
	Milanno Optical Corporation Limited	Taiwan	Sale of 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	25,676	(15,205)	(15,205)	Subsidiary (Note 1)
	Bao Wei Optical Corporation Limited	Taiwan	Sale of optical glasses, frames and eye care solution	100,000	100,000	10,000	100.00	150,251	27,775	27,775	Subsidiary (Note 1)
	Bao Xiang Optical Corporation Limited	Taiwan	Sale of optical glasses, frames and eye care solution	42,000	42,000	4,200	70.00	3,739	(14,154)	(9,908)	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\$ 78,835	956,235	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	15,445,948	905,454	N/A	Subsidiary of joint venture
	Yung Sheng Optical Corporation Limited	Taiwan	Merchandise and sale of contact lenses and care solutions.	1,560,000	1,560,000	156,000	100.00	3,524,004	(11,332)	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	15,647,732	906,773	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	25,660	(964)	N/A	Subsidiary of joint venture
Gain Bless Management Ltd.	Horien Optic (Malaysia) Sdn. Bhd.	Malaysia	Sale of contact lenses and care solutions	US\$ 971	US\$ 971	1,750	70.00	20,671	(915)	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	139,926	(26,280)	N/A	Subsidiary of joint venture
	Asiastar Co, Ltd.	Taiwan	Sale of contact lenses and care solutions	32,000	-	100	100.00	18,836	(8,548)	N/A	Subsidiary of joint venture
Master Harvest Global Ltd.	Eishou Optical Co, Ltd.	Japan	Sale of contact lenses and care solutions	JPY 140,700	JPY 63,700	20,300	88.26	(6,867)	(2,943)	N/A	Subsidiary of joint venture
	Uni-Beauty Co., Ltd.	Japan	Sale of contact lenses and care solutions	JPY 290,000	JPY 290,000	29,000	100.00	1,465	(13,345)	N/A	Subsidiary of joint venture

Note 1: All amounts have been eliminated upon consolidation.

Note 2: Refer to Table 4 for information on investments in mainland China.

FORMOSA OPTICAL TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, 2021	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2021	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits (Losses) (Note 2)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow						
Haichang Contact Lens Corporation Limited	Merchandise and sale of contact lenses and care solution	\$ 1,974,110 (US\$ 71,319)	Note 1	\$ 57,824 (US\$ 2,089)	\$ -	\$ -	\$ 57,824 (US\$ 2,089)	\$ 785,854 (RMB 181,031)	18.39	\$ 144,519	\$ 10,973,405	\$ 157,997 (US\$ 5,708)
Jiangsu Horien Contact Lens Corporation Limited	Merchandise and sale of contact lenses and care solution	65,160 (RMB 15,000)	Note 1	3,626 (US\$ 131)	-	-	3,626 (US\$ 131)	313,320 (RMB 72,177)	18.39	57,620	4,805,689	-
Heilongjiang Province Dingtai Pharmaceutical Corporation Limited	Manufacture tablets, capsules, powders and granules	78,335 (RMB 18,033)	Note 1	5,702 (US\$ 206)	-	-	5,702 (US\$ 206)	(6,746) (RMB 1,554)	9.09	-	(1,661) (US\$ 60)	-
Heilongjiang Haichang Biological Technology Corporation Limited	General business items: Manufacture health care products, provide technology consultation, technology services. Licensed business items: R&D and manufacture bottled water, water sprays, medical adhesive tapes, artificial skins, disinfectants, preservatives, bio-antibacterial agents, whey protein and other medical materials and products (with relevant valid licenses)	290,640 (US\$ 10,500)	Note 1	62,391 (US\$ 2,254)	-	-	62,391 (US\$ 2,254)	(5,600) (RMB 1,290)	11.36	-	(10,748) (US\$ 388)	-

Accumulated Investments in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 129,543 (US\$ 4,680)	\$ 510,142 (US\$ 18,430) (Note 4)	\$ 1,588,400 (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 audited by the independent auditors.

Note 3: The investment is transferred to the subsidiary which was 100% owned by the Company. 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.

(Continued)

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
Haichang Contact Lens Corporation Limited	2021.11.24	11000288810	US\$ 920
			<u>US\$ 18,430</u>

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: \$2,647,334 (net worth) × 60% = \$1,588,400.

(Concluded)

TABLE 5**FORMOSA OPTICAL TECHNOLOGY CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

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
Standard Chartered Bank (Taiwan) Limited	3,725,000	6.20
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 financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

FORMOSA OPTICAL TECHNOLOGY CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash	1
Statement of inventories	2
Statement of changes in investments accounted for using the equity method	3
Statement of changes in property, plant and equipment	Note 12
Statement of changes in accumulated depreciation and accumulated impairment of property, plant and equipment	Note 12
Statement of changes in investment properties	Note 14
Statement of changes in accumulated depreciation and accumulated impairment of investment properties	Note 14
Statement of deferred income tax assets	Note 21
Statement of other payables	Note 16
Statement of guarantee deposits received	Note 16
Statement of long-term borrowings	Note 15
Statement of deferred income tax liabilities	Note 21
Major Accounting Items in Profit or Loss	
Statement of net revenue	4
Statement of cost of goods sold	5
Statement of operating expenses	6
Statement of labor, depreciation and amortization by function	7

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENT OF CASH

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Item	Remark	Amount
Cash on hand		\$ 17,548
Cash in banks		
Checking accounts and demand deposits	Note	<u>67,015</u>
		<u>\$ 84,563</u>

Note: Includes US\$4 thousand at US\$1:NT\$27.68.

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2021

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

Client Name	Cost	Net Realizable Value
Merchandise	\$ 411,475	<u>\$ 746,352</u>
Less: Allowance for inventory valuation losses	<u>(13,306)</u>	
	<u>\$ 398,169</u>	

FORMOSA OPTICAL TECHNOLOGY CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2021		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance at December 31, 2021			Market Value or Net Assets Value	Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	%	Amount		
Polylite Taiwan Ltd. (Note 1)	6,266	\$ 113,758	-	\$ 6	-	\$ (2,665)	\$ (1,764)	6,266	13.44	\$ 109,335	\$ 114,043	N/A
New Path International Ltd. (Note 2)		2,187,426	-	-	-	(73,311)	177,205	-	100.00	2,291,320	2,291,320	N/A
Milanno Optical Ltd.	5,000	40,881	-	-	-	-	(15,205)	5,000	100.00	25,676	25,676	N/A
Bao Wei Optical Ltd. (Note 3)	10,000	148,853	-	4,705	-	(31,082)	27,775	10,000	100.00	150,251	150,251	N/A
Bao Xiang Optical Ltd.	4,200	13,647	-	-	-	-	(9,908)	4,200	70.00	3,739	3,739	
		<u>\$ 2,504,565</u>		<u>\$ 4,711</u>		<u>\$ (107,058)</u>	<u>\$ 178,103</u>			<u>\$ 2,580,321</u>	<u>\$ 2,585,029</u>	

Note 1: The increase in investment based on the proportion of capital surplus was \$6 thousand. The decrease in investment based on the proportion of net defined benefit was \$456 thousand, the proportion of unrealized (losses) gains on financial assets at FVTOCI was \$1,021 thousand, associates' changes in equity was \$895 thousand, and the foreign currency exchange difference was \$293 thousand.

Note 2: The decrease in investment based on cash dividend issued was \$53,031 thousand, the proportion of capital surplus was \$1,970 thousand and the foreign currency exchange difference was \$18,310 thousand.

Note 3: The increase in investment based on the proportion of unrealized (losses) gains on financial assets at FVTOCI was \$4,705 thousand. The decrease in investment based on the foreign currency exchange difference was \$31,082 thousand.

FORMOSA OPTICAL TECHNOLOGY CORPORATION**STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

	Shipments (In Thousand Pieces)	Amount
Contact lens	3,111	\$ 786,020
Lenses	424	786,117
Spectacle frames	209	525,634
Eye drops	383	50,987
Others	100	<u>25,015</u>
		2,173,773
Less: Sales return		<u>(25,347)</u>
		<u>\$ 2,148,426</u>

FORMOSA OPTICAL TECHNOLOGY CORPORATION

**STATEMENT OF COST OF GOOD SOLD
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Amount
Inventory balance at beginning of year	\$ 425,175
Add: Purchases, net	832,991
Less: Inventory balance at end of year	(411,475)
Others	(9,620)
Other cost of goods sold	
Add: Loss on disposal of inventory and inventory shortage	6,444
Less: Reversal of inventory write-down	<u>(1,668)</u>
	<u>\$ 841,847</u>

FORMOSA OPTICAL TECHNOLOGY CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Total
Payroll and related expenses	\$ 564,148	\$ 42,614	\$ 606,762
Depreciation expenses	304,595	15,085	319,680
Others (not exceeding 5%)	<u>248,973</u>	<u>35,489</u>	<u>284,462</u>
	<u>\$ 1,117,716</u>	<u>\$ 93,188</u>	<u>\$ 1,210,904</u>

FORMOSA OPTICAL TECHNOLOGY CORPORATION**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021	2020
Labor cost		
Salary	\$ 606,762	\$ 622,004
Labor and health insurance	53,993	50,255
Pension	26,886	26,304
Food stipend	23,789	23,642
Board compensation	3,663	3,847
Others	<u>1,692</u>	<u>2,177</u>
	<u>\$ 716,785</u>	<u>\$ 728,229</u>
Depreciation	\$ 320,268	\$ 312,636
Amortization	5,668	8,559

Note 1: As of December 31, 2021 and 2020, the Company had 882 and 904 employees, respectively. Among them 4 directors did not serve concurrently as employees for both years.

Note 2: a. Average labor cost for the years ended December 31, 2021 and 2020 was \$812 thousand and \$805 thousand, respectively.

b. Average salary and bonus for the years ended December 31, 2021 and 2020 were \$691 thousand and \$691 thousand, respectively.

c. The change in average salary was 0%.

d. Due to the establishment of the audit committee this year, no supervisor has been set up. Remuneration of supervisors for the year ended December 31, 2020 was \$962 thousand.

e. The salary and remuneration policies of the Company's directors, managers and employees are as follows:

1) Directors and supervisors: Based on the profitability of the Company and for those directors and supervisors who have actually participated in and contributed to the Company's affairs, the chairman of the board proposes a salary proposal, which is reviewed by the remuneration committee and approved by the board of directors and supervisors.

2) Managers: Based on salary survey and analysis results and industry level adjustments, managers' salary structure and standards, company profitability and manager performance, and reviewed by the remuneration committee and approved by the board of directors.

3) Employees: According to the salary survey and analysis results, the Company's operating status and the individual performance achievement status, it is proposed by the unit's senior supervisor and approved by the executive vice director.