

Lingsen Precision Industries, LTD.

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

Address: No. 5-1, S. 2nd Rd., Tanzi Dist., Taichung City  
427058, Taiwan (R.O.C.)

TEL: (04)25335120

## Table of Contents

I t e m	P a g e	F i n a n c i a l S t a t e m e n t s  N o. o f N o t e
1. Cover Page	1	-
2. Table of Contents	2	-
3. Independent Auditor's Report	3~6	-
4. Parent Company Only Balance Sheets	7	-
5. Parent Company Only Statements of Comprehensive Income	8~9	-
6. Consolidated Statements of Changes in Equity	10	-
7. Parent Company Only Statements of Cash Flows	11~12	-
8. Notes to Parent Company Only Financial Statements		
(1) Company History	13	1.
(2) Approval Date and Procedures of The Financial Statements	13	2.
(3) New Standards, Amendments and Interpretations Adopted	13~16	3.
(4) Summary of Significant Accounting Policies	16~28	4.
(5) Significant Accounting Assumptions and Judgement, And Major Sources of Estimation Uncertainty	28	5.
(6) Explanation of Significant Accounts	29~54	6.~25.
(7) Related-Party Transactions	54~55	26.
(8) Pledged Assets	55	27.
(9) Significant Commitments and Contingencies	56	28.
(10) Losses Due to Major Disasters	-	-
(11) Subsequent Events	-	-
(12) Information on Foreign-Currency-denominated Assets and Liabilities	56~57	29.
(13) Other Disclosures		
1. Information on Significant Transactions	57	30.
2. Information on Investees	57	30.
3. Information on Investment in Mainland China	57~58	30.
4. Information on Major Shareholders	58	30.
9. Statements of Major Accounting Items	65~78	-

## **Independent Auditors' Report**

To Lingsen Precision Industries, LTD.

### **Opinion**

We have reviewed the accompanying parent company only balance sheets of Lingsen Precision Industries, LTD. as at December 31, 2019 and 2020, and the related parent company only statements of comprehensive income as at 2020 and 2019, as well as the related statements of changes in equity and of cash flows for, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only cash flows at 2020 and 2019 in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 parent company only financial statements of 2020. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these

matters.

Key audit matters of parent company only financial statements of 2020 are described below:

### Revenue Recognition

The Company's main revenue is from service income of wafer fabrication as well as packaging and final testing of the integrated circuit (IC), which is an index of business performance for the management. The authenticity of recognition is of most significance to the financial statements, for the authenticity of revenue recognition is a key audit matter. Refer to note 4 and 20 in the parent company only financial statements to see accounting policies related to revenue cognition.

Our audit procedures on the matters mentioned above mainly include:

1. understanding the selling model, evaluating the appropriateness of revenue recognition policy, evaluating and testing the effectiveness of the relevant internal control to the timing of revenue recognition in the sales cycle.
2. conducting detailed testing by sampling the sales receipts, reviewing delivery order, sales invoice and other related documents, further ascertaining whether the object is consistent, and sending a letter regarding to service income to that customer, in order to confirm the authenticity of service income.

### **Responsibilities of the management and those charged with governance for the parent company only financial statements**

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 in the Company, including the audit committee, are responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the parent company only financial statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GASS will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, parent company only or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with ROC GASS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual 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 controls.
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 material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only 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 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the instruction, supervision and performance of the audit, and the presentation of the Company's 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 controls 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 the key audit matters of the parent company only financial statements of 2020. We describe these matters in our auditor's 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.

Deloitte & Touche

Auditor Shu-Chin, Chiang

Auditing and Attestation No  
FSC No. 1000028068

Auditor Ting-Chien, Su

Auditing and Attestation No  
FSC No. 1070323246

March 18, 2021

**---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.

## Lingsen Precision Industries, LTD.

## Balanced sheet

2020 and December 31, 2019

Amounts expressed in thousands of New Taiwan Dollars

C o d e	A s s e t s	December 31, 2020		December 31, 2019	
		A m o u n t	%	A m o u n t	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,084,329	16	\$ 1,503,012	20
1140	Contract assets - current (Note 4 and 20)	114,509	2	80,561	1
1150	Notes receivable (Note 4 and 20)	-	-	36	-
1170	Accounts receivable (Note 4, 8, 20 and 26)	1,098,847	16	888,935	12
1200	Other receivables (Note 4 and 9)	237,007	3	306,901	4
1220	Current tax assets (Note 4 and 22)	514	-	16,055	1
1310	Inventories (Note 4 and 10)	284,720	4	224,682	3
1470	Other current assets (Note 4, 14, 26 and 27)	190,835	3	147,560	2
11XX	Total current assets	<u>3,010,761</u>	<u>44</u>	<u>3,167,742</u>	<u>43</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 and 7)	8,457	-	7,105	-
1550	Investments accounted for using equity method (Note 4 and 11)	829,935	12	764,697	10
1600	Property, plant and equipment (Note 4, 12 and 27)	2,661,865	39	3,220,683	43
1755	Right-of-use assets (Note 4 and 13)	155,098	2	171,458	2
1840	Deferred tax assets (Note 4, 5 and 22)	89,751	1	105,367	2
1920	Refundable Deposits (Note 4)	241	-	234	-
1990	Other non-current assets (Note 14)	93,249	2	11,289	-
15XX	Total non-current assets	<u>3,838,596</u>	<u>56</u>	<u>4,280,833</u>	<u>57</u>
1XXX	Total assets	<u>\$ 6,849,357</u>	<u>100</u>	<u>\$ 7,448,575</u>	<u>100</u>
	<b>Liabilities and Equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Note 15)	\$ 134,759	2	\$ 188,068	2
2170	Accounts payable	310,405	5	264,983	4
2200	Other payables (Note 16 and 26)	446,678	6	424,648	6
2250	Provision - current (Note 4 and 17)	19,450	-	12,378	-
2280	Lease liabilities (Note 4 and 13)	4,386	-	4,894	-
2320	Current portion of long-term liabilities (Note 15 and 27)	417,600	6	345,600	5
2399	Other current liabilities	46,168	1	103,421	1
21XX	Total current liabilities	<u>1,379,446</u>	<u>20</u>	<u>1,343,992</u>	<u>18</u>
	<b>Non-current liabilities</b>				
2540	long-term borrowings (Note 15 and 27)	314,000	5	731,600	10
2570	Deferred tax liabilities (Note 4 and 22)	1,156	-	893	-
2580	Lease liabilities - non current (Note 4 and 13)	151,784	2	167,111	2
2640	Defined benefit liability, net - non-current (Note 4 and 18)	54,241	1	77,356	1
2645	Guarantee deposits received	1,822	-	913	-
25XX	Total non-current liabilities	<u>523,003</u>	<u>8</u>	<u>977,873</u>	<u>13</u>
2XXX	Total liabilities	<u>1,902,449</u>	<u>28</u>	<u>2,321,865</u>	<u>31</u>
	<b>Equity</b>				
3110	Common Stock	3,801,023	56	3,801,023	51
3200	Capital surplus	1,384,604	20	1,451,696	19
	<b>Retained earnings</b>				
3310	Legal reserve	-	-	359,085	5
3320	Appropriated retained earnings	192,020	3	226,856	3
3350	Unappropriated retained earnings	( 166,267 )	( 3 )	( 461,077 )	( 6 )
3400	Other equity	( 64,644 )	( 1 )	( 74,458 )	( 1 )
3500	Treasury stocks	( 199,828 )	( 3 )	( 176,415 )	( 2 )
3XXX	Total equity	<u>4,946,908</u>	<u>72</u>	<u>5,126,710</u>	<u>69</u>
	Total liabilities and equity	<u>\$ 6,849,357</u>	<u>100</u>	<u>\$ 7,448,575</u>	<u>100</u>

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

Lingsen Precision Industries, LTD.  
Parent Company Only Statements of Comprehensive Income  
For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars, only  
except for loss per share

C o d e		2020		2019	
		A m o u n t	%	A m o u n t	%
4000	Operating revenue (Note 4, 20 and 26)	\$ 4,628,930	100	\$ 3,871,836	100
5000	Operating costs (Note 10 and 21)	<u>4,260,775</u>	<u>92</u>	<u>3,898,841</u>	<u>101</u>
5900	Gross profit (Loss)	<u>368,155</u>	<u>8</u>	<u>( 27,005 )</u>	<u>( 1 )</u>
	Operating expenses (Note 21 and 26)				
6100	Selling expenses	50,968	1	54,117	1
6200	Administrative expenses	142,056	3	152,302	4
6300	Research and development expenses	138,918	3	150,091	4
6450	Expected credit losses (including reversals of impairment losses or impairment gains) (Note 4 and 8)	<u>358</u>	<u>-</u>	<u>( 10 )</u>	<u>-</u>
6000	Total operating expenses	<u>332,300</u>	<u>7</u>	<u>356,500</u>	<u>9</u>
6900	Net operating income (loss)	<u>35,855</u>	<u>1</u>	<u>( 383,505 )</u>	<u>( 10 )</u>
	Non-operating income and expenses				
7100	Interest revenue	5,694	-	8,335	-
7110	Rent Income (Note 4 and 26)	14,342	-	11,407	-
7130	Dividend Income	909	-	635	-
7190	Other income (Note 26)	47,886	1	26,318	1
7210	Disposal of interest of property, plant, and equipment (Note 4)	490	-	10	-
7230	Exchange Gains Or Losses (Note 4)	3,482	-	2,730	-
7510	Interest Expense (Note 4)	( 9,480 )	-	( 10,558 )	-
7775	Share of the loss of subsidiaries and associates accounted for using the equity method (Note 4)	<u>( 248,008 )</u>	<u>( 5 )</u>	<u>( 203,859 )</u>	<u>( 5 )</u>
7000	Total non-operating income and expenses	<u>( 184,685 )</u>	<u>( 4 )</u>	<u>( 164,982 )</u>	<u>( 4 )</u>

(Continued)



(Continued)

C o d e		2020		2019	
		A m o u n t	%	A m o u n t	%
7900	Loss from continuing operations before income tax	(\$ 148,830)	( 3)	(\$ 548,487)	( 14)
7950	Total tax expense (Note 4 and 22)	( 15,513)	-	( 3,524)	-
8200	Net loss	( 164,343)	( 3)	( 552,011)	( 14)
	Other comprehensive income and loss (Note 4)				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurements of the defined benefit plan (Note 18)	1,828	-	12,139	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,352	-	1,379	-
8330	Share of the comprehensive income of subsidiaries and associates accounted for using the equity method	6,102	-	( 4,752)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 22)	( 366)	-	( 2,428)	-
		<u>8,916</u>	<u>-</u>	<u>6,338</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	( 139)	-	( 7,906)	-
8300	Other comprehensive income, net	<u>8,777</u>	<u>-</u>	<u>( 1,568)</u>	<u>-</u>
8500	Total comprehensive income	( \$ 155,566)	( 3)	( \$ 553,579)	( 14)
	Earnings/loss per share (Note 23)				
9750	Basic earnings per share	( \$ 0.44)		( \$ 1.47)	
9850	Diluted earnings per share	( \$ 0.44)		( \$ 1.47)	

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

Lingsen Precision Industries, LTD.  
Statements of changes in equity  
For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars

Code		Retained earnings (Note 19)				Other equity (Note 4)		Treasury stocks (Note 19)	Total equity	
		Common Stock (Note 19)	Capital surplus (Note 19)	Legal reserve	Appropriated retained earnings	Unappropriated earnings (Unappropriated retained earnings) (Note 4)	Transaction difference on translation of financial statements of foreign operation			Unrealized gains or losses of financial assets through other comprehensive income at fair value
A1	Balance as of January 1, 2019	\$ 3,801,023	\$ 1,526,473	\$ 359,085	\$ 127,687	\$ 218,641	(\$ 14,127)	(\$ 87,301)	(\$ 176,415)	\$ 5,755,066
B3	Appropriation and distribution of retained earnings									
	Appropriated retained earnings	-	-	-	99,169	( 99,169 )	-	-	-	-
	Other changes of capital surplus									
C3	Donation from shareholders	-	92	-	-	-	-	-	-	92
C15	Cash dividends from capital surplus	-	( 76,000 )	-	-	-	-	-	-	( 76,000 )
M1	Adjustment of capital surplus dividends to subsidiaries	-	1,131	-	-	-	-	-	-	1,131
D1	Net loss in 2019	-	-	-	-	( 552,011 )	-	-	-	( 552,011 )
D3	Other comprehensive income after tax in 2019	-	-	-	-	9,711	( 7,906 )	( 3,373 )	-	( 1,568 )
D5	Total comprehensive income in 2019	-	-	-	-	( 542,300 )	( 7,906 )	( 3,373 )	-	( 553,579 )
Q1	Subsidiaries' disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 38,249 )	-	38,249	-	-
Z1	Balance as of December 31, 2019	3,801,023	1,451,696	359,085	226,856	( 461,077 )	( 22,033 )	( 52,425 )	( 176,415 )	5,126,710
B1	Appropriation and distribution of retained earnings									
	Legal reserve	-	-	( 359,085 )	-	359,085	-	-	-	-
B3	Appropriated retained earnings	-	-	-	( 34,836 )	34,836	-	-	-	-
	Other changes of capital surplus									
C3	Donation from shareholders	-	64	-	-	-	-	-	-	64
C11	Capital surplus used to cover accumulated deficits	-	( 67,156 )	-	-	67,156	-	-	-	-
D1	Net loss at 2020	-	-	-	-	( 164,343 )	-	-	-	( 164,343 )
D3	Other comprehensive income after taxes in 2020	-	-	-	-	1,462	( 139 )	7,454	-	8,777
D5	Total comprehensive income in 2020	-	-	-	-	( 162,881 )	( 139 )	7,454	-	( 155,566 )
L1	Treasury stocks acquired	-	-	-	-	-	-	-	( 23,413 )	( 23,413 )
M7	Changes in ownership interests in subsidiaries	-	-	-	-	( 887 )	-	-	-	( 887 )
Q1	Subsidiaries' disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,499 )	-	2,499	-	-
Z1	Balance as of December 31, 2020	\$ 3,801,023	\$ 1,384,604	\$ -	\$ 192,020	( \$ 166,267 )	( \$ 22,172 )	( \$ 42,472 )	( \$ 199,828 )	\$ 4,946,908

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

Lingsen Precision Industries, LTD.  
Parent Company Only Statements of Cash Flows  
For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars

<u>C o d e</u>		<u>2020</u>	<u>2019</u>
	Cash flows from operating activities		
A10000	Net loss before tax	(\$ 148,830)	(\$ 548,487)
	Adjustment items		
A20100	Depreciation expenses	668,151	739,262
A20300	Expected credit losses (including reversals of impairment losses or impairment gains)	358	( 10)
A20900	Interest expenses	9,480	10,558
A21200	Interest revenue	( 5,694)	( 8,335)
A21300	Dividend Income	( 909)	( 635)
A22400	Share of the loss of subsidiaries and associates accounted for using the equity method	248,008	203,859
A22500	Disposal of interest of property, plant, and equipment	( 490)	( 10)
A23800	Inventory falling price loss	1,653	915
A24100	Exchange gains	( 2,789)	( 2,820)
A29900	Amortization of prepayments	1,480	1,855
A32200	Provision	7,072	292
A30000	Net changes in operating assets and liabilities		
A31125	Contract Assets	( 33,948)	( 3,311)
A31130	Notes receivable	36	3,595
A31150	Accounts receivable	( 211,560)	( 52,389)
A31180	Other receivables	72,312	142,320
A31200	Inventories	( 61,691)	( 12,555)
A31240	Other current assets	( 45,963)	10,104
A32150	Accounts payable	47,346	91,758
A32180	Other payables	52,627	11,215
A32230	Other current liabilities	( 57,253)	79,391
A32240	Net defined benefit liabilities	( 21,287)	( 46,163)
A33000	Cash generated from operations	518,109	620,409
A33100	Interest received	5,964	8,362
A33300	Interest paid	( 8,458)	( 9,457)
A33500	Income tax paid	<u>15,541</u>	<u>( 4,155)</u>
AAAA	Net cash provided by (used in) operating activities	<u>531,156</u>	<u>615,159</u>

(Continued)

(Continued)

<u>C o d e</u>		<u>2020</u>	<u>2019</u>
	Cash flows from investing activities		
B00020	Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 11,751
B02200	Acquisition of subsidiaries, net of cash	( 308,170)	( 30,490)
B02300	Disposal of subsidiaries, net of cash	-	1,792
B02700	Acquisition of property, plant, and equipment	( 132,995)	( 267,024)
B02800	Disposal of property, plant, and equipment	5,901	10
B03700	Increases in refundable deposits	( 7)	-
B03800	Decreases in refundable deposits	-	800
B06700	Increases in other non-current assets	( 844)	( 644)
B07100	Increase in prepayments for business facilities	( 89,496)	( 14,896)
B07600	Dividends received	<u>909</u>	<u>635</u>
BBBB	Net cash provided by (used in) investing activities	( <u>524,702</u> )	( <u>298,066</u> )
	Cash flow from financing activities		
C00100	Increases in short-term loans	524,328	504,210
C00200	Decreases in short-term loans	( 575,868)	( 376,244)
C01600	Long-term borrowings	-	430,000
C01700	Repayments of long-term debt	( 345,600)	( 356,659)
C03000	Increases in guarantee deposits received	909	-
C03100	Decreases in guarantee deposits received	-	( 11)
C04020	Payments of lease liabilities	( 5,557)	( 6,502)
C04500	Cash dividends paid	-	( 76,000)
C04900	Treasury stocks acquired	( 23,413)	-
C09900	Unclaimed dividend	<u>64</u>	<u>92</u>
CCCC	Net cash provided by (used in) financing activities	( <u>425,137</u> )	<u>118,886</u>
EEEE	Net increase (decrease) in cash and cash equivalents	( 418,683)	435,979
E00100	Cash and cash equivalents at beginning of period	<u>1,503,012</u>	<u>1,067,033</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,084,329</u>	<u>\$1,503,012</u>

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

Lingsen Precision Industries, LTD.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

(Amounts Expressed in thousands of New Taiwan Dollars unless Otherwise Specified)

1. Company history

Lingsen Precision Industries, LTD. (the Company) was established in Taichung Export Processing Zone in April 1973 and began its operation in July 1973. The main business is IC packing and testing as well as optoelectronic devices.

In April 1998, the company's shares were listed on the Taiwan Stock Exchange (TWSE).

The parent company only financial statements were expressed in New Taiwan dollars, which is the Company's functional currency.

2. Approval date and procedures of the consolidated financial statements

These parent company only financial statements were approved by the Board of Directors on March 18, 2021.

3. Application of new standards, amendments and interpretations

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) Application of aforementioned amendments will not have a significant effect on the Company's accounting policies.

b. IFRSs endorsed by FSC applicable in 2021

<u>New standards, amendments, and interpretations</u>	<u>Effective date issued by</u>
	<u>I      A      S      B</u>
Amendments to IFRS 4, 'Extension of the Temporary Exemption from Applying IFRS 9'	effect on the date of issuance
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest rate benchmark reform - Phase II'	Effective for annual periods beginning on or after January 1, 2021
Amendments to IFRS 16 'COVID-19-Related Rent Concessions'	Effective for annual periods beginning on or after June 1, 2020

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

<u>New standards, amendments, and interpretations</u>	<u>Effective date issued by I A S B ( N o t e 1 )</u>
'Annual Improvements 2018-2020'	January 1, 2022 (Note 2)
Amendments to IFRS 3 'Reference to the Conceptual Framework'	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 'dealing with the sale or contribution of assets between an investor and its joint venture or associate'	Not yet determined
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 'Classification of Liabilities as Current or Non-current'	January 1, 2023
Amendments to IAS 1 'Disclosure of Accounting Policies'	January 1, 2023 (Note 6)
Amendments to IAS 8 'Definition of Accounting Estimates'	January 1, 2023 (Note 7)
Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'	January 1, 2022 (Note 4)
Amendments to IAS 37 'Onerous Contracts—Cost of Fulfilling a Contract'	January 1, 2022 (Note 5)

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

Note 2: Amendments to IFRS 9 are applicable to the exchange of financial liabilities or revision of agreements during the periods beginning on or after January 1, 2022. Amendments to IAS 41, 'Agriculture' are applicable to the fair value at the periods beginning on or after January 1, 2022. Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards' are applicable at the periods beginning on or after January 1, 2022.

Note 3: Amendments are applicable to the merge and acquisition at the periods beginning on or after January 1, 2022.

Note 4: Amendments are applicable to plant, property and equipment in and under necessary places and conditions which meet the operation way expected from the management at the periods beginning on or after January 1, 2021.

Note 5: The Amendments are applicable to all contracts which have not fulfilled obligations on January 1, 2022.

Note 6: The amendments are applicable for annual periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to the changes on accounting estimates and accounting policies at annual periods beginning on or after January 1, 2023.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments state that the Company shall follow the definition of significance and the information on significant accounting policies to be disclosed. The information on accounting policies is of big significance If it is expected that the information is able to affect policies made on the basis of such financial statements by the major user of general financial statements. The amendments declare that:

- It is unnecessary that the Company discloses the information on insignificant transactions, other events or conditions which is of no significance to accounting policies.
- The Company may judge that the related information is significant due to the nature of transactions, other events or conditions, even if the amount is not material.
- Not all accounting policies regarding to material transactions, other events or conditions are themselves material to the financial statements.

Additionally, those amendments explain that if the information relates to significant transactions, other events or conditions and meets the following matters, it may be of big significance:

- (1) is changed during the period and affects the significance of financial statements,
- (2) is chosen from alternatives permitted by IFRS Standards,
- (3) is developed in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' in the absence of an IFRS Standard that specifically applies,
- (4) requires to be determined by preliminary judgement or assumptions, or
- (5) relates to complex accounting, and users of the financial statements would otherwise not understand the relating transactions, other events or conditions.

2) Amendments to IAS 8 'Definition of Accounting Estimates'

The amendments state that accounting estimates are amount affected by measurement uncertainty in financial statements. The Company may have to measure the figures in financial statements using the amount which cannot be observed directly and need to be estimated when it applies the accounting policies. Hence, valuation techniques and the inputs are used in the estimates for this purpose. Changes on valuation techniques and the inputs are changes on accounting estimates if they are not corrections of prior period errors.

Addition to the aforementioned influences, up to the reporting date, the Company will continue evaluating other influences on financial status and performance resulting from amendments to rules or explanations. The related influences are to be disclosed once the evaluation is accomplished.

#### 4. Summary of significant accounting policies

##### a. Compliance statement

The financial statements have been prepared in accordance with the “Rules Governing the Preparation of Financial Statements by Securities.”

##### b. Basis of preparation

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

The fair value measurement is categorized into different levels hierarchy based on the observability and significance of inputs:

- 1) Level 1 inputs: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- 2) Level 2 inputs: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 inputs: unobservable inputs for the asset or liability

In preparing the parent company only financial statements, the equity method is adopted to the investments in subsidiaries and associates. For the purpose of making the current profit and loss, other comprehensive income and equity in the parent company only financial statements identical to those in the Company's owner, several accounting treatment differences under individual and this basis are adjusted into 'Investments Accounted for Using Equity Method,' 'Share of the Profit or Loss of Subsidiaries and Associates Accounted for Using the Equity Method,' 'Share of Other Comprehensive Income of Subsidiaries and Associates Accounted for Using Equity Method,' and related items.

##### c. Criteria for classifying assets and liabilities into current and non-current

Current assets include:

- 1) the asset primarily for the purpose of trading,
- 2) the asset expected to be realized within twelve months after the date of statement of financial position, and
- 3) cash and cash equivalent, unless the asset is restricted from being exchanged or



used to settle a liability for at least twelve months after the date of statement of financial position.

Current liabilities include:

- 1) the liability primarily for the purpose of trading,
- 2) liabilities expected to be settled within twelve months after the maturity of the debt, even if the liability at the date of statement of financial position to complete the long-term refinancing prior to the financial statements or reschedule payment agreement, and
- 3) liabilities not having an unconditional right to defer settlement for at least twelve months after the date of statement of financial position.

If none of the above criteria is met, the liability or asset is classified as non-current.

d. Foreign currency

In preparing the financial statements, transactions in currencies (foreign currencies) other than the Company's functional currency are recognized at the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary amount is translated at the closing rate at each date of the balance sheet. Exchange differences arising from settlement or translation are recognized as profit or loss at the period.

Non-monetary foreign currencies held at fair value at the exchange rates prevailing at the date of transaction; non-monetary foreign currencies held at fair value through other comprehensive income are recognized in other comprehensive income.

Non-monetary items carried at historical cost is reported using the exchange rate at the date of the transaction and will not calculated again.

In preparing the parent company only financial statements, assets and liabilities from foreign operation, including subsidiaries whose location or currency are different from the Company, are translated into the presentation currency, the New Taiwan dollar, at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates at the period. The resulting currency translation differences are recognized in other comprehensive income.

If the Company disposes all equity in foreign operations, parts of equity in foreign operations' subsidiaries but loses its control, or retained equity in foreign operations' associates are financial assets and treated under accounting policies

relating to financial instruments, all accumulated exchange differences relating to foreign operations are reclassified to profit or loss.

If a partial disposal of foreign operations' subsidiaries do not result in a loss of control, accumulated exchange differences are included to equity transaction in proportion but not recognized as profit or loss. Under any disposal of foreign operations, accumulated exchange differences are reclassified to profit or loss in disposal proportion.

e. Inventories

Inventories include raw materials, finished good Inventory, work in process. Inventories are stated at the lower of cost or net realizable value. The lower of cost and net realizable value is based on the individual inventory items. Net realized value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The inventory cost is measured by using First In, First Out.

f. Investment in subsidiaries

Investments in subsidiaries accounted for using the equity method.

Subsidiaries are entities which the Company holds the control of.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiaries as well as the distribution received. The Company also recognizes its share in the changes in equities of subsidiaries.

Changes in equity in the ownership of subsidiaries which do not result in loss of control are disposed as equity transaction. The difference between carrying amount invested and the fair value paid and payable or received and receivable is directly recognized as equity.

The loss of shares of the subsidiary equals or exceeds the Company's interest in that subsidiary, including the carrying amount of that subsidiary under equity method and other long-term equity as the Company's net investment in that subsidiary, is recognized as loss according to proportion of shareholding.

The Company considers cash-generating unit in the entire financial statement as testing for impairment and compares its recoverable amount with its carrying amount. If the recoverable amount of assets increases, the reversal of impairment loss will be recognized as profit. However, the carrying amount of assets after the reversal of impairment loss shall not exceed the carrying amount that would have been

determined net of required amortization and have no impairment loss been recognized. Impairment loss of goodwill shall not reverse in the subsequent period.

If the Company loses the control of its subsidiary, it remeasures the retained investments in its former subsidiary as the fair value on initial recognition of a financial asset. The difference between the fair value of the retained investments and any disposal proceeds and the carrying amount of investment at the date is recognized in the current profit or loss. All amount related to that subsidiary is also recognized in other comprehensive income. The accounting treatment is compliance with the basis of rules that Company needs to follow for its direct disposal of assets or liabilities.

Unrealized profit and loss from downstream transactions with a subsidiary are eliminated in the parent company only financial statements. Profit and loss from upstream and sidestream transactions between subsidiaries are recognized in the Company's parent company only financial statements only to the extent that interests in the subsidiary are not related to the Company.

g. Investments in associates

The associates are entities which are material to the Company, but not subsidiaries or joint venture companies.

Investments in the associates are accounted for using the equity method.

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associates as well as the distribution received. The Company also recognizes its share in the changes in equities of associates.

The Company discontinues recognizing its share of further losses if its share of losses of the associate equals or exceeds its interest in the associate. The Company recognizes the additional losses and liabilities which occur in the scope of legal obligation, constructive obligation or payment on behalf of the associates only.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss does not amortized to any assets as part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

h. Property, plant, and equipment

The property, plant and equipment are recognized at costs and subsequently

measured at costs of the amount less accumulated depreciation.

Property, plant and equipment in the course of construction for production are recognized as the cost, which includes professional service fees and borrowing costs eligible for capitalization. When completed and ready for intended use, such assets are classified to the appropriate categories of property, plant and equipment, and depreciation of these assets commences.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

When the derecognition of property, plant and equipment commences, the difference between and the net disposal proceeds and the carrying amount is recognized as the gain or loss.

- i. Impairments of related assets including property, plant and equipment, right-of-use assets and contract cost

At the end of each reporting period, the Company reviews whether there is any indication that its property, plant and equipment, right-of-use assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated. 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.

Recoverable amount is the higher one of which the fair value less costs to sell and its use value. If the recoverable amount of individual assets or cash-generating units is lower than its carrying amount, it would be decreased to its recoverable amount and the impairment loss is recognized in profit or loss.

Inventories recognized in customers' contracts are recognized as impairment loss in accordance with Inventory write off policy and the aforementioned regulations. Subsequently, the excess of carrying amount of assets associated with contract cost over the price received from providing relevant products or service, less direct relevant costs, is recognized as impairment loss. Then the carrying amount of assets associated with contract cost is computed to its cash-generating unit to evaluate the impairment losses on cash-generating unit.

When impairment loss subsequently reverses, the carrying amounts of the asset, cash-generating units or contract cost and related assets are increased to the revised recoverable amounts. However, the increased carrying amounts shall not exceed the

carrying amounts of the asset, cash-generating units or contract cost and related assets which were not recognized as impairment loss at the past period (less amortization or depreciation). The reversal of impairment loss is recognized as profit or loss.

j. Financial instruments

Financial assets and liabilities shall be recognized in the parent company only financial statements when the Company becomes a party to the contractual provisions of the instruments.

At initial recognition, the financial assets and liabilities are measured at its fair value. In the case of the financial assets and liabilities not at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of financial assets and financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Regular way purchase and sale of financial assets are recognized and derecognized using trade date accounting.

1) Classification of measurement

Financial assets held by the Company are classified to financial assets measured at amortized cost and investments in equity instruments measured at fair value through other comprehensive income.

(1) Financial assets measured at amortized cost

The Company's financial assets are measured at amortised cost if both of the following conditions are met:

- A. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- B. 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.

Financial assets measured at amortized cost include cash and cash equivalent, contract assets, note receivables, account receivables, other receivables, other current assets and refundable deposits. When the recognition commences, effective interest method is used to determine the carrying amount less any amortised cost of depreciation. Any exchange gains and losses are recognized as gains and losses.

Credit losses on financial assets are significant financial difficulty of the issuer or borrower, a breach of contract, it becoming probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for the financial asset because of financial difficulties.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and acquired within three months.

(2) Investments in equity instruments measured at fair value through other comprehensive income

On initial recognition, the Company may irrevocably designate investments in equity instruments that is not held for trading and not recognized as contingent consideration as at FVTOCI.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. on disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and no reclassified to profit or loss.

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Company's right to receive payment is established, except for apparently the dividend representing the recovery of the partial investment cost.

2) Impairments of financial assets and contract assets

At the date of each balance sheet, the Company reviews expected credit losses to estimate the impairment loss of financial assets, including notes receivable, and contract assets measured at amortized cost.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets shall be evaluated if credit risk increases significantly after recognition. When the credit risk has not increased, a loss allowance is recognized at an amount equal to expected credit loss within 12 months. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is

recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

Expected credit losses are weighted average credit losses with the probability of default events. 12-month expected credit losses are expected credit losses that result from default events possible within 12 months after the reporting date. Lifetime expected credit losses result from all possible default events over the expected life of the financial instruments.

For the purpose of internal controls on credit risk, without considering the collaterals it holds, the Company determines the following events as a breach of contract:

- (1) There is internal or outside information prevails that it is not possible the borrower pays off the debt.
- (2) The overdue exceeds the average credit period, unless there is reasonable and evidencable information prevails the extent of a breach of contract is more appropriate.

All impairment losses on financial assets is decreased its carrying amount through contra accounts.

3) Derecognition of financial assets

The Company derecognizes the financial assets only when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity.

On derecognition of financial assets 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 Investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial Liabilities

1. Follow-up measurement

Financial liabilities are measured at amortised cost using effective interest method.

2. Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their

carrying amount and the consideration paid and payable , including any transfer of non-cash assets or liabilities, is recognized as profit or loss.

k. Provision

The amount recognized as a provision is, taking risk and uncertainty of obligation into consideration, the best estimate of the expenditure required to settle the obligation at the date of balance sheet.

l. Revenue recognition

The Company allocates the transaction price to each performance obligation and recognizes the revenue when each of the obligation is satisfied after the customer has identified it.

1) Sales revenue

Sales revenue comes from the sale of semiconductor materials. Since the clients are eligible for pricing and using the products as well as responsible for reselling and taking the risk of depreciation upon the delivery of semiconductor materials, the Company shall recognize the revenue and accounts receivable upon the sale.

2) Service Income

Service Income comes from packaging and final testing.

When the customer simultaneously receives and consumes the benefits provided by the Company's performance of packaging and final testing service, or the customer controls an asset which the Company's performance has created or enhanced, the related revenue is recognized. Packing and final testing of products counts on involvement of technicians. The Company measures the work in progress by the percentage of completion. The contract with customer states that the customer will be billed after the packing and final testing or the delivery is completed. A contract asset is thus recognized when the Company renders the service and transferred to accounts receivable when the packing and final testing or delivery is completed. Final testing counts on the involvement of technicians. The Company measures the work in progress by the percentage of completion. Contract customer will be billed after the completion of service, and the Company will recognize accounts receivable when rendering the service.

m. Lease

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

Under the operating lease, lease payments less lease incentives granted are recognized as revenue on a straight-line basis. The initial direct cost which occurs on granting operating leases is the carrying amount accumulated to the underlying assets and is recognized as expense on a straight of line basis.

2) The Company as lessee

Except for payments for low-value asset leases and short-term leases applicable to exemption of recognition are recognized as expenses on a straight-line basis, the Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, lease payments made before commencement date less lease incentives granted, initial direct costs as well as estimated costs to restore the underlying assets. 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 parent company only 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, which comprise fixed payments and the default fine arises from lease termination. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the 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 as profit or loss.

Lease liabilities are presented on a separate line in the consolidated balance sheets.

n . Borrowing Costs

Borrowing Costs requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the cost of the asset.

Where funds are borrowed specifically, costs eligible for capitalization are the actual costs incurred less any income earned on the temporary investment of such borrowings.

Other borrowing costs at the period are recognized as profit or loss.

o. Government grants

A government grant is recognized only when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

The grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, shall be recognized as profit or loss in the period in which it is receivable.

p. Employee benefits

1) Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2) Pensions

For defined contribution plans, the amount of contribution payable in respect of service rendered by employees in that period should be recognized as expenses.

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 and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Net defined benefit liability shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

q. Income tax

The provision for income tax recognized in profit or loss comprises current and deferred tax.

1) Current tax

The Company has determined the current losses and calculated receivable taxes in accordance with regulations established by the jurisdiction for tax return.

According to Income Tax Act in Republic of China, an additional income tax levied at undistributed surplus earnings are recognized in shareholders' annual meeting.

2) Deferred tax

Deferred tax is accounted for temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit or loss.

Deferred tax liability is generally recognized for all taxable temporary differences. Deferred tax asset is recognized for deductible temporary differences or loss carryforwards to the extent that taxable profit is probably available.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits to realize the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the date of balance sheet 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 deferred tax asset to be recovered. The deferred tax assets originally not recognized is also

reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Company expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except the current and deferred tax that relates to items recognized in other comprehensive income or directly in equity are recognized respectively in other comprehensive income or directly in equity.

5. Significant accounting assumptions and judgement, and major sources of estimation uncertainty

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

The Company has taken COVID-19 into consideration on significant accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimates are revised if the revisions affect only that period. If revisions affect both current and future periods, the accounting estimates are recognized in the current and future periods.

Major source of estimates and assumption uncertainty – Income Tax

Upon the end of 2020, the balance of unused loss carryforwards is NT\$719,458,000. The carrying amount of deferred tax assets related to unused tax losses is NT\$55,999,000 and the carrying amount of deferred tax assets related to temporary differences is NT\$33,752,000. The realization of the deferred tax asset depends mainly on its future profitability or the taxable temporary difference. A significant reversal of deferred tax assets will be recognized as gain or loss if the real profits in the future are less than expected.

6. Cash and cash equivalent

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on Hand and Petty Cash	\$ 263	\$ 273
Check and Demand deposit	443,140	602,231
Cash equivalent		
Time deposits	490,000	750,000
Short-Term Notes and Bills	<u>150,926</u>	<u>150,508</u>
	<u>\$ 1,084,329</u>	<u>\$ 1,503,012</u>
<u>Annual percentage rate(%)</u>		
Cash in Banks	0.001-0.05	0.001-0.38
Time deposits	0.12-0.42	0.22-0.68
Short-Term Notes and Bills	0.23	0.45

7. Financial assets at fair value through other comprehensive income - non-current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Listed and OTC stocks</u>		
ETREND Hightech Corp.	\$ 2,265	\$ 1,743
<u>Emerging stocks</u>		
Amtek Semiconductors Co., Ltd. (Amtek Semiconductors)	6,192	5,362
Xpert Semiconductor Inc.	-	-
	<u>\$ 8,457</u>	<u>\$ 7,105</u>

The Company invests the aforementioned common stocks in accordance with long-term strategic objectives and expects to profit from long-term investments. The management deems if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

For the disposal of financial assets measured through other comprehensive income at fair value in subsidiaries of the Company in 2020, the realized loss NT\$2,499,000 was transferred to retained earnings.

8. Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Amortized cost</u>		
Total carrying amount	\$ 1,100,496	\$ 890,226
Less: Allowance for bad debts	( <u>1,649</u> )	( <u>1,291</u> )
	<u>\$ 1,098,847</u>	<u>\$ 888,935</u>

The average collection period for selling products and rendering service is 60 to 90 days, excluding accounts receivable. Credit of key customers is rated by using other

public available financial information and historic transaction records. The Company continues supervising credit risk exposure and credit rating of the counterparty, as well as distributing the total transaction amount into different qualified customers. In addition, the management shall review and approve counterparty's line of credit for the purpose of managing credit risk exposure.

To mitigate credit risk, the management has designated functional working group responsible for decision on line of credit, credit approval and other supervision to ensure proper action has been taken to collect overdue accounts receivable. In addition, the collectible amount of accounts receivable shall be reviewed individually at the date of balance sheet to ensure the uncollectible accounts receivable has been listed to appropriate impairment loss. According these, the management considers the Company's credit risk has significantly decreased.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. For the useful lives expected credit losses, customers' default on records and present financial position, economic trends, as well as GDP expectation and industry outlook are considered. The experience on the Company's credit losses presents that types of loss on different customer groups do not bring obvious differences. Thus the rate of expected credit losses is set based on accounts receivable aging, without further grouping customers.

If any evidence shows the counterparty faces significant financial difficulty and the collectible amount cannot be reasonably expected, the Company will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable is measured as follows:

	0 - 90 d a y s	A g i n g 91-180 days	A g i n g 181-365 days	A g i n g over 365 days	T o t a l
<u>December 31, 2020</u>					
Expected credit loss(%)	0.1	2	10	100	
Total carrying amount	\$ 1,071,719	\$ 28,777	\$ -	\$ -	\$ 1,100,496
Allowance for loss	( 1,073)	( 576)	-	-	( 1,649)
Amortized cost	<u>\$ 1,070,646</u>	<u>\$ 28,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,847</u>
<u>December 31, 2019</u>					
Expected credit loss(%)	0.1	2	10	100	
Total carrying amount	\$ 869,330	\$ 20,896	\$ -	\$ -	\$ 890,226
Allowance for loss	( 869)	( 422)	-	-	( 1,291)
Amortized cost	<u>\$ 868,461</u>	<u>\$ 20,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,935</u>

Changes on allowance for accounts receivable loss are as below:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 1,291	\$ 1,301
Provision (Reversal)	<u>358</u>	<u>( 10 )</u>
Balance at the end of the year	<u>\$ 1,649</u>	<u>\$ 1,291</u>

9. Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposits with an initial maturity of more than three months	\$ 220,000	\$ 295,000
Refund Receivable	13,586	10,898
Others	<u>3,421</u>	<u>1,003</u>
	<u>\$ 237,007</u>	<u>\$ 306,901</u>
Annual percentage rate of time deposits with an initial maturity of more than three months (%)	0.3-0.815	0.45-1.065

10. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw material	\$ 284,709	\$ 224,417
Finished good Inventory	11	246
Work in process	-	19
	<u>\$ 284,720</u>	<u>\$ 224,682</u>

Inventory-related operating costs as of 2020 and 2019 are respectively NT\$4,260,775,000 and NT\$3,898,841,000.

Operating costs include the following items:

	<u>2020</u>	<u>2019</u>
Revenue from sale of scraps	(\$ 34,329)	(\$ 29,883)
Inventory Valuation Losses	1,653	915

11. Investments accounted for using the equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment in subsidiaries	<u>\$ 829,935</u>	<u>\$ 764,697</u>
Investments in associates	<u>\$ -</u>	<u>\$ -</u>

a. Investment in subsidiaries

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
I n v e s t e e s	A m o u n t	E q u i t y %	A m o u n t	E q u i t y %
<u>Private entity</u>				
Lingsen Holding (Samoa) Inc.	\$ 175,821	100	\$ 180,613	100

Panther Technology Co., Ltd.	325,495	64	321,655	64
Sooner Power Semiconductor Co., Ltd.	188,779	99	125,655	99
Lee Shin Investment Co., Ltd. (Lee Shin Investment)	235,215	100	229,051	100
Lingsen America Inc. (Lingsen America)	60,192	100	63,239	100
Nexus Material Corporation	27,162	78	27,213	78
	<u>1,012,664</u>		<u>947,426</u>	
Less: transferred treasury shares	( 176,415)		( 176,415)	
Accumulated impairment	( 6,314)		( 6,314)	
	<u>\$ 829,935</u>		<u>\$ 764,697</u>	

Sooner Power Semiconductor Co., Ltd. has conducted the capital increase of NT\$250,000,000 in December 2020, which was all subscribed by the Company to maintain its share at 99%.

The Company has been approved by Investment Commission, MOEA to invest in Lingsen Holding (Samoa) Inc. at NT\$30,040,000 (US\$1,000,000), NT\$28,130,000 (US\$1,000,000) and NT\$30,490,000 (US\$1,000,000) respectively in May and December 2020 and January 2019. In the meanwhile, Lingsen Holding (Samoa) Inc. indirectly reinvested in Ningbo Liyuan Technology Co., Ltd. through the investment company Li Yuan Investments Co., Ltd.

See Table 3 and 4 for detailed investments in subsidiaries indirectly held by the Company.

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method in 2020 and 2019 are in accordance with auditors' reports of each subsidiaries as of the same period.

b. Investments in associates

<u>I n v e s t e e s</u>	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>A m o u n t</u>	<u>Shares</u>	<u>A m o u n t</u>	<u>Shares</u>
<u>Private entity</u>				
Qi Feng Technology Co., Ltd.	\$ 11,417	30%	\$ 11,417	30%
Less: accumulated impairment	( 11,417)		( 11,417)	
	<u>\$ -</u>		<u>\$ -</u>	

Investments accounted for using the equity method as well as the Company's



share of profit or loss and other comprehensive income are not calculated in accordance with auditors' reports. However, the management of the Company determines that it shall have little influence if financial statements of Qi Feng Technology Co., Ltd. are not audited.

## 12. Property, Plant and Equipment

	December 31, 2020	December 31, 2019
Assets used by the Company	\$ 2,466,197	\$ 3,020,224
Assets subject to operating leases	<u>195,668</u>	<u>200,459</u>
	<u>\$ 2,661,865</u>	<u>\$ 3,220,683</u>

### a. Assets used by the Company

2020	Balance at the beginning of the year	Increase	Decrease	Reclassificati o n	Balance at the end of the year
<u>Cost</u>					
Buildings	\$ 2,279,636	\$ 6,240	\$ 59,340	\$ -	\$ 2,226,536
Machinery and equipment	4,322,982	56,025	647,701	6,900	3,738,206
Transportation equipment	19,114	2,271	2,000	-	19,385
Office equipment	59,177	2,463	3,645	-	57,995
Other facilities	<u>250,060</u>	<u>35,922</u>	<u>57,075</u>	-	<u>228,907</u>
Total costs	<u>6,930,969</u>	<u>\$ 102,921</u>	<u>\$ 769,761</u>	<u>\$ 6,900</u>	<u>6,271,029</u>
<u>Accumulated depreciation</u>					
Buildings	774,065	\$ 97,679	\$ 59,340	\$ -	812,404
Machinery and equipment	2,917,306	505,023	642,290	-	2,780,039
Transportation equipment	18,039	1,000	2,000	-	17,039
Office equipment	39,995	8,946	3,645	-	45,296
Other facilities	<u>161,340</u>	<u>45,789</u>	<u>57,075</u>	-	<u>150,054</u>
Total accumulated depreciation	<u>3,910,745</u>	<u>\$ 658,437</u>	<u>\$ 764,350</u>	<u>\$ -</u>	<u>3,804,832</u>
	<u>\$ 3,020,224</u>				<u>\$ 2,466,197</u>

2019	Balance at the beginning of the year	Effects of retrospectivel y applying I F R S 1 6	Balance at the beginning of the year (restated)	Increase	Decrease	Reclassificati o n	Balance at the end of the year
<u>Cost</u>							
Buildings	\$ 2,589,061	(\$ 277,992)	\$ 2,311,069	\$ 7,277	\$ 46,333	\$ 7,623	\$ 2,279,636
Machinery and equipment	4,778,999	-	4,778,999	268,084	742,621	18,520	4,322,982
Transportation equipment	19,794	-	19,794	-	680	-	19,114
Office equipment	61,090	-	61,090	184	2,097	-	59,177
Other facilities	219,077	-	219,077	37,385	9,567	3,165	250,060
Unfinished construction	6,142	-	6,142	668	-	( 6,810 )	-
Total costs	<u>7,674,163</u>	<u>( \$ 277,992 )</u>	<u>7,396,171</u>	<u>\$ 313,598</u>	<u>\$ 801,298</u>	<u>\$ 22,498</u>	<u>6,930,969</u>
<u>Accumulated depreciation</u>							
Buildings	792,589	(\$ 74,292)	718,297	\$ 102,190	\$ 46,333	(\$ 89)	774,065
Machinery and equipment	3,094,482	-	3,094,482	565,445	742,621	-	2,917,306
Transportation equipment	17,737	-	17,737	982	680	-	18,039

2019	Balance at the beginning of the year	Effects of retrospectively applying IFRS 16	Balance at the beginning of the year (restated)	Increase	Decrease	Reclassification	Balance at the end of the year
Office equipment	32,990	-	32,990	9,102	2,097	-	39,995
Other facilities	120,014	-	120,014	50,893	9,567	-	161,340
Total accumulated depreciation	4,057,812	(\$ 74,292)	3,983,520	\$ 728,612	\$ 801,298	(\$ 89)	3,910,745
	<u>\$ 3,616,351</u>		<u>\$ 3,412,651</u>				<u>\$ 3,020,224</u>

Depreciation is computed on a straight-line basis over the following estimated useful life:

Buildings	
Plant building	45-50 year
Hydropower air-conditioning engineering	3-20 years
Machinery and equipment	3-7 years
Transportation equipment	5-7 years
Office equipment	3-7 years
Other facilities	3-7 years

See note 27 for the amount of property, plant, and equipment used by the Company pledged as collaterals

b. Assets subject to operating leases

2020	Balance at the beginning of the year	Increase	Balance at the end of the year
<u>Cost</u>			
Buildings	\$ 279,629	\$ -	\$ 279,629
<u>Accumulated depreciation</u>			
Buildings	79,170	\$ 4,791	83,961
	<u>\$ 200,459</u>		<u>\$ 195,668</u>

2019	Balance at the beginning of the year	Effects of retrospective ly applying IFRS 16	Balance at the beginning of the year (restated)	Increase	Reclassification	Balance at the end of the year
<u>Cost</u>						
Buildings	\$ -	\$ 277,992	\$ 277,992	\$ -	\$ 1,637	\$ 279,629
<u>Accumulated depreciation</u>						
Buildings	-	\$ 74,292	\$ 74,292	\$ 4,789	\$ 89	79,170
	<u>\$ -</u>					<u>\$ 200,459</u>

The Company has used buildings based on operating leases with a lease term of 1 to 18 years. All operating lease contracts include the clause where the lessee shall adjust the lease payment according to market rent when a right of renewal is exercised.

The operating lease payments receivable for the buildings is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 10,735	\$ 9,579
Year 2	9,690	9,121
Year 3	4,530	9,121
Year 4	4,530	3,961
Year 5	4,530	3,961
Over 5 Years	<u>20,888</u>	<u>16,505</u>
	<u>\$ 54,903</u>	<u>\$ 52,248</u>

Depreciation is computed on a straight-line basis over the following estimated useful live:

Buildings	45-50 year
-----------	------------

### 13. Lease agreements

#### a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of right-of-use assets		
Land	\$ 153,804	\$ 169,518
Buildings	<u>1,294</u>	<u>1,940</u>
	<u>\$ 155,098</u>	<u>\$ 171,458</u>
	<u>2020</u>	<u>2019</u>
Addition to right-of-use assets	<u>\$ -</u>	<u>\$ 5,032</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,277	\$ 4,768
Buildings	646	646
Transportation equipment	-	447
	<u>\$ 4,923</u>	<u>\$ 5,861</u>

#### b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	<u>\$ 4,386</u>	<u>\$ 4,894</u>
Non-current	<u>\$ 151,784</u>	<u>\$ 167,111</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	0.67%-0.91%	0.67%
Buildings	0.67%-0.91%	0.67%
Transportation equipment	-	0.67%

#### c. Material leases and terms

The Company leases several lands and buildings for the use of plants, office

buildings and employee dormitories with a lease term of 1 to 10 years. Upon the termination of the contract, the lands and buildings do not contain a bargain purchase option for the Company.

d. Information on other lease

See Note 12 for agreements that the Company sells property, plant and equipment used by the Company under operating leases.

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 120</u>	<u>\$ 3,833</u>
Total cash outflow for leases	<u>(\$ 6,837)</u>	<u>(\$ 11,506)</u>

The Company leases certain machinery and equipment, buildings and building leases which qualify as short-term leases. The Company has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

14. Other assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Supply inventory	\$ 102,003	\$ 64,823
Time Deposit Pledge (Note 27)	71,000	71,000
Prepayments	10,245	6,286
Payments on behalf of others	5,086	3,902
Input Tax	2,284	929
Others	217	620
	<u>\$ 190,835</u>	<u>\$ 147,560</u>
<u>Non-current</u>		
Prepayments for business facilities	\$ 91,957	\$ 9,361
Prepayments	1,292	1,928
	<u>\$ 93,249</u>	<u>\$ 11,289</u>

15. Borrowings

a. Short-term bank loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Credit loan	\$ 50,000	\$ 150,000
Import and export financing	<u>84,759</u>	<u>38,068</u>
	<u>\$ 134,759</u>	<u>\$ 188,068</u>
<u>Annual percentage rate(%)</u>		
Credit loan	0.8	0.96-1.05
Import and export financing	0.90-1.32	2.48-2.80

b. Long-term bank loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Collateralized borrowings	\$ 641,600	\$ 947,200
Credit loan	<u>90,000</u>	<u>130,000</u>
	731,600	1,077,200
Less: amount falling due in one year	( <u>417,600</u> )	( <u>345,600</u> )
Amount falling due after one year	<u>\$ 314,000</u>	<u>\$ 731,600</u>
 <u>Annual percentage rate(%)</u>		
Collateralized borrowings	0.42-1.30	0.67-1.30
Credit loan	0.42-1.34	0.67-1.34
 <u>Maturity</u>		
Collateralized borrowings	2021.11-2022.12	2021.11-2022.12
Credit loan	2021.11-2022.04	2021.11-2022.04

16. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Wages payable	\$ 172,667	\$ 158,769
Accounts payable, factory supplies	124,636	87,434
Vacation pay payable	48,290	47,100
Accounts payable, equipment	20,963	51,270
Others	<u>80,122</u>	<u>80,075</u>
	<u>\$ 446,678</u>	<u>\$ 424,648</u>

17. Provisions - Current

Provisions for sales returns and allowances are, estimated under experiences, judgement of the management and other known reasons for the probable sales returns and allowances, and recognized as the subtraction of operating revenue upon the related service is provided and products are sold at the current year.

Changes on provisions are as below:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 12,378	\$ 12,086
Current recognition	<u>7,072</u>	<u>292</u>
Balance at the end of the year	<u>\$ 19,450</u>	<u>\$ 12,378</u>

## 18. Retirement benefits Plan

### a. Defined contribution plans

The labor pension system under Labor Pension Act applicable to the Company is defined contribution retirement benefit plans managed by the government. The employer shall on a monthly basis contribute labor pension funds to individual labor pension accounts at the Bureau of Labor Insurance (the Bureau) for employees.

### b. Defined benefit plans

The Company has labor pension system as defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 3% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with 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 Funds are operated and managed by the government's designated authorities; as such, the Company does not have any right to intervene in the investments of the Funds.

The amount of defined benefit plans recognized in the parent company only balance sheets is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligation	\$ 788,843	\$ 786,506
Fair value of plan assets	( <u>734,602</u> )	( <u>709,150</u> )
Net defined benefit liabilities	<u>\$ 54,241</u>	<u>\$ 77,356</u>

Movements the net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance as of January 1, 2019	<u>\$ 803,059</u>	( <u>\$ 667,401</u> )	<u>\$ 135,658</u>
Service cost			
Current service cost	8,564	-	8,564
Interest expense	<u>7,848</u>	( <u>6,541</u> )	<u>1,307</u>
Defined benefit costs recognized in profit or loss	<u>16,412</u>	( <u>6,541</u> )	<u>9,871</u>

(Continued)



Due to the defined benefit plans under the R.O.C. Labor Standards Law, the Company is exposed to the following risks:

1. Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds' designated authorities or under the mandated management. However, the distributions on plan assets shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. These will be partially offset on net defined benefit liabilities.
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 are carried out by qualified actuaries. The principal assumptions are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.30%	0.75%
Expected salary increase rate	2.00%	2.00%

If reasonably likely changes respectively occur in the principal assumptions and all other assumptions are held constant, the amount of present value of the defined benefit obligation is increased or decreased as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate		
increase by 0.25%	( <u>\$ 20,822</u> )	( <u>\$ 21,089</u> )
decrease by 0.25%	<u>\$ 21,640</u>	<u>\$ 21,937</u>
Expected salary increase rate		
increase by 0.25%	<u>\$ 21,219</u>	<u>\$ 21,609</u>
decrease by 0.25%	( <u>\$ 20,531</u> )	( <u>\$ 20,886</u> )

The sensitivity analysis presented above may not reflect the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contributions expected in one year	<u>\$ 30,000</u>	<u>\$ 30,000</u>



Average maturity period of defined benefit obligation	10 years	10 years
---	----------	----------

## 19. Equity

### a. Common Stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued and paid shares (in thousands)	<u>380,102</u>	<u>380,102</u>
Issued capital	<u>\$ 3,801,023</u>	<u>\$ 3,801,023</u>

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

### b. Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital	\$ 1,123,151	\$ 1,123,151
From convertible bonds	252,910	252,910
Treasury stock transactions	8,190	62,061
Donations	353	289
Interest premium payable on convertible bonds	-	13,285
	<u>\$ 1,384,604</u>	<u>\$ 1,451,696</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, convertible bonds, treasury stocks and difference between the price of acquisition or disposal of subsidiaries' equity and the book value) 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 stock dividends to the paid-in capital. However, stock dividends may not exceed a certain percent of the paid-in capital.

### c. Retained earnings and dividend policy

Surplus earning distribution policy under the Company's Articles of Incorporation states that when allocating earnings, the Company shall pay the tax, offset its losses, set aside its legal capital reserve at ten percent of the retained earnings, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if here are earnings left, along with accumulated unappropriated surplus, the Board of Directors shall propose the surplus earning distribution for shareholders' meeting to determine the allocation of dividends and bonus .See Note 21 for distribution policy for employees' compensation, and

remuneration of directors under the Company's Articles of Incorporation.

Legal capital reserve shall be set aside until its balance equals to full amount of the paid-in capital. The reserve may be used to offset a deficit. When the Company has no deficit, the portion in excess of 25% of the paid-in capital may be used to distributed as dividends in stocks or cash.

The Company regulates to set aside and reverse special capital reserve in compliance with FSC No. 1010012865, FSC No. 1010047490 and 'Common Questions on Special Capital Reserve Appropriation in Adoption of International Financial Reporting Standards (IFRSs).'

The Company approved loss make-up proposal of 2018 in the shareholders' meeting in June 2019. Due to losses in 2019, the earnings were not allocated after deficit was offset and special capital reserve at NT\$99,169,000 was set aside. In addition, the capital surplus is distributed in cash at NT\$76,000,000, as NT\$0.1999 per share.

The Company has approved loss make-up proposal of 2019 in the shareholders' meeting in June 2020. Due to losses in 2019, the earnings were not allocated after special capital reserve at NT\$34,836,000 was reversed and deficit was offset respectively by legal capital reserve at NT\$359,085,000 and capital surplus at NT\$67,156,000.

The Board of Directors in the Company has made the loss make-up proposal of 2020 on March 18, 2021. Due to losses in 2020, the earnings were not allocated after the special capital reserve at NT\$31,601,000 and a deficit of capital surplus at NT\$134,666,000 were offset.

Loss make-up proposal of 2020 is expected to be determined in the shareholders' meeting in June 2021.

d. Treasury stocks

In the purpose of transferring stocks to employees, the Board of Directors has determined, from of June 17, 2020 to August 14, 2020, to repurchase 2,000,000 shares to increase treasury stocks at a centralized securities exchange market, at the price of NT\$7.28 to NT\$13; however, when the stock price is lower than the floor price, the Company can continue the repurchase with the ceiling of total amount of repurchase of NT\$26,000,000. Upon December 31, 2020, the Company has repurchased 2,000,000 shares and NT\$23,413,000 respectively.

The treasury stocks held by the Company, in accordance with Securities and Exchange Act, shall not be pledged and the Company is not entitle to distribute

dividends and to vote.

The relevant information on the Company's shares held by Li Xin Investment Co., Ltd. is as follows:

	Total Shares O w n e d	C a r r y i n g a m o u n t	Market value
December 31, 2020	5,658,911	<u>\$ 80,639</u>	<u>\$ 80,639</u>
December 31, 2019	5,658,911	<u>\$ 58,853</u>	<u>\$ 58,853</u>

The shares of the Company held by a subsidiary shall be regarded as treasury stocks. It is given the same rights as the common shareholders, except for cash increase from the Company and voting.

## 20. Revenue

	<u>2020</u>	<u>2019</u>
Revenue from Contracts with Customers		
Service Income	\$ 4,561,972	\$ 3,808,134
Sales revenue	<u>66,958</u>	<u>63,702</u>
	<u>\$ 4,628,930</u>	<u>\$ 3,871,836</u>

### a. Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Contract assets - current	\$ 114,509	\$ 80,561	\$ 77,250
Notes receivable	-	36	3,631
Accounts receivable	<u>1,098,847</u>	<u>888,935</u>	<u>840,099</u>
	<u>\$ 1,213,356</u>	<u>\$ 969,532</u>	<u>\$ 920,980</u>

### b. Timing of revenue recognition

	<u>2020</u>	<u>2019</u>
Performance obligation satisfied over time	\$ 4,561,972	\$ 3,808,134
Performance obligation satisfied at a point in time	<u>66,958</u>	<u>63,702</u>
	<u>\$ 4,628,930</u>	<u>\$ 3,871,836</u>

## 21. Labor cost and depreciation

<u>C l a s s i f i c a t i o n</u>	<u>Classified as operating costs</u>	<u>Classified as operating exp e n s e s</u>	<u>T o t a l</u>
<u>2020</u>			
Employee labor cost			
Short-term employee benefits	\$ 971,540	\$ 159,731	\$ 1,131,271

Labor and health insurance	106,996	14,262	121,258
Pensions			
Defined contribution plans	35,153	6,109	41,262
Defined benefit plans	7,525	1,188	8,713
Board compensation	-	1,800	1,800
Other labor cost	80,209	9,593	89,802
Depreciation expenses	611,629	56,522	668,151
<u>2019</u>			
Employee labor cost			
Short-term employee benefits	914,335	165,190	1,079,525
Labor and health insurance	102,219	15,064	117,283
Pensions			
Defined contribution plans	32,943	6,391	39,334
Defined benefit plans	8,399	1,472	9,871
Board compensation	-	1,746	1,746
Other labor cost	78,386	10,097	88,483
Depreciation expenses	677,591	61,671	739,262

For the years of 2020 and 2019, the Company had average 2,187 and 2,269 employees respectively, which included 5 non-employee directors for both years

Average labor cost for the years ended December 31, 2020 and 2019 were NT\$638,000 and 589,000 respectively. Average salary and bonus for the years ended December 31, 2020 and 2019 were NT\$518,000 and 477,000 respectively. The average salary and bonus increased by 9% year over year.

The Company has established the audit committee to replace the supervisor system in 2016.

#### The Company's Compensation Policy

Except for independent directors receive a certain amount of compensation, remuneration of directors is reasonably provided by reference to the result of corporate operation and the director's performance and participation.

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 10% and no higher than 2%, respectively, of net profit before income tax, of employees' compensation, and remuneration of directors. Due to a deficit in 2020 and 2019, the

employees' compensation and remuneration of directors have not been estimated yet.

If the amount in the annual parent company only financial statements still has any changes after the date it is approved and published, it is regarded as changes on accounting estimates and will be adjusted to the next year.

Due to a deficit in 2019 and 2018, the employees' compensation and remuneration of directors have not been estimated yet.

Please see 'Market Observation Post System' under the Taiwan Stock Exchange for the information on the employees' compensation and remuneration of directors determined by the Board of Directors.

## 22. Income Tax

### a. Main components of income tax expense recognized in profit or loss

	<u>2020</u>	<u>2019</u>
Current tax		
Adjustment on prior years	\$ -	\$ 3,851
Deferred tax		
Income tax expense generated in the current year	15,403	( 327)
Adjustment on prior years	<u>110</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 15,513</u>	<u>\$ 3,524</u>

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

	<u>2020</u>	<u>2019</u>
Tax benefit at the statutory rate	(\$ 29,766)	(\$ 109,697)
Permanent differences	45,169	31,453
Temporary differences	1,721	325
Current loss carryforward	( 17,124)	-
Unrecognized loss carryforward	-	77,919
Deferred tax		
Income tax expense generated in the current year	15,403	( 327)
Adjustment on prior years	110	-
Adjustment on prior years	<u>-</u>	<u>3,851</u>
Income tax expense recognized in profit or loss	<u>\$ 15,513</u>	<u>\$ 3,524</u>

b. Deferred tax assets and liabilities

2020	Balance at the beginning of the year	D e f i n e d benefit costs recognized in profit or loss	D e f i n e d benefit costs recognized in o t h e r c o m p r e h e n s i v e e i n c o m e	Balance at the end of the year
<u>Deferred tax income</u>				
<u>assets</u>				
Temporary differences				
Defined benefit retirement plans	\$ 15,084	\$ -	(\$ 366)	\$ 14,718
Inventory falling price reserves	5,154	331	-	5,485
Vacation pay payable	9,420	239	-	9,659
Provision	2,476	1,414	-	3,890
Right-of-use assets	110	( 110)	-	-
	32,244	1,874	( 366)	33,752
Loss carryforwards	73,123	( 17,124)	-	55,999
	<u>\$ 105,367</u>	<u>( \$ 15,250)</u>	<u>( \$ 366)</u>	<u>\$ 89,751</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Difference on depreciation methods	\$ 633	(\$ 185)	\$ -	\$ 448
Exchange gains	260	448	-	708
	<u>\$ 893</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ 1,156</u>
<u>2019</u>				
<u>Deferred tax income</u>				
<u>assets</u>				
Temporary differences				
Defined benefit retirement plans	\$ 17,512	\$ -	(\$ 2,428)	\$ 15,084
Inventory falling price reserves	4,971	183	-	5,154
Vacation pay payable	9,450	( 30)	-	9,420
Provision	2,417	59	-	2,476
Right-of-use assets	-	110	-	110
	34,350	322	( 2,428)	32,244
Loss carryforwards	73,123	-	-	73,123
	<u>\$ 107,473</u>	<u>\$ 322</u>	<u>( \$ 2,428)</u>	<u>\$ 105,367</u>

<u>2019</u>	Balance at the beginning of the year	D e f i n e d benefit costs recognized in profit or loss	D e f i n e d benefit costs recognized in o t h e r c o m p r e h e n s i v e e i n c o m e	Balance at the end of the year
<u>Deferred tax liabilities</u>				
Temporary differences				
Difference on				
depreciation				
methods	\$ 807	(\$ 174)	\$ -	\$ 633
Exchange gains	<u>91</u>	<u>169</u>	<u>-</u>	<u>260</u>
	<u>\$ 898</u>	<u>(\$ 5)</u>	<u>\$ -</u>	<u>\$ 893</u>

c. Relevant information on unused loss carryforwards

<u>Y e a r</u>	B a l a n c e n o t d e d u c t e d	<u>Last tax year</u>
2018	\$ 329,778	2028
2019	<u>389,680</u>	2029
	<u>\$ 719,458</u>	

d. The total amount of deductible temporary differences for which is relevant to invested subsidiaries and no deferred tax assets have been recognized is as follows:

<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>\$ 2,514,376</u>	<u>\$ 2,266,368</u>

e. Income tax examination

The tax authorities have examined income tax returns of the Company through 2018.

23. Loss per Share

	N e t l o s s belonging to c o m m o n stockholders	N u m b e r o f S h a r e s (Denominator) (in thousand)	L o s s p e r s h a r e ( N T \$ )
<u>2020</u>			
Basic and diluted loss per share			
Net loss belonging to common stockholders	(\$ <u>164,343</u> )	<u>373,465</u>	(\$ <u>0.44</u> )
<u>2019</u>			
Basic and diluted loss per share			
Net loss belonging to common stockholders	(\$ <u>552,011</u> )	<u>374,443</u>	(\$ <u>1.47</u> )

It is assumed the Company is able to elect to pay employees' compensation in stocks or cash. Then if the compensation is given in stocks, and the weighted average

number of ordinary shares outstanding shall be computed to the dilutive potential ordinary shares to calculate diluted EPS. On the calculation of diluted EPS before the decision on issuing shares in the next year, the consideration on the effect of such dilutive potential ordinary shares will continue.

#### 24. Capital Management

The Company manages its capital to ensure that it will be able to maximize shareholders return as a going concern through the optimization of the debt and equity balance. The overall strategy has not changed.

The Company's capital structure is consist of net debt (leases less cash and cash equivalent) and equity (common stocks, capital surplus, retained earnings and other equity).

The Company is allowed not to follow other external laws or regulations on capitals.

The key management of the Company reviews its capital structure for each season, including the consideration on costs of every types of capitals and relevant risks. Based on the key management's advice, the Company balances its overall capital structure by paying dividend payments, new shares issuance, share repurchase and new debt issuance or debt repayment, etc.

#### 25. Financial instruments

##### a. Information on fair value

##### 1) Financial instruments that are not measured at fair value

The management of the Company considers that the carrying amounts of financial assets and liabilities that are not measured at fair value approximates its fair value or its fair value cannot be reliably measured.

##### 2) Financial instruments that are measured at fair value on a recurring basis

##### (1) Fair value hierarchy

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets</u>				
<u>at fair value</u>				
<u>through other</u>				
<u>comprehensive</u>				
<u>income</u>				
Emerging stocks	\$ -	\$ -	\$ 6,192	\$ 6,192
Listed and OTC				
stocks	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
	<u>\$ 2,265</u>	<u>\$ -</u>	<u>\$ 6,192</u>	<u>\$ 8,457</u>



<u>December 31, 2019</u>				
<u>Financial assets</u>				
<u>at fair value</u>				
<u>through other</u>				
<u>comprehensive</u>				
<u>income</u>				
Emerging stocks	\$ -	\$ -	\$ 5,362	\$ 5,362
Listed and OTC stocks	<u>1,743</u>	<u>-</u>	<u>-</u>	<u>1,743</u>
	<u>\$ 1,743</u>	<u>\$ -</u>	<u>\$ 5,362</u>	<u>\$ 7,105</u>

Transfer between level 1 and level 2 fair value measurements in 2020 and 2019.

- (2) Reconciliation of Level 3 fair value measurements on financial instruments

<u>Financial assets</u>	<u>Financial assets</u> <u>at fair value through other</u> <u>comprehensive income</u> <u>Equity instruments</u>	
	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 5,362	\$ 15,527
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	830	1,586
Disposal	<u>-</u>	<u>(11,751)</u>
Balance at the end of the year	<u>\$ 6,192</u>	<u>\$ 5,362</u>

- (3) Valuation techniques and input value used in Level 3 fair value measurement

The securities of emerging stocks held by the Company have no market price reference and thus are evaluated under the cost approach. Its fair value is computed in reference to investment assets.

b. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost	\$ 2,605,933	\$ 2,850,679
Financial assets at fair value through other comprehensive income	8,457	7,105
<u>Financial Liabilities</u>		
Amortized cost	1,404,307	1,749,943

Balance of financial assets measured at amortized cost includes cash and cash equivalent, contract assets, notes and accounts receivable, other receivables, pledged time deposit and refundable deposits, and other financial assets measured at amortized cost.

Balance of financial liabilities measured at amortized cost includes short-term bank loans, accounts payable, other payables, long-term bank loans (including amount falling due in one year) and guarantee deposits received and other financial liabilities measured at amortized cost.

c. Financial risk management objectives and policies

The majority of financial instruments include equity instrument investments, accounts receivable, accounts payable, borrowings and lease liabilities, etc. The financial management department provides service for each unit by organizing and coordinating the market operation nationally and internationally, supervising and reporting the internal risks by analyzing risk exposure according to the extent and breadth of risk, and managing financial risks associated with the Company's operation. Such risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates, due to its operation.

The Company is exposed to market risk associated with financial instruments and the management and measurement of such exposure have not changed.

(1) Foreign currency risk

The Company's sales and purchase transactions are denominated in foreign currency, which exposes the Company to foreign currency risk. Approximately 20%~24% of sales revenue is not denominated in functional currency and approximately 45%~49% of the cost is not denominated in functional currency.

See Note 29 for the carrying amount of monetary assets and liabilities denominated in non-functional currency at the date of balance sheet.

Sensitivity analysis

The company is mainly affected by fluctuations in U.S. dollar and Japanese yen.

The following table details the Company's sensitivity analysis to a 1% increase and decrease in NT dollar against the relevant foreign currency. The rate of 1% is the sensitivity rate used when reporting foreign currency risk internally to the key management and represents the management's assessment of the reasonably likely change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the end-of-year exchange rate is adjusted to 1% increase and decrease. The following table details the amount resulting in changes in net loss before tax to a 1% increase and decrease in NT dollar against the relevant foreign currency.

<u>C a t e g o r i e s o f c u r r e n c y</u>	<u>The impact of fluctuations in exchange rate on p r o f i t o r l o s s</u>	
	<u>2020</u>	<u>2019</u>
	U.S. Dollar	\$ 962
Japanese yen	80	203

The Company's sensitivity to foreign exchange rate increases in 2020, is arising from the increase in borrowings and accounts payable denominated in U.S. dollar as well as decrease in foreign currency deposit denominated in Japanese yen.

(2) Interest rate risk

The Company is exposed to interest rate risk for the reason that it has borrowed money at both fixed and variable rate. The Company maintains an appropriate fixed and floating rate for portfolio to manage interest rate risk. The hedge is evaluated on a regular basis, which makes its point of view and the established risk preference identical, to ensure the most efficient hedging strategy is adopted.

The carrying accounts of financial assets and liabilities exposed to interest rate risk at the date of balance sheet are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
Financial assets	\$ 481,925	\$ 681,508
Financial Liabilities	258,555	322,005
Cash flows Interest rate risk		
Financial assets	889,428	1,182,991
Financial Liabilities	763,974	1,115,268

### Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance sheet. For the floating rate liabilities, the analysis is to assume that the amount of liabilities outstanding at the date of balance sheet is all outstanding at the reporting period. The rate of change used to report interest rate to the key management is 1% increase and decrease in interest rate and represents the management's assessment of reasonable likely changes in interest rate.

For floating-rate financial assets and liabilities, when interest rate is increase by 1% and other conditions remain unchanged, the net loss before tax in 2020 and 2019 are NT\$1,255,000 and NT\$677,000, respectively.

#### (3) Other price risk

The Company is exposed to price risk due to investments in equity securities. The management manage the risk by investing in portfolio with different risks.

### Sensitivity analysis

The following sensitivity is analyzed according to the exposure to equity price risk at the date of balance sheet.

If the equity price changes by 1%, the other comprehensive income in 2020 and 2019 will increase and decrease NT\$22,000 and NT\$17,000 respectively due to changes in fair value of financial assets measured at fair value through profit or loss.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The maximum credit risk exposure due to the financial loss arising from the counterparty not performing its obligation and the Company's financial guarantee primarily results from:

- (1) The carrying amount of financial assets recognized in the parent company only balance sheet.
- (2) The Company has given financial guarantee and not taken the maximum amount to be paid into consideration.

The Company's credit risk is mainly resulted from its five largest customers. As of December 31, 2020 and 2019, the aforementioned customers are accounted for 45% and 48% of accounts receivable and contract assets, respectively.

3) Liquidity risk management

The Company manages and maintains a level of cash and cash equivalents adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, the management monitors the utilization of borrowings and ensures compliance with loan conditions.

The bank borrowing is a material source of liquidity to the Company. As of December 31, 2020 and 2019, the undrawn loan amounts are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Undrawn loan amounts	<u>\$ 1,236,331</u>	<u>\$ 1,440,282</u>

Liquidity and interest risks of non-derivative financial liabilities

The funds are adequate to the Company's operations and thus the Company is not exposed to liquidity risk and financing to meet the contractual obligations.

The maturity of the Company's non-derivative financial liabilities which the repayment period has been committed is as follows:

<u>December 31, 2020</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>more that 3 years</u>
Non-interest bearing liabilities	\$ 536,126	\$ -	\$ -
Lease liabilities	5,514	10,303	165,944
Floating-rate liabilities	449,974	314,000	-
Fixed-rate liabilities	<u>102,385</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,093,999</u>	<u>\$ 324,303</u>	<u>\$ 165,944</u>
<u>December 31, 2019</u>			
Non-interest bearing liabilities	\$ 483,762	\$ -	\$ -
Lease liabilities	6,035	12,071	180,340
Floating-rate liabilities	383,668	731,600	-
Fixed-rate liabilities	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,023,465</u>	<u>\$ 743,671</u>	<u>\$ 180,340</u>

The further information on a maturity analysis of lease liability is below:

	<u>Within 1 y e a r</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10-15 years</u>	<u>15-20 years</u>	<u>Over 20 y e a r s</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 5,514</u>	<u>\$19,834</u>	<u>\$156,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Within 1 y e a r	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 y e a r s
<u>December 31, 2019</u>						
Lease liabilities	<u>\$ 6,035</u>	<u>\$ 22,630</u>	<u>\$169,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amount of the aforementioned floating rate instrument of non-derivative liabilities will change resulting from the floating rate is different from the interest rate estimated at the date of balance sheet.

## 26. Related Party Transaction

The transactions between the Company and other related parties, excluding those disclosed in other notes, are as follows:

a. Related party name and categories

<u>Related Party Name</u>	<u>Related Party Categories</u>
Lingsen America Inc.	Subsidiary
Ningbo Liyuan Technology Co., Ltd.	Second-tier subsidiary
Lee Shin Investment Co., Ltd.	Subsidiary
Panther Technology Co., Ltd.	Subsidiary
Sooner Power Semiconductor Co., Ltd.	Subsidiary

b. Operating Income

<u>Related Party Categories</u>	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$ 2,876</u>	<u>\$ 4,972</u>

The operating revenue from subsidiaries is processing fee income paid for work in process outsourced to the Company and no other similar non-related party transaction can be compared. The payment will be collected at 60 days T/T following the date the goods are sold.

c. Operating expense - commission expense

The Company has signed a commission agreement with Lingsen America Inc. states that the Company shall pay a 2% commission on monthly sales revenue of particular exports in the United State (in U.S. dollar). The commission expenses in 2020 and 2019 are NT\$5,793,000 and NT\$8,897,000, respectively. The commissions payable as of December 31 2020 and 2019 are NT\$1,979,000 and NT\$2,211,000, respectively.

d. Non-operating Income - Rent Income

<u>Related Party Categories/Name</u>	<u>2020</u>	<u>2019</u>
Subsidiary		
Sooner Power Semiconductor Co., Ltd.	\$ 2,160	\$ 2,160

Panther Technology Co., Ltd.	1,556	4,434
Lee Shin Investment Co., Ltd.	36	36
	<u>\$ 3,752</u>	<u>\$ 6,630</u>

The majority of non-operating income is rent income of machinery and equipment and office.

e. Non-operating Income - Other Revenue

<u>Related Party Categories</u>	<u>2020</u>	<u>2019</u>
Subsidiary	<u>\$ 122</u>	<u>\$ 285</u>

f. Accounts receivable

<u>Related Party Categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	<u>\$ 32</u>	<u>\$ 1,102</u>

g. Endorsements/guarantees

<u>C o m p a n y</u>	<u>G u a r a n t e e s</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiary	Bank loans	\$ 210,000	\$ 210,000
	Bank loans	U.S. Dollar 5,000	U.S. Dollar 5,000

The following assets are pledged as collaterals for subsidiaries' loans:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Pledge time deposits	<u>\$ 71,000</u>	<u>\$ 71,000</u>

h. Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 28,853	\$ 34,052
Pensions	507	668
	<u>\$ 29,360</u>	<u>\$ 34,720</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and the market trends.

27. Pledged Assets

The following assets are pledged as collaterals for bank loan limit:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant, and equipment	\$ 1,265,329	\$ 1,708,454
Pledged time deposits (recognized in other current assets)	71,000	71,000
	<u>\$ 1,336,329</u>	<u>\$ 1,779,454</u>

## 28. Significant Contingent Liabilities and Unrecognized Commitments

Significant contingent commitments of the Company at the end of balance sheet, excluding those disclosed in other notes, are as follows:

- a. For customs duties guarantee and other objectives, the financial institution has provided guarantee details as follows:

<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>\$ 33,950</u>	<u>\$ 41,150</u>

- b. Unrecognized commitments are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchases of property, plant, and equipment	<u>\$ 342,880</u>	<u>\$ 73,950</u>

## 29. Significant information on exchange rate of foreign currency financial assets and liabilities

The following information is summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed are used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies are as follows:

Foreign currency a s s e t s	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange r a t e</u>	<u>N T D</u>	<u>Foreign currency</u>	<u>Exchange r a t e</u>	<u>N T D</u>
<u>Monetary items</u>						
U.S. Dollar	\$ 9,948	28.48	\$ 283,319	\$ 9,769	29.98	\$ 292,875
Japanese yen	86,438	0.2763	23,883	109,706	0.276	30,279
<u>Non-monetary i t e m s</u>						
<u>Investments</u>						
<u>accounted for using the equity method</u>						
U.S. Dollar	8,287	28.48	236,014	8,134	29.98	243,852
<u>Foreign currency l i a b i l i t i e s</u>						
<u>Monetary items</u>						
U.S. Dollar	13,326	28.48	379,524	8,624	29.98	258,548
Japanese yen	57,575	0.2763	15,908	36,176	0.276	9,985

Significant unrealized exchange gains or losses are as follows:

Foreign c u r r e n c y	<u>2020</u>		<u>2019</u>	
	<u>Exchange rate</u>	<u>Exchange g a i n s</u>	<u>Exchange rate</u>	<u>Exchange g a i n s (losses)</u>
U.S. Dollar	28.48 (USD : NTD)	\$ 3,433	29.98 (USD : NTD)	\$ 1,918



Japanese yen	0.2763 (JPY : NTD)	<u>104</u>	0.276 (JPY : NTD)	( <u>616</u> )
		<u>\$ 3,537</u>		<u>\$ 1,302</u>

### 30. Other disclosures

#### a. Information about significant transactions and b. investees

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: Table 1
- 3) Marketable securities held (excluding investment in subsidiaries, associates):  
Table 2
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 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: Table 3

#### c. Information on investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4
- 2) Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows:
  - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
  - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None

- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
  - (6) 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 receiving of services: Table 26
- d. Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Table 5

Lingsen Precision Industries, LTD. and its subsidiaries  
 Endorsements/guarantees provided  
 For the year ended December 31, 2020

Table 1

Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

No.	Endorsement/guarantee provider	Guaranteed party		Limits on endorsement/guarantee amount provided to each guaranteed party (Note)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements(%)	Maximum amount of endorsement/guarantee allowance (Note)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company Name	Relationship										
0	Parent Company	Sooner Power Semiconductor Co., Ltd.	Subsidiary	\$ 742,036	\$ 210,000	\$ 210,000	\$ -	\$ -	4	\$ 1,484,072	Y	—	—
		Ningbo Liyuan Technology Co., Ltd.	Third-tier subsidiary	742,036	142,400 (US\$ 5,000)	142,400 (US\$ 5,000)	113,920 (US\$ 4,000)	71,000	3	1,484,072	Y	—	Y

Note: Limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 15% of the Company's net worth and maximum amount allowance shall not exceed 30% of the Company's net worth.

## Lingsen Precision Industries, LTD. and its subsidiaries

## Marketable securities held

December 31, 2020

Table 2

Amounts expressed in thousands of New Taiwan Dollars/thousands of shares

Held company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	D e c e m b e r 3 1 , 2 0 2 0			
				Share/Units	Carrying amount	S h a r e s %	Fair value ( N o t e 2 )
Parent Company    Lee Shin Investment Co., Ltd.	Stock						
	Amtek Semiconductors Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	527	\$ 6,192	2	\$ 6,192
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income - non-current	75	2,265	-	2,265
	Xpert Semiconductor Inc.	None	Financial assets at fair value through other comprehensive income - non-current	45	-	-	-
	The Company (Note 1)	Parent Company	Financial assets at fair value through other comprehensive income - non-current	5,659	80,639	1	80,639
	Enrich Tech Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	1,898	25,994	19	25,994
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income - non-current	150	4,530	-	4,530
Anwell Semiconductor Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	155	-	11	-	

Note 1: See Table 4 and 5 for related information on investment in subsidiaries.

Note 2: Fair value of investment in emerging stocks is computed in reference to investment assets under the cost approach.

Lingsen Precision Industries, LTD. and its subsidiaries

Information on investees

For the year ended December 31, 2020

Table 3

Amounts expressed in thousands of New Taiwan Dollars/thousands of shares

Investor	Investee	Location	Main Business	Initial investment amount		Balance at December 31, 2020			Current income (losses) of the investee	Share of income (losses) recognized
				December 31, 2020	December 31, 2019	Shares	Ratio %	Carrying amount		
Parent Company	Lingsen Holding (Samoa) Inc.	Samoan Islands	Investment activities	\$ 1,660,738	\$ 1,602,568	52,000	100	\$ 175,821	(\$ 65,992)	(\$ 65,992)
	Panther Technology Co., Ltd.	Hsinchu County, Taiwan	IC testing	230,146	230,146	22,923	64	325,495	6,032	3,840
	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic Parts and Components Manufacturing	604,223	354,223	60,422	99	188,779	( 187,094)	( 184,968)
	Lee Shin Investment Co., Ltd. (Note 1)	Taichung City	Investment activities	300,000	300,000	30,000	100	58,800	( 959)	( 959)
	Nexus Material Corporation (Note 2)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	53,483	53,483	5,348	78	20,848	( 65)	( 51)
	Lingsen America Inc.	California, America	Intermediary	32,311	32,311	1,000	100	60,192	122	122
	Qi Feng Technology Co., Ltd. (Note 2)	Taichung City	Electronic parts and components production and processing	24,000	24,000	2,400	30	-	-	-
Lee Shin Investment Co., Ltd.	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic Parts and Components Manufacturing	2,561	2,561	277	1	866	( 187,094)	( 1,137)
	Nexus Material Corporation	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	14,192	14,192	1,419	21	5,532	( 65)	( 14)
Lingsen Holding (Samoa) Inc.	Li Yuan Investments Co., Ltd.	Cayman Islands	Investment activities	1,660,738	1,602,568	52,000	100	175,821	( 65,992)	( 65,992)

Note 1: Treasury stocks have been deducted from the carrying amount of Lee Shin Investment Co., Ltd.

Note 2: Accumulated impairment loss has been deducted from the carrying amount of Nexus Material Corporation and Qi Feng Technology Co., Ltd.

Note 3: See Table 4 for related information on investee in mainland China.

Lingsen Precision Industries, LTD. and its subsidiaries  
Information on investment in Mainland China  
For the year ended December 31, 2020

Table 4

Amounts expressed in New Taiwan Dollars and in thousands of foreign currency

Investee in mainland China Company Name	Main Business	Issued capital	Method of investment	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Current inflow and outflow of capital		Accumulated investment amount of outflow from Taiwan at the end of the year	Current income (losses) of the investee	Ownership Percentage of Share of income (losses) of direct or indirect investees	Current recognition (Note 2)	Book value of investment at the end of year	Inflow of investment revenue to Taiwan upon the end of the year
					Outflow	Inflow						
Ningbo Liyuan Technology Co., Ltd.	IC packing and testing as well as optoelectronic devices	US\$ 52,000	(Note 1)	\$ 1,602,568 (US\$ 50,000)	\$ 58,170 (US\$ 2,000)	\$ -	\$ 1,660,738 (US\$ 52,000)	(\$ 65,992)	100%	(\$ 65,992)	\$ 175,821	\$ -

Accumulated investment amount of outflow in China mainland from Taiwan at the end of the year	Investment amount approved by Investment Commission, MOEA	limitation on investee regulated under Investment Commission, MOEA (Note 3)
\$ 1,660,738 (U.S. Dollar 52,000 )	U.S. Dollar 55,000	\$ 2,968,145

Note 1: Investment in Mainland China companies through a company invested and established in a third region.

Note 2: Investment in profit or loss in accordance with reports audited by the CPA from the parent company.

Note 3: Limitation is calculated under 'Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China.'

Lingsen Precision Industries, LTD.  
Information on major shareholders  
December 31, 2020

Table 5

S h a r e h o l d e r s	S h a r e s	
	Total Shares Owned	O w n e r s h i p P e r c e n t a g e
Trust account in CTBC Bank for ESOP committee of Lingsen Precision Industries, LTD.	25,442,792	6.69%
RUBYTOP Investment Co., Ltd (British Virgin Islands)	19,239,854	5.06%

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the Company's shares completed the process of registration and book-entry delivery in dematerialized form, including treasury stocks, at the last business date of current quarter. There may be a discrepancy in the number of shares recorded on the Company's financial statements and its dematerialized securities arising from the difference in basis of preparation.

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than ten percent of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System website.

## §STATEMENTS OF MAJOR ACCOUNTING ITEMS

I	T	E	M	<u>I N D E X</u>	<u>N U M B E R S</u>
Statements of assets, liabilities, and equity items					
Statement of cash and cash equivalents					Table 1
Statement of trade receivables					Table 2
Statement of other receivables					Note 9
Statement of inventories					Table 3
Statement of other current assets					Note 14
Statement of financial assets measured at amortized cost - non-current					Table 4
Statement of changes in investments accounted for using the equity method					Table 5
Statement of changes in property, plant and equipment					Note 12
Statement of changes in right-of-use assets					Table 6
Statement of deferred tax assets					Note 22
Statement of other non-current assets					Note 14
Statement of short-term borrowings					Table 7
Statement of trade payables					Table 8
Statement of other payables					Note 16
Statement of provisions - current					Note 17
Statement of lease liabilities					Table 9
Statement of long-term borrowings					Table 10
Statement of deferred tax liabilities					Note 22
Statements of profit or loss items					
Statement of operating revenue					Table 11
Statement of operating costs					Table 12
Statement of operating expenses					Table 13
Summary statement of current period employee benefits and depreciation expenses by function					Note 21



Lingsen Precision Industries, LTD.  
Statement of cash and cash equivalents  
December 31, 2020

Table 1 Amounts Expressed in thousands of New  
Taiwan Dollars  
unless Otherwise Specified

I t e m	A m o u n t
Cash	
Cash on Hand and Petty Cash	\$ 263
Cash in Banks	
Check	3,713
Demand deposit	359,480
Foreign currency demand deposit (Note 1)	79,947
Time deposits	<u>291,000</u>
	<u>734,403</u>
Cash equivalent	
Time deposits with an initial maturity of less than three months	490,000
Short-Term Notes and Bills	<u>150,926</u>
	<u>640,926</u>
	1,375,329
Less: Time Deposit Pledge (Note 2)	( 71,000)
Time deposits with an initial maturity of more than three months	( <u>220,000</u> )
	<u>\$ 1,084,329</u>

Note 1: It includes US\$1,969,000 and JPY 86,438,000, converted at the exchange rate of US\$1 = NT\$28.48 and JPY\$1 = NT\$0.2763.

Note 2: The due period is between January and February in 2021, at an annual percentage rate of 0.38%. It has been provided to the bank as collateral, transferred to other current assets, to make endorsement and guarantee for Ningbo Liyuan Technology Co., Ltd.

Lingsen Precision Industries, LTD.

Statement of trade receivables

December 31, 2020

Table 2

Amounts expressed in thousands of New  
Taiwan Dollars

<u>C u s t o m e r ' s   N a m e</u>	<u>A m o u n t</u>
A Company	\$ 257,338
B Company	137,071
C Company	121,964
D Company	84,089
E Company	83,760
F Company	69,322
Related party	32
Others (Note)	<u>346,920</u>
	1,100,496
Less: Allowance for bad debts	( <u>1,649</u> )
	<u>\$ 1,098,847</u>

Note: The amount of individual customer does not exceed 5% of the account balance.

Lingsen Precision Industries, LTD.

Statement of inventories

December 31, 2020

Table 3

Amounts expressed in thousands of New  
Taiwan Dollars

<u>I</u> <u>t</u> <u>e</u> <u>m</u>	<u>C</u> <u>o</u> <u>s</u> <u>t</u>	<u>Net realizable value</u>
Raw material	\$ 284,709	\$ 284,709
Finished good Inventory	11	11
Work in process	<u>-</u>	<u>2</u>
	<u>\$ 284,720</u>	<u>\$ 284,722</u>

Lingsen Precision Industries, LTD.  
Statement of financial assets measured at fair value through comprehensive income - non-current  
For the year ended December 31, 2020

Table 4

Amounts expressed in thousands of New Taiwan Dollars and thousands of shares

<u>F i n a n c i a l   i n s t r u m e n t</u>	<u>Balance at the beginning of the year</u>		Unrealized gains or losses of Financial a s s e t s	<u>Balance at the end of the year</u>		<u>C o l l a t e r a l</u>
	<u>S h a r e s</u>	<u>F a i r   v a l u e</u>		<u>S h a r e s</u>	<u>F a i r   v a l u e</u>	
Listed domestic company						
ETREND Hightech Corp.	75	\$ 1,743	\$ 522	75	\$ 2,265	None
Emerging stocks						
Amtek Semiconductors Co., Ltd.	527	5,362	830	527	6,192	None
Xpert Semiconductor Inc.	45	-	-	45	-	None
		<u>5,362</u>	<u>830</u>		<u>6,192</u>	
		<u>\$ 7,105</u>	<u>\$ 1,352</u>		<u>\$ 8,457</u>	

Lingsen Precision Industries, LTD.  
Statement of changes in investments accounted for using the equity method  
For the year ended December 31, 2020

Table 5

Amounts expressed in thousands of New Taiwan Dollars and thousands of shares

I n v e s t e e s	Balance at the beginning of the year		Increase (Decrease)		Gains or losses of investments	Capital surplus	Transaction difference on translation of financial statements of foreign operation	Retained earnings	Unrealized gains or losses of Financial assets	Balance at the end of the year			Market value or new assets value
	Shares	Amount	Shares	Amount						Shares	Shares %	Amount	
												( Note )	
Lingsen Holding (Samoa) Inc.	50,000	\$ 180,613	2,000	\$ 58,170	(\$ 65,992)	\$ -	\$ 3,030	\$ -	\$ -	52,000	100	\$ 175,821	\$ 175,821
Panther Technology Co., Ltd.	22,923	321,655	-	-	3,840	-	-	-	-	22,923	64	325,495	325,495
Sooner Power Semiconductor Co., Ltd.	35,422	125,655	25,000	250,000	( 184,968 )	( 1,021 )	-	( 887 )	-	60,422	99	188,779	188,779
Li Xin Investment Co., Ltd.	30,000	229,051	-	-	( 959 )	1,021	-	-	6,102	30,000	100	235,215	58,800
Lingsen America Inc.	1,000	63,239	-	-	122	-	( 3,169 )	-	-	1,000	100	60,192	60,192
Nexus Material Corporation	5,348	27,213	-	-	( 51 )	-	-	-	-	5,348	78	27,162	20,848
Qi Feng Technology Co., Ltd.	2,400	11,417	-	-	-	-	-	-	-	2,400	30	11,417	-
		958,843		\$ 308,170	( 248,008 )	\$ -	( 139 )	( \$ 887 )	\$ 6,102			1,024,081	\$ 829,935
Less: transferred treasury shares		( 176,415 )										( 176,415 )	
Accumulated impairment		( 17,731 )										( 17,731 )	
		\$ 764,697										\$ 829,935	

Note: Net income or loss is primarily computed according to investee's financial statement and the percentage of the Company's share.

Lingsen Precision Industries, LTD.

Statement of changes in right-of-use assets and accumulated depreciation

For the year ended December 31, 2020

Table 6

Amounts expressed in thousands of New

Taiwan Dollars

	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year
Cost				
Land	\$174,286	\$ -	(\$ 11,437)	\$162,849
Buildings	<u>2,586</u>	<u>-</u>	<u>-</u>	<u>2,586</u>
	<u>176,872</u>	<u>\$ -</u>	<u>(\$ 11,437)</u>	<u>165,435</u>
Accumulated depreciation				
Land	4,768	\$ 4,277	\$ -	9,045
Buildings	<u>646</u>	<u>646</u>	<u>-</u>	<u>1,292</u>
	<u>5,414</u>	<u>\$ 4,923</u>	<u>\$ -</u>	<u>10,337</u>
	<u>\$171,458</u>			<u>\$155,098</u>

Lingsen Precision Industries, LTD.  
Statement of short-term borrowings  
December 31, 2020

Table 7

Amounts expressed in thousands of New  
Taiwan Dollars

<u>Loan types and bank</u>	<u>Maturity date ( Note )</u>	<u>A n n u a l p e r c e n t a g e r a t e ( % )</u>	<u>A m o u n t</u>
Credit loan			
Taipei Fubon Bank (Zhonggang Branch)	2021.2.18	0.8	\$ 50,000
Import and export financing			
Bank of Taiwan (Tantzu Branch)	2021.2.25	0.98	14,398
HSBC Bank (Taichung Branch)	2021.1.27	1.30	13,095
Mega International Commercial Bank (Tan Zi Branch)	2021.2.25	0.901	19,279
Taishin International Bank (Taichung Branch)	2021.3.25	0.95	37,987
			<u>\$ 134,759</u>

Note: The maturity date refers to the last maturity date among several loans.

Lingsen Precision Industries, LTD.

Statement of trade payables

December 31, 2020

Table 8

Amounts expressed in thousands of New  
Taiwan Dollars

<u>C o m p a n y N a m e</u>	<u>A m o u n t</u>
A Company	\$ 86,199
B Company	56,686
C Company	29,836
Others (Note)	<u>137,684</u>
	<u>\$ 310,405</u>

Note: The amount of individual customer does not exceed 5% of the account balance.



Lingsen Precision Industries, LTD.

Statement of lease liabilities

December 31, 2020

Table 9

Amounts expressed in thousands of New Taiwan

Dollars

<u>I t e m</u>	<u>D e s c r i p t i o n</u>	<u>L e a s e T e r m</u>	<u>Discount rate</u> <u>( % )</u>	<u>Balance at the</u> <u>end of the year</u>
Land	Plants and office	2013.04.16-2029.02. 28	0.67-0.91	\$ 154,868
Buildings	Plants and office	2020.01.01-2022.12. 31	0.67-0.91	<u>1,302</u>
				156,170
Less: amount falling due in one year				( <u>4,386</u> )
				<u>\$ 151,784</u>

Lingsen Precision Industries, LTD.  
Statement of long-term borrowings  
December 31, 2020

Table 10

Amounts expressed in thousands of New Taiwan Dollars

Loan types and bank	Loan period	Repayment method	Annual percentage rate	Amount falling due in one year	Amount falling due after one year	Total
Collateralized borrowings						
Mega International Commercial Bank (Tan Zi Branch)	2014.03.28-2022.12.15	Down payment is repaid from the 15th of the first month until two years after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty-eight periods. (NT\$25,000,000 repayment for each period)	0.42%-0.68%	\$ 100,000	\$ 100,000	\$ 200,000
	2019.11.29-2022.07.04	The settlement shall be made within twelve months; however, it shall be made before the drawdown period.	1.1%-1.2%	72,000	128,000	200,000
CTBC Bank (Shizheng Branch)	2015.06.03-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$6,000,000 repayment for each period)	0.42%-0.67%	24,000	-	24,000
	2015.12.02-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$5,650,000 repayment for each period)	0.42%-0.67%	22,600	-	22,600
	2016.05.13-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$1,750,000 repayment for each period)	0.42%-0.67%	7,000	-	7,000
	2015.01.16-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$20,000,000 repayment for each period)	0.42%-0.67%	80,000	-	80,000
KGI Bank (Shizheng Branch)	2019.04.30-2022.04.30	Down payment is repaid from the first date until twelve months after first drawdown date. After that, the equal principal shall be repaid every six months, divided into five periods. (NT\$40,000 repayment for each period)	1.13%-1.30%	72,000	36,000	108,000
Credit loan						
CTBC Bank (Shizheng Branch)	2014.11.25-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$500,000 repayment for each period)	0.42%-0.67%	2,000	-	2,000

	2016.10.14-2021.11.25	Down payment is repaid from the first date until twenty-four months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into twenty periods. (NT\$9,500,000 repayment for each period)	0.42%-0.67%	38,000	-	38,000
Taipei Fubon Bank (Zhonggang Branch)	2019.12.27-2022.04.10	Each drawdown date shall not exceed final maturity date, which is one business day prior to final drawdown date. The principal shall fully be repaid in one lump sum upon its maturity.	1.14%-1.34%	-	50,000	50,000
				<u>\$ 417,600</u>	<u>\$ 314,000</u>	<u>\$ 731,600</u>

Lingsen Precision Industries, LTD.  
Statement of operating revenue  
For the year ended December 31, 2020

Table 11

Amounts expressed in thousands of New  
Taiwan Dollars

I t e m	Amount (thousands o f P C S )	A m o u n t
Packaging and final testing of IC	Approximately 4,127,473	\$ 4,487,367
Revenue from Contracts with Customers		114,509
Other operating Income		<u>66,958</u>
		4,668,834
Less: sales allowance		( <u>39,904</u> )
Operating Income		<u><u>\$ 4,628,930</u></u>

Lingsen Precision Industries, LTD.  
Statement of operating costs  
For the year ended December 31, 2020

Table 12

Amounts expressed in thousands of New  
Taiwan Dollars

I t e m	A m o u n t
Raw material at the beginning of year	\$ 245,106
Current net purchase	1,643,273
Raw material at the end of year	( 307,300)
Sales of raw materials	( 63,778)
Other expenses	( <u>25,552</u> )
Raw material consumption	1,491,749
Direct labor	652,351
Overhead	<u>2,085,069</u>
Manufacturing cost	4,229,169
Work in process at the beginning of the year	2,721
Work in process at the end of the year	( <u>2,563</u> )
Cost of finished good Inventory	4,229,327
Finished good Inventory at the beginning of the year	2,627
Finished good Inventory at the end of the year	( <u>2,281</u> )
Cost of sales	4,229,673
Income from Sale of Scrap	( 34,329)
Inventory Valuation Losses	1,653
Cost of Sales of Raw Materials	<u>63,778</u>
Operating costs	<u><u>\$ 4,260,775</u></u>

Lingsen Precision Industries, LTD.

Statement of operating expenses

For the year ended December 31, 2020

Table 13

Amounts expressed in thousands of New  
Taiwan Dollars

I t e m	S e l l i n g e x p e n s e s	A d m i n i s t r a t i v e e x p e n s e s	R e s e a r c h a n d d e v e l o p m e n t e x p e n s e s	T o t a l
Salary and Wages	\$ 28,397	\$ 69,018	\$ 71,781	\$ 169,196
Depreciation	236	17,119	39,167	56,522
Insurance premium	2,822	7,525	6,712	17,059
Commissions Expense	6,846	-	-	6,846
Others	<u>12,667</u>	<u>48,394</u>	<u>21,258</u>	<u>82,319</u>
	<u>\$ 50,968</u>	<u>\$ 142,056</u>	<u>\$ 138,918</u>	<u>\$ 331,942</u>