



**Stock code: 2369**

Website of Taiwan Stock Exchange  
Market Observation Post System:

<http://mops.twse.com.tw>

<http://www.lingsen.com.tw>

# LINGSEN PRECISION INDUSTRIES, LTD.

## 2021 ANNUAL GENERAL SHAREHOLDERS' MEETING

### Meeting Agenda

#### 【Translation】

TIME: JUNE 18 (FRIDAY), 2021 AT 9:00AM

LOCATION OF MEETING:NO. 1, CHIEN-KUO ROAD, TANZI DISTRICT, TAICHUNG CITY  
(EMPLOYEE RECREATION ROOM, TAICHUNG TANZI TECHNOLOGY INDUSTRIAL PARK)

---Disclaimer---

**THIS IS A TRANSLATION OF THE AGENDA FOR THE 2021 ANNUAL GENERAL SHAREHOLDERS' MEETING OF LINGSEN PRECISION INDUSTRIES, LTD. THE TRANSLATION IS INTENDED FOR REFERENCE ONLY . IF THERE IS ANY DISCREPANCY BETWEEN THE ENGLISH VERSION AND CHINESE VERSION, THE CHINESE VERSION SHALL PREVAIL.**

## Table of Contents

	<u>page</u>
1. Meeting Procedure	1
2. Meeting Agenda	2
3. Reported Items	3
4. Matters for Ratification	8
5. Matters for Discussion	10
6. Extempore Motions	11

## Appendix

Independent Auditors' Report and Parent Company Only Financial Statements for year 2020	12
Independent Auditors' Report and Consolidated Financial Statements for year 2020	22
Procedures of Share Buy-back and Transfer to Employee for year 2020	33
Comparison table for the "Procedures for Election of Directors" before and after the amendment	34
Articles of Incorporation	36
The Rules of Procedure for Shareholders' Meetings	42
The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate	44
Shareholding of Directors	44

# **Lingsen Precision Industries, Ltd.**

## **Procedure for the 2021 Annual Meeting of Shareholders**

- 1 、 Call the Meeting to Order**
- 2 、 Chairman’s Address**
- 3 、 Reported items**
- 4 、 Matters for ratification**
- 5 、 Matters for discussion**
- 6 、 Extemporary Motions**
- 7 、 Adjournment**

**Lingsen Precision Industries, Ltd.**  
**Year 2021**  
**Agenda of Annual Meeting of Shareholders**

1. **Time: June 18, 2021 (Friday) at 9:00am**
2. **Location of meeting: No. 1, Chien-kuo Road, Tanzi District, Taichung City**  
**(Employee Recreation Room, Taichung Tanzi Technology Industrial Park)**
3. **Chairman's Address**
4. **Reported Items**
  - (1) **2020 Business Report.**
  - (2) **Report by Audit Committee on review of the 2020 financial statements.**
  - (3) **Report on total amount for endorsement and guarantees.**
  - (4) **Report on implementation of Share Buyback Program.**
  - (5) **Other matters to be reported.**
5. **Matters for ratification**
  - (1) **Ratification of 2020 Business Report and Financial statements.(Proposed by board )**
  - (2) **Ratification of 2020 Deficit Compensation. (Proposed by board)**
6. **Matters for discussion**
  - (1) **Discussion of Amendment to the "Procedures for Election of Directors". (Proposed by board)**
  - (2) **To release the directors from non-competition restrictions. (Proposed by board)**
7. **Extemporary Motions**
8. **Adjournment**

# **Reported Items**

**(1) 2020 Business Report.**

**Explanation: Please refer to the attachment.**

## Business Report

### (I) Operating principle and implementation

The Company's essential philosophy is being innovative and creative, honest and practical, and excellence sharing. The major operating principles are as follows:

- i. Improving service quality, strengthen the communication with customers and build up a balanced relationship with the customers.
- ii. Improving the existing manufacturing process, innovating new manufacturing process, improve the quality and reduce costs to create profits, proactively.
- iii. Continuously innovating product development and available in diverse products package manufacturing process to meet the customers' needs.
- iv. Improving internal operation efficiency and enhance the quality for employee's operation.
- v. Strengthening the function of information systems to improve manufacturing and inspecting the automatic operation.
- vi. Introducing 5S activities to optimize the working environment to avoid occupational accident and reduce wastage.
- vii. Continuously enhancing the educational training to train the talent to assists the company's sustainable management and development.

### (II) Result of Business Plan

In 2020, the company benefited by the gradual recovery from the economic activities of post-pandemic, increasing the demand of electronic products and with the orders are increasing the production also increases. Concomitant reduction in fixed unit costs, the company's operating income this year has increased significantly. The total revenue of 2020 is NT\$ 4.629 Billion (YOY 19.6%). Since the second half of 2020, the Operating Profit have become positive.

However, Due to impairment loss on Inventory, Property, Plant and Equipment from subsidiary, the Company recognized losses on long-term equity investments at End of 2020. As a result, the Company is in a loss in 2020 with NT\$0.44 loss per share.

(Amount Expressed in Thousands of New Taiwan Dollars)

Items	Year 2020		Year 2019		Annual growth rate YoY	
	\$	%	\$	%	\$	%
Operating revenue	4,628,930	100.0%	3,871,836	100.0%	757,094	19.6%
Gross profit (Loss)	368,155	8.0%	(27,005)	-0.7%	395,160	
Operating expenses	332,300	7.2%	356,500	9.2%	(24,200)	-6.8%
Net operating income (loss)	35,855	0.8%	(383,505)	-9.9%	419,360	
Total non-operating income and expenses	(184,685)		(164,982)			
Net loss	(164,343)		(552,011)			

The manufacturing base has been full of orders with consistent and continuous sources. In order to move forward steadily in this rapidly changing environment, the company proactively planning in expansion of production line, with stabilizing management and the flexibility in production capability to cope with the demand of terminal market. The company's profit growth will be more sustainable with the trend of industry is growing.

### (III) 2020 Budget Implementation Status

The company did not prepare financial forecasting of 2020.

(IV) Financial Revenue and Expenditure Status and Profitability Capacity Analysis

Item analyzed		Year 2020	Year 2019
Financial Structure	Debt Ratio (%)	27.77	31.17
	Ratio of Long-term capital to property, plant and equipment(%)	205.49	189.54
Solvency	Current Ratio (%)	218.25	235.69
	Quick Ratio (%)	183.78	207.99
	Return On Assets (%)	-2.19	-7.25
	Return On Equity (%)	-3.26	-10.14
Profitability	Ratio of Operating Income to paid-in capital (%)	0.94	-10.08
	Ratio of Pre-tax Income to paid-in capital (%)	-3.91	-14.42
	Profit Margin (%)	-3.55	-14.25
	Loss per share (NT\$)	-0.44	-1.47

(V) Research and Development Status

(Amount Expressed in Thousands of New Taiwan Dollars)

Year	Year 2020	Year 2019	Year 2018
Research & Development Expense	138,918	150,091	139,620
Ratio of R&D Expense to operating revenue (%)	3.00	3.88	3.19

Chairman: Shu-Chyuan Yeh    Manager: Tse-Sung Tsai    Accounting Supervisor: Ming-Wei Lai

**(2) Report by Audit Committee on review of the 2020 financial statements.**

**Audit Committee's Review Report**

The Board of Directors has prepared and submitted to us the Company's 2020 Business Report, Financial Statements and proposal for deficit compensation. The Financial Statements have been audited, certified and issued an audit report by Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touche CPA. The Business Report, Financial Statements and deficit compensation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

**Lingsen Precision Industries, Ltd.**

Chairman of the Audit Committee: Feng-Hsien Shih

March 18, 2021



### (3) Report on total amount for endorsement and guarantees.

**Explanation:** the Company's endorsement and guarantee amount as of December 31, 2020:

(Amount Expressed in Thousands )

Guaranteed Party		Ending balance	Amount Actually drawn
Name	Nature of relationship		
Sooner Power Semiconductor Co., Ltd.	Subsidiary	NTD210,000	NTD 0
Ningbo Liyuan Technology Co.,Ltd.	Second-tier Subsidiary	NTD142,400 ( USD5,000 )	NTD113,920 ( USD4,000 )
Total		NTD352,400	NTD113,920
Remark: <ol style="list-style-type: none"><li>1. The aggregate amount of endorsement and guarantee provided to each guaranteed party shall not exceed 15% of Lingsen's net worth as stated in its latest financial statement.</li><li>2. The total endorsement and guarantee amount provided shall not exceed 30% of Lingsen's net worth as stated in its latest financial statement.</li></ol>			

### (4) Report on implementation of Share Buyback Program.

#### **Explanation:**

1. According to Article 28-2 of the Securities and Exchange Act and the resolution agreed by all presenting directors on the board of directors meeting on Jun 16, 2020, the Company agreed to buy-back treasury shares.
2. The content and implementation of the treasury shares buy-back by a resolution of the board of directors are as follow:
  - (1) Buy-back series: the 5th time.
  - (2) Purpose of the repurchase: to transfer to employees
  - (3) Types of shares to be repurchased: common shares
  - (4) Period for the repurchase announced: from Jun 17, 2020 to Aug 14, 2020.
  - (5) Number of shares to be repurchased announced: 2,000,000 shares
  - (6) Price range of the shares to be repurchased announced: between NTD7.28 and NTD13 per share. If the price per share is below the lower limit of the price range, the Company will continue the repurchase process.
  - (7) Number of shares repurchased: 2,000,000 shares.
  - (8) Actual period for the repurchase: from Jul 6, 2020 to Jul 24, 2020.
  - (9) Actual total monetary amount of the repurchase: NTD23,413,660.
  - (10) Actual average price of the repurchase: NTD11.71 per share.
  - (11) Number of shares cancelled and transferred: none.
  - (12) Accumulated number of shares held: 2,000,000 shares.
  - (13) The ratio of the accumulated number of shares held to the total number of issued shares (%): 0.53%
3. Please refer to page 33 for the "Procedures of Share Buy-back and Transfer to Employee for year 2020" by Lingsen Precision Industries, Ltd."

### (5) Other matters to be reported

Handling of the shareholder proposals in the regular shareholders meeting:

1. According to Article 172-1 of the Company Act, shareholders who hold more than 1% of the total number of issued shares may submit a proposal in the annual general shareholders' meeting, but are limited to one proposal with 300 words.
2. The Company accepted shareholders' proposal in writing for the 2021 regular shareholders meeting between April 1, 2021 and April 12, 2021. It has been announced at the Market Observation Post System in accordance with the law.
3. The Company did not receive any proposal from a shareholder.

# Matters for ratification

**Item 1(Proposed by board )**

**Proposal: Ratification of 2020 Business Report and Financial statements.**

**Explanation:**

1. The board of directors prepared the stand alone and consolidated financial statements 2020 (please refer to page 12-32), and were audited by Accountants Shu-Chin Chiang and Ting-Chien Su from the Deloitte Touche Tohmatsu Limited.
2. The business report (please refer to page 4-5), stand alone and consolidated financial statements have been reviewed by the Audit Committee, and an audit report was issued.

**Resolution:**

## Item 2(Proposed by board )

### Proposal: Ratification of 2020 Deficit Compensation.

#### Explanation:

1. The Company's unappropriated retained earnings of prior years was NT\$0. After deducting NT\$2,498,211 from 2020 disposal of financial assets at fair value through other comprehensive income, NT\$887,784 from reinvestment loss not recognized by shareholding percentage, and 2020 net loss NT\$164,343,616, plus the remeasurements of the net defined benefit liability NT\$1,462,438, special reserve reversal NT\$31,600,857, the deficit to be compensated at the end of 2020 was NT\$134,666,316. It is proposed to be compensated by capital surplus NT\$134,666,316.
2. The 2020 deficit compensation statement was as follow:

Lingsen Precision Industries, Ltd.		
Deficit Compensation Statement		
	Year 2020	Unit: NTD
Unappropriated retained earnings of prior years		0
- : 2020 disposal of financial assets at fair value through other comprehensive income	(2,498,211)	
- : Reinvestment loss not recognized by shareholding percentage	(887,784)	
- : 2020 net loss	(164,343,616)	
+ : 2020 remeasurements of the net defined benefit liability	1,462,438	
+ : special reserve reversal	<u>31,600,857</u>	<u>(134,666,316)</u>
Deficit to be compensated:		<u>(134,666,316)</u>
Items for compensating deficit:		
Capital surplus (note)		<u>134,666,316</u>
Unappropriated retained earnings at the end of the year (after compensation)		<u>0</u>
Note: capital surplus item		
Capital surplus-treasury share transaction	8,191,393	
Capital surplus-premium on corporate bond	<u>126,474,923</u>	
Total	<u>134,666,316</u>	

Chairman: Shu-Chyuan Yeh Manager: Tse-Sung Tsai Accounting Supervisor: Ming-Wei Lai

#### Resolution:

# Matters for discussion

## Item 1(Proposed by board )

**Proposal: Discussion of Amendment to the "Procedures for Election of Directors".**

### **Explanation:**

1. In accordance with the candidate's nomination system adopted by the Company, shareholders shall select directors from the candidate list. The related clause in the Company's "Procedures for Election of Directors" is amended to follow.
2. Please refer to page 34-35 for the clause in the Company's "Procedures for Election of Directors" before and after amendment.

### **Resolution:**

**Item 2(Proposed by board )**

**Proposal: To release the directors from non-competition restrictions.**

**Explanation:**

- 1. In accordance with the Article 209 of the Company Act: “A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.”
- 2. If the Company’s directors invest in or operate in the same or similar business scope of the Company and act as directors or managers of the Company’s reinvestment, it is proposed to the shareholders’ meeting for approval in accordance with the law to release on the prohibition of directors’ participation in competing businesses under the circumstances of not impairing the interest of the company.
- 3. Director’s name and title that is proposed to the shareholders’ meeting for approval to release on the prohibition of directors’ participation in competing businesses:

Title	Name	Hold a concurrent position in other company	
		Company Name	Title
Director	Shu- Hsun Yeh	Sooner Power Semiconductor Co., Ltd.	Representative of the corporate director

**Resolution:**

**Extemporary Motions**

**Adjournment**

# Appendix

## Independent Auditors' Report

To Lingsen Precision Industries, LTD.

### Opinion

We have reviewed the accompanying parent company only balance sheets of Lingsen Precision Industries, LTD. (the "Group") 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

Auditor Ting-Chien Su

Auditing and Attestation No  
FSC No. 1000028068

Auditing and Attestation No  
FSC No. 1070323246

March 18, 2021

## 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.

Board of director: Shu-Chyuan Yeh

Manager: Tse-Sung Tsai

Accounting Supervisor: Ming-Wei Lai

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.

Board of director: Shu-Chyuan Yeh Manager: Tse-Sung Tsai Accounting Supervisor: Ming-Wei Lai

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.

Board of director: Shu-Chyuan Yeh

Manager: Tse-Sung Tsai

Accounting Supervisor: Ming-Wei Lai

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.

Board of director: Shu-Chyuan Yeh Manager: Tse-Sung Tsai Accounting Supervisor: Ming-Wei Lai

## **Independent Auditors' Report**

To Lingsen Precision Industries, LTD.

### **Opinion**

We have reviewed the accompanying consolidated balance sheets of Lingsen Precision Industries, LTD. (the "Group") as at December 31, 2019 and 2020, and the related consolidated 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 consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and consolidated 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 consolidated financial statements section of our report. We are independent of the Group 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 significant in our audit of the consolidated financial statements of 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matters of consolidated financial statements of 2020 are described below:

### Revenue Recognition

The group'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 21 in the consolidated financial statements to see accounting policies related to revenue recognition.

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.

### **Other Matters**

We have audited and expressed an unqualified opinion with other matter section on the consolidated financial statements of Lingsen Precision Industries, LTD. as of and for the years ended December 31, 2020 and 2019.

### **Responsibilities of the management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "International Financial Reporting Standards," "International Accounting Standards," "International Financial Reporting Interpretations Committee," and "International Accounting Standards" accepted and effectively published by Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance in the Group, including the audit committee, are responsible for

overseeing the financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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, consolidatedly or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Auditor Ting-Chien Su

Ting-Chien Su

Auditing and Attestation No  
FSC No. 1000028068

Auditing and Attestation No  
FSC No. 1070323246

March 18, 2021

Lingsen Precision Industries, LTD. and its subsidiaries  
Consolidated Balanced Sheet  
For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 1,373,024	18	\$ 1,704,790	21
1140	Contract assets - current (Note 4 and 21)	126,485	2	90,702	1
1150	Notes receivable (Note 4 and 21)	9,386	-	6,968	-
1170	Accounts receivable (Note 4, 8, and 21)	1,311,023	17	1,083,869	13
1200	Other receivables (Note 4 and 9)	304,193	4	371,287	5
1220	Current tax assets (Note 4 and 23)	3,081	-	18,622	-
1310	Inventories (Note 4 and 10)	336,114	4	345,377	4
1470	Other current assets (Note 4, 15 and 28)	224,834	3	184,580	2
11XX	Total current assets	<u>3,688,140</u>	<u>48</u>	<u>3,806,195</u>	<u>46</u>
	<b>Non-current assets</b>				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 and 7)	38,981	1	31,527	-
1550	Investments accounted for using equity method (Note 4 and 12)	-	-	-	-
1600	Property, plant and equipment (Note 4, 13 and 28)	3,491,550	46	4,074,626	50
1755	Right-of-use assets (Note 4 and 14)	164,801	2	180,433	2
1840	Deferred tax assets (Note 4, 5 and 23)	91,305	1	107,228	1
1920	Refundable deposits (note 4)	935	-	924	-
1990	Other non-current assets (Note 3 and 15)	169,548	2	47,601	1
15XX	Total non-current assets	<u>3,957,120</u>	<u>52</u>	<u>4,442,339</u>	<u>54</u>
1XXX	Total assets	<u>\$ 7,645,260</u>	<u>100</u>	<u>\$ 8,248,534</u>	<u>100</u>
	<b>Liabilities and Equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Note 4 and 16)	\$ 248,679	3	\$ 427,989	5
2170	Accounts payable	332,380	4	281,000	4
2200	Other payables (Note 17)	582,873	8	556,570	7
2230	Current tax assets (Note 4 and 23)	807	-	43	-
2250	Provision - current (Note 4 and 18)	19,450	-	12,378	-
2280	Lease liabilities (Note 4 and 14)	5,494	-	5,510	-
2320	Current portion of long-term liabilities (Note 4, 16 and 28)	486,287	7	399,043	5
2399	Other current liabilities	48,716	1	105,234	1
21XX	Total current liabilities	<u>1,724,686</u>	<u>23</u>	<u>1,787,767</u>	<u>22</u>
	<b>Non-current liabilities</b>				
2540	Long-term borrowings (Note 4, 16 and 28)	577,589	7	903,267	11
2570	Deferred tax liabilities (Note 4 and 23)	1,156	-	893	-
2580	Lease liabilities - non current (Note 4 and 14)	152,251	2	167,111	2
2640	Defined benefit liability, net - non-current (Note 4 and 19)	54,241	1	77,356	1
2645	Guarantee deposits received	1,822	-	913	-
25XX	Total non-current liabilities	<u>787,059</u>	<u>10</u>	<u>1,149,540</u>	<u>14</u>
2XXX	Total liabilities	<u>2,511,745</u>	<u>33</u>	<u>2,937,307</u>	<u>36</u>
	<b>Attributed to the owners of the Company</b>				
3110	Common stock	3,801,023	50	3,801,023	46
3200	Capital surplus	1,384,604	18	1,451,696	18
	<b>Retained earnings</b>				
3310	Legal reserve	-	-	359,085	4
3320	Appropriated retained earnings	192,020	2	226,856	3
3350	Unappropriated retained earnings	( 166,267 )	( 2 )	( 461,077 )	( 6 )
3400	Other equity	( 64,644 )	( 1 )	( 74,458 )	( 1 )
3500	Treasury stocks	( 199,828 )	( 2 )	( 176,415 )	( 2 )
31XX	Owner's equity	<u>4,946,908</u>	<u>65</u>	<u>5,126,710</u>	<u>62</u>
36XX	Non-controlling interests	<u>186,607</u>	<u>2</u>	<u>184,517</u>	<u>2</u>
3XXX	Total equity	<u>5,133,515</u>	<u>67</u>	<u>5,311,227</u>	<u>64</u>
	Total liabilities and equity	<u>\$ 7,645,260</u>	<u>100</u>	<u>\$ 8,248,534</u>	<u>100</u>

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

Board of director: Shu-Chyuan Yeh

Manager: Tse-Sung Tsai

Accounting Supervisor: Ming-Wei Lai

Lingsen Precision Industries, LTD. and its subsidiaries  
Consolidated 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

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 4 and 21)	\$ 5,457,586	100	\$ 4,719,390	100
5000	Operating costs (Note 10 and 22)	<u>5,158,502</u>	<u>95</u>	<u>4,783,009</u>	<u>101</u>
5900	Gross profit (Loss)	<u>299,084</u>	<u>5</u>	<u>( 63,619)</u>	<u>( 1)</u>
	Operating expenses (Note 22)				
6100	Selling expenses	54,894	1	56,408	1
6200	Administrative expenses	240,974	4	262,313	6
6300	Research and development expenses	166,697	3	184,672	4
6450	Expected credit losses (including reversals of impairment losses or impairment gains) (Note 4 and 8)	<u>49</u>	<u>-</u>	<u>12,556</u>	<u>-</u>
6000	Total operating expenses	<u>462,614</u>	<u>8</u>	<u>515,949</u>	<u>11</u>
6900	Net operating income (loss)	<u>( 163,530)</u>	<u>( 3)</u>	<u>( 579,568)</u>	<u>( 12)</u>
	Non-operating income and expenses				
7100	Interest revenue	6,821	-	10,178	-
7110	Rent Income (Note 4 and 14)	18,906	-	7,254	-
7130	Dividend income	1,165	-	4,731	-
7190	Other income	52,855	1	31,089	1
7510	Interest expense (note 4)	( 18,563)	-	( 19,578)	( 1)
7590	Miscellaneous expenses	( 459)	-	( 1,808)	-
7610	Interest of disposal of property, plant, and equipment (Note 4)	484	-	( 47)	-
7670	Impairment loss	( 47,456)	( 1)	-	-
7630	Exchange gains or losses (note 4)	<u>3,361</u>	<u>-</u>	<u>( 1,167)</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>17,114</u>	<u>-</u>	<u>30,652</u>	<u>-</u>

(Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7900	Loss from continuing operations before income tax	(\$ 146,416)	( 3)	(\$ 548,916)	( 12)
7950	Total tax expense (Note 4 and 23)	( 16,724)	-	( 3,215)	-
8200	Net loss	( 163,140)	( 3)	( 552,131)	( 12)
	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 19)	1,828	-	12,139	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	7,454	-	( 3,373)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	( 366)	-	( 2,428)	-
		8,916	-	6,338	-
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	8,777	-	( 1,568)	-
8500	Total comprehensive income	(\$ 154,363)	( 3)	(\$ 553,699)	( 12)
	Net income (loss) is attributed to:				
8610	Owners of the Company	(\$ 164,343)	( 3)	(\$ 552,011)	( 12)
8620	Non-controlling interests	1,203	-	( 120)	-
8600		(\$ 163,140)	( 3)	(\$ 552,131)	( 12)
	The total comprehensive income is attributed to:				
8710	Owners of the Company	(\$ 155,566)	( 3)	(\$ 553,579)	( 12)
8720	Non-controlling interests	1,203	-	( 120)	-
8700		(\$ 154,363)	( 3)	(\$ 553,699)	( 12)

(Continued)  
(Continued)

C o d e		2020		2019	
		A m o u n t	%	A m o u n t	%
	Loss per share (Note 24)				
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.

Board of director: Shu-Chyuan Yeh    Manager: Tse-Sung Tsai    Accounting Supervisor: Ming-Wei Lai

Lingsen Precision Industries, LTD. and its subsidiaries  
Consolidated Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars

		Attributed to the owners of the Company					Other equity (Note 4)					
		Retained earnings (Note 20)		Unappropriated earnings			Transaction difference on translation of financial statements of foreign operation		Unrealized gains or losses of financial assets through other comprehensive income At fair value			
Code		Common Stock (Note 20)	Capital surplus (Note 20)	Legal reserve	Appropriated retained earnings	(Unappropriated retained earnings) (Note 4 and 7)			Treasury stocks (Note 20)	Total Equity	Non-controlling interests (Note 20)	Total equity
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	\$ 184,637	\$ 5,939,703
	Appropriation and distribution of retained earnings											
B3	Appropriated retained earnings	-	-	-	99,169	( 99,169 )	-	-	-	-	-	-
	Other changes of capital surplus											
C3	Donation from shareholders	-	92	-	-	-	-	-	-	92	-	92
C15	Cash dividends from capital surplus	-	( 76,000 )	-	-	-	-	-	-	( 76,000 )	-	( 76,000 )
M1	Adjustment of capital surplus dividends to subsidiaries	-	1,131	-	-	-	-	-	-	1,131	-	1,131
D1	Net loss in 2019	-	-	-	-	( 552,011 )	-	-	-	( 552,011 )	( 120 )	( 552,131 )
D3	Other comprehensive income in 2019	-	-	-	-	9,711	( 7,906 )	( 3,373 )	-	( 1,568 )	-	( 1,568 )
D5	Total comprehensive income in 2019	-	-	-	-	( 542,300 )	( 7,906 )	( 3,373 )	-	( 553,579 )	( 120 )	( 553,699 )
Q1	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	184,517	5,311,227
	Appropriation and distribution of retained earnings											
B1	Legal reserve	-	-	( 359,085 )	-	359,085	-	-	-	-	-	-
B3	Appropriated retained earnings	-	-	-	( 34,836 )	34,836	-	-	-	-	-	-
B5	Cash dividends of shareholders	-	-	-	-	-	-	-	-	-	-	-
	Other changes of capital surplus											
C3	Donation from shareholders	-	64	-	-	-	-	-	-	64	-	64
C11	Capital surplus used to cover accumulated deficits	-	( 67,156 )	-	-	67,156	-	-	-	-	-	-
D1	Net profit(loss) at 2020	-	-	-	-	( 164,343 )	-	-	-	( 164,343 )	1,203	( 163,140 )
D3	Other comprehensive income after taxes in 2020	-	-	-	-	1,462	( 139 )	7,454	-	8,777	-	8,777
D5	Total comprehensive income in 2020	-	-	-	-	( 162,881 )	( 139 )	7,454	-	( 155,566 )	1,203	( 154,363 )
L1	Treasury Stock Acquired (Note 20)	-	-	-	-	-	-	-	( 23,413 )	( 23,413 )	-	( 23,413 )
M7	Changes in ownership interests in subsidiaries	-	-	-	-	( 887 )	-	-	-	( 887 )	887	-
Q1	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	\$ 186,607	\$ 5,133,515

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

Board of director: Shu-Chyuan Yeh

Manager: Tse-Sung Tsai

Accounting supervisor: Ming-Wei Lai



Lingsen Precision Industries, LTD. and its subsidiaries

Consolidated of 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	(\$ 146,416)	(\$ 548,916)
	Adjustment items		
A20100	Depreciation expenses	824,680	902,324
A20300	Expected credit losses	49	12,556
A20900	Interest expenses	18,563	19,578
A21200	Interest revenue	( 6,821)	( 10,178)
A21300	Dividend Income	( 1,165)	( 4,731)
A22500	Disposal of loss of property, plant, and equipment	( 484)	47
A23700	Inventory falling price loss	44,673	1,799
A23700	Loss of property, plant, and equipment	47,456	-
A24100	Net unrealized foreign exchange loss	( 7,850)	1,508
A29900	Amortization of prepayments	4,941	4,401
A32200	Provision	7,072	292
A30000	Net changes in operating assets and liabilities		
A31125	Contract Assets	( 35,593)	( 2,992)
A31130	Notes receivable	( 2,377)	3,928
A31150	Accounts receivable	( 229,426)	( 11,182)
A31180	Other receivables	64,099	139,762
A31200	Inventories	( 35,065)	( 40)
A31240	Other current assets	( 40,177)	11,534
A32150	Accounts payable	53,064	79,137
A32180	Other payables	55,985	2,525
A32230	Other current liabilities	( 56,518)	79,555
A32240	Net defined benefit liabilities	( <u>21,287</u> )	( <u>46,163</u> )
A33000	Cash generated from operations	537,403	634,744
A33100	Interest received	7,388	10,305
A33300	Interest paid	( 17,919)	( 18,515)
A33500	Income tax paid	<u>15,394</u>	<u>( 15,310)</u>
AAAA	Net cash provided by (used in) operating activities	<u>542,266</u>	<u>611,224</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
B02700	Acquisition of property, plant, and equipment	( 307,696)	( 462,324)
B02800	Disposal of property, plant, and equipment	5,901	10
B03700	Increases in refundable deposits	( 7)	-
B03800	Decreases in refundable deposits	-	1,047
B06700	Increases in other non-current assets	( 9,835)	( 4,347)
B07100	Increase in prepayments for business facilities	( 123,707)	( 17,840)
B07600	Dividends received	<u>1,165</u>	<u>4,731</u>
BBBB	Net cash provided by (used in) investing activities	( <u>434,179</u> )	( <u>466,972</u> )
	Cash flow from financing activities		
C00100	Increases in short-term loans	1,561,937	1,115,005
C00200	Decreases in short-term loans	( 1,734,745)	( 831,244)
C01600	Long-term borrowings	169,500	548,000
C01700	Repayments of long-term debt	( 407,934)	( 405,882)
C03000	Increases in guarantee deposits received	909	-
C03100	Decreases in guarantee deposits received	-	( 11)
C04020	Payments of lease liabilities	( 6,831)	( 8,156)
C04500	Cash dividends paid	-	( 74,869)
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>440,513</u> )	<u>342,935</u>
DDDD	Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>660</u>	( <u>1,841</u> )
EEEE	Net increase (decrease) in cash and cash equivalents	( 331,766)	485,346
E00100	Cash and cash equivalents at beginning of period	<u>1,704,790</u>	<u>1,219,444</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,373,024</u>	<u>\$1,704,790</u>

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

Board of director: Shu-Chyuan Yeh

Manager: Tse-Sung Tsai

Accounting supervisor: Ming-Wei Lai

## Lingsen Precision Industries, Ltd.

### Procedures of Share Buy-back and Transfer to Employee for year 2020

#### Article 1

In order to promote and improve employees' coherence, the Company adopts these Rules for the Repurchase of Shares and Transfer to Employees in accordance with Article 28-2, paragraph 1, subparagraph 1 of the Securities and Exchange Act and the provisions of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies issued by the Financial Supervisory Commission. Any repurchase of shares and transfer to employees by the Company, in addition to complying with related laws and regulations, will be carried out in accordance with these Rules.

Article 2 (Type of shares to be transferred, a description of the rights attaching thereto, and any restrictions on such rights)  
The shares to be transferred are common shares. Except for the restriction that the shares subscribed by employees cannot be transferred within two years from the company's delivery date, the rest of the rights and obligations are the same as the other outstanding common shares.

#### Article 3 (Transfer period)

In accordance with these Rules, the shares in the present share repurchase may be transferred to employees in a single transfer or multiple transfers within five years from the date of the share repurchase.

#### Article 4 (Eligibility requirements for transferees)

All employees who have been employed for over 3 months or employees with special contributions to the Company that are submitted to the board of directors for approval are eligible.

#### Article 5 (The number of shares employees are allowed to subscribe for)

The number of shares to which employees may subscribe will be determined based on their rank, seniority, and performance evaluations or special contributions to the Company with further considering factors such as, at the base date of shares purchasing, the total number of shares bought back by the Company and the upper limit of the single employee's subscription and submit to the board of directors for approval.

If the employees are managers, share subscriptions should be first reviewed by the Compensation Committee and then be submitted for a resolution by the board of directors.

#### Article 6 (Procedures for transfer of shares)

Procedures for the present repurchase of shares and transfer to employees:

1. The repurchase of the Company's shares will be publicly announced, reported, and carried out during the implementation period in accordance with a resolution of the board of directors.
2. The board of directors will publicly announce operating procedures relating to the record date for employee subscriptions, the standards for numbers of shares to which employees may subscribe, the period for payment for subscriptions, the rights, and the limitations associated with share subscriptions.
3. Statistics will be compiled on the numbers of shares actually subscribed and paid for, and the registration of share transfers will be carried out.

#### Article 7 (Agreed transfer price per share)

The share transfer price for the present repurchase of shares and transfer to employees will be the average of the actual share repurchase prices.

If, prior to the transfer, there is an increase in the number of issued shares of common stock, the transfer price will not be adjusted.

If, prior to the transfer, there is a decrease in the number of issued shares of common stock, the transfer price may be adjusted within a range proportional to the decrease.

Transfer price adjustment formula:

Adjusted transfer prices=Actual average repurchase price x (The total number of common shares when the shares bought back is finished ÷ The total number of common shares before the company bought back shares for employees)

Article 8 Except where otherwise provided, the rights and obligations associated with the transferred shares, following the transfer of shares in the present share repurchase to employees and registration of share transfer, will be the same as those originally associated with the shares.

Article 9 These Rules will be adopted and take effect following a resolution of the board of directors, and may be amended by submission to the board of directors for a resolution.

Article 10 These Rules, and any amendments hereto, shall be reported to the shareholders meeting.

**Lingsen Precision Industries, Ltd.**

**Comparison table for the “Procedures for Election of Directors” before and after the amendment**

Article NO.	Amended Article	Original Article	Note
6	Before the election begins, the chair shall appoint a number of persons <u>with shareholder status</u> to perform the respective duties of vote monitoring and counting personnel.	Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and counting personnel.	Text discretion.
8	<u>The board of directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected.</u> The number of voting rights associated with each ballot shall be specified on the ballots, <u>which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</u>	<u>The ballot shall be made by the attending number,</u> and the number of voting rights associated with each ballot shall be specified on the ballots.	Article 9, Item 2 is incorporated into this article.
9	Deleted.	<u>If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; for a non-shareholder, the voter shall enter the candidate's full name and identity card number. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</u>  The board of directors shall prepare separate ballots for directors and supervisors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending	1. In accordance with the candidate’s nomination system adopted by the Company, shareholders shall select directors from the candidate list. Hence delete Item 1 of the Article.  2. Item 2 of this Article is incorporated into Article 8.

		shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.	
10	A ballot is invalid under any of the following circumstances: 1. The ballot was <u>not prepared by the convening authority</u> . 2. A blank ballot is placed in the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. The candidate whose name is entered in the ballot does not match the <u>candidate's name list</u> . 5. Other words or marks are entered in addition to the number of voting rights allotted.	A ballot is invalid under any of the following circumstances: 1. The ballot was not prepared <u>in accordance with the regulation</u> . 2. A blank ballot is placed in the ballot box. 3. The writing is unclear and indecipherable or has been altered. 4. The candidate whose name is entered in the ballot is a <u>shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number</u> do not match. 5. Other words or marks are entered in addition to <u>the candidate's account name or shareholder account number (or identity card number)</u> and the number of voting rights allotted. <u>6. Any omission on the candidate's account name (name) or shareholder account number (or identity card number).</u> <u>7. Any alteration on the candidate's account name (name) or shareholder account number (or identity card number).</u>	In accordance with the candidate's nomination system adopted by the Company, shareholders shall select directors from the candidate list. Hence amend this Article.
11	The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation, <u>including the list of persons elected as directors and the numbers of votes with which they were elected</u> , shall be announced by the chair on the site. If one does not meet the regulations of Article 26-3, Paragraph 3 of the Securities Exchange Act, the election shall be deemed invalid.	The voting rights shall be calculated on site immediately after the end of the poll, and the results of the calculation shall be announced by the chair on the site. If one does not meet the regulations of Article 26-3, Paragraph 3 of the Securities Exchange Act, the election shall be deemed invalid.	Text discretion for accuracy.
13	These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.	These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting. The amendments are effective since the 2016 regular shareholders meeting.	Text discretion for accuracy.

**Lingsen Precision Industries, Ltd.**  
**Articles of Incorporation**

**Chapter 1 General Provisions**

- Article 1: The Company is organized in accordance with the Company Act, named Lingsen Precision Industries, Ltd.
- Article 2: The businesses operated by the company are as follows:
1. CC01080 Electronics Components Manufacturing.
  2. F401010 International Trade.
  3. D101040 Non-Public Electric Power Generation.
  4. IZ99990 Other Industrial and Commercial Services (integrated circuit testing).
  5. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 3: The Company is located at No. 5-1, South 2nd Road, Tanzi District, Taichung City. It may set up domestic and international branches and offices by the resolution of the board of directors.
- Article 4: The announcement shall be in accordance with the provisions of Article 28 of the Company Act.

**Chapter 2 Capital Stock**

- Article 5: The total capital stock of the Company shall be in the amount of five billion New Taiwan Dollars, divided into 500 million shares, at ten New Taiwan Dollars each. The unissued share shall be authorized to the board of directors for issuance in batches depending on the business needs. Among which, NT\$100 million is divided into 10 million shares with NT\$10 per share that are reserved for employee stock options.
- Article 6: The share certificates printed by the Company are all registered share certificates and are issued in accordance with the Company Act and other laws and regulations.
- Article 6-1: The Company may be exempted from printing any share certificate for the shares issued. However, if the Company prints any share certificate, it shall comply with the Company Act and other laws and regulations.
- Article 7: The Company's shareholders shall use their true names. If a shareholder is a corporate shareholder, the name of such corporate shareholder shall be indicated thereon, and no other shareholder's name nor only the name of the representative of such corporate shareholder may be indicated thereof.
- Article 8: Shareholders shall submit the specimen chop to the company for record and the same applies when there are changes. The specimen chop will serve as certification for any receipt of dividends and bonuses or exercise the shareholders' rights.
- Article 9: When a shareholder processes the transfer of share certificates, he or she shall submit the complete transfer application with the signatures or chops of the transferor and transferee to the Company. It shall be effective against the Company when it is registered in the shareholders roster.
- Article 10: The Company shall go through the provisions of the "Regulations Governing the Administration of Shareholder Services of Public Companies" promulgated by the competent authority.
- Article 11: Registration for transfer of shares shall be suspended for a period of sixty days before the convening date of a regular shareholders meeting, thirty days before the convening date of a special shareholders meeting, or within five days before the date on which dividends, bonus, or other benefits are scheduled to be paid by the Company.

**Chapter 3 Shareholders' Meeting**

- Article 12: There are two kinds of shareholders' meetings: regular meeting and special meeting.
1. The regular meeting shall be convened within six months after close of

- each fiscal year in accordance with the law by the board of directors.
2. The special meeting shall be convened whenever necessary according to the laws and regulations.
- Article 13: A notice regarding the date, venue, and the cause or subject of a meeting of shareholders to be convened shall be given to each shareholder no later than 30 days prior to the scheduled meeting date of a regular meeting; whereas 15 days prior to the scheduled meeting date of a special meeting.
- Article 14: Resolutions at a shareholders' meeting shall, unless otherwise provided for in this Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.  
 When the number of shareholders present does not constitute the quorum prescribed in the preceding article, but those present represent one-third or more of the total number of issued shares, a tentative resolution may be passed by a majority of those present. A notice of such tentative resolution shall be given to each of the shareholders, and reconvene a Shareholders' meeting within one month. If the tentative resolution is again adopted by a majority of those present who represent one-third or more of the total number of issued shares, such tentative resolution shall be deemed to be a resolution under the preceding article.  
 When the Company holds a shareholder meeting, it shall adopt the exercise of voting rights by electronic means. A shareholder exercising voting rights by electronic means will be deemed to have attended the meeting in person. Any related matters are handled in accordance with the laws and regulations.
- Article 15: A shareholder shall be entitled to one vote for each share held by him/her; except those shares for which the voting rights are restricted or excluded as stipulated in Article 179 of the Company Act.
- Article 16: If for any reason a shareholder may not attend the shareholders' meeting, he or she may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization. The regulations on shareholders' attending the meeting in proxy shall refer to the "Rules on Attendance at the Shareholders' Meeting in Proxy for Public Offering Company" apart from referring to the Company Act.
- Article 17: The meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the acting shall be handled in accordance with Article 208 of the Company Act.
- Article 18: Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting.  
 The distribution under the preceding paragraph shall be handled in accordance with the Company Act.  
 The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained for the duration of the existence of this Company.  
 The attendance book by the shareholders present and the proxy form by the proxy shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

#### **Chapter 4 The Board of Directors and Audit Committee**

- Article 19: The Company shall appoint seven to nine directors. The election of the directors adopts a candidates nomination system selected by the board of directors with the term of three years and shall be eligible for re-election.  
 The number of appointed directors earlier mentioned shall have no less than three independent directors and the same shall not be less than one fifth of the total number of directors of the Company.  
 The percentage of shareholdings of all the directors, qualifications of independent directors, and other related matters shall be handled in accordance with the laws

and regulations by the competent authority.

Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

After election and by resolution from the board of directors, the Company shall obtain directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of directorship.

The Company has set up an Audit Committee and Compensation Committee in accordance with the Securities and Exchange Act and regulations of the Competent Authority, and may also set up other functional committees.

The Audit Committee shall be composed of the entire number of independent directors.

The duties of the above functional committees shall be exercised in accordance with the Securities and Exchange Act, the Company Act, and other laws and regulations.

Article 19-1:

(Deleted)

Article 20:

When the number of vacancies in the board of directors of a company equals to one third of the total number of directors, or all independent directors are discharged, the board of directors shall call, within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies.

Article 21:

In case no election of new directors is affected after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office.

Article 22:

The Board of Directors shall be formed by directors. The directors shall elect from among themselves the Chairman of the Board of Directors by a majority of votes cast by the directors present at the meeting attended by at least two-thirds of the directors. The Chairman shall conduct the business of the Company in accordance with applicable laws and regulations, these Articles of Incorporation of the Company, the resolutions adopted at shareholder' meetings and the resolutions adopted by the Board of Directors.

Article 23:

The duties of the board of directors are as follow:

1. Prepare business operations.
2. Prepare surplus distribution and loss make-up proposal.
3. Prepare to increase or decrease capital.
4. Review the articles of incorporation and important contracts.
5. Appointment and dismissal of the managers and important personnel.
6. Set up and dissolve branches.
7. Budget approval and final accounts preparation.
8. Real estate trading and other business investment approval.
9. Other duties delegated by the Securities and Exchange Act, the Company Act, and the shareholders' meeting.

Article 24:

Business policy of the Company and other important matters shall be decided by resolutions adopted by the Board of Directors. Any meeting of Board of Directors shall be convened by the Chairman of the Board of Directors who shall also be the chairman of the meeting, provided that the first meeting of each term of the Board of Directors shall be convened in accordance with Article 203 of the Company Law. In case the chairman of the Board of Directors is on leave or cannot exercise his powers, he may designate a proxy in accordance with Article 208 of the Company Act.

The calling a board of directors meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.

The cause or subject of a meeting of Board of Directors to be convened shall be indicated in the notice to be sent in writing, e-mail, or fax.

Article 25:

Unless otherwise stated in the Company Act, a resolution of the board of directors shall be decided by a majority vote of the directors at a meeting of the board of directors attended by at least a majority of the entire directors of the company. If a director is unable to attend a board of directors meeting in person, he or she shall



appoint another director to attend the meeting in his or her place and give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting. A proxy may accept a proxy from one person only.

Article 26: Matters relating to the resolutions of a board of directors meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy of the meeting minutes shall be distributed to each director within 20 days after the conclusion of the meeting. The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results. The minutes shall be retained forever. The attendance book by the directors presented and the proxy form by the proxy shall be retained for at least one year.

Article 26-1: The Company shall pay the directors for performing their duties regardless of the Company's operating profit or loss. The compensation shall be decided by the board of directors depending on the involvement of the Company's operation and the value of contribution, and shall not exceed the maximum standard of the Company's Guidelines for Compensation Criteria.

#### **Chapter 5 (Deleted)**

Article 27: (Deleted)  
Article 27-1: (Deleted)  
Article 27-2: (Deleted)  
Article 28: (Deleted)  
Article 29: (Deleted)

#### **Chapter 6 Managers and employees**

Article 30: The Company may have one or more managerial personnel. The appointment and discharge and the remuneration of the managerial personnel shall be decided in accordance with Articles 29 of the Company Act.

#### **Chapter 7 Accounting**

Article 31: The Company shall, at the end of each fiscal year, have the board of directors prepared the following reports 30 days before the regular shareholders' meeting and submit for the Audit Committee's review before proposing at the shareholders' meeting for approval. the annual business report, the financial statements, and the surplus earnings distribution or loss make-up proposal.

1. Business report.
2. Financial statements.
3. Surplus earnings distribution or loss make-up proposal.

Article 31-1: If the Company gains profit at the end of the fiscal year (profit here equals to income before tax deducts employees' compensation and directors' compensation distribution.), it shall allocate no less than 10% for employee's compensation and no more than 2% for directors' compensation. However, the Company's accumulated losses shall have been covered.

The employees' compensation under the preceding paragraph shall be distributed in the form of shares or in cash.

Matters in the preceding two paragraphs shall be decided by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, and submitted to the shareholders' meeting.

Article 32: The Company's dividend policy takes into consideration the current and future development plan, investing environment, capital needs, and domestic and international competition, as well as shareholders' profit. If there is a net income in the final accounts of the Company, it shall, after paying taxes and make-up for losses, set aside ten percent of such profits as a legal reserve, and increase or rotate a special surplus reserve in accordance with the law or regulations of the competent authority, distribute dividend and bonus no less than 50% (If the shareholder dividends and bonuses are greater than NT\$1 per share, at least 20% of the excess shall be allocated for cash dividends) and submitted to the

shareholders' meeting for approval.

#### **Chapter 8 Supplementary Provisions**

- Article 33: The Company may act as a guarantor for companies in the same industry.
- Article 34: The total foreign investment of the Company may be exempted from the reinvestment proportion limit in the Article 13 of the Company Act.
- Article 35: The organizational rules and operational regulations shall be determined otherwise.
- Article 36: In regard to all matters not provided for in these Articles of Incorporation, the Company Act and other laws and regulations shall govern.

Article 37: This Article of Incorporation was set up on April 12, 1973.  
The first amendment was on March 24, 1976.  
The second amendment was on May 26, 1977.  
The third amendment was on November 3, 1977.  
The fourth amendment was on June 3, 1978.  
The fifth amendment was on December 28, 1978.  
The sixth amendment was on October 27, 1979.  
The seventh amendment was on September 24, 1980.  
The eighth amendment was on April 12, 1981.  
The ninth amendment was on September 17, 1981.  
The tenth amendment was on October 21, 1982.  
The eleventh amendment was on November 25, 1983.  
The twelfth amendment was on September 15, 1984.  
The thirteenth amendment was on August 28, 1985.  
The fourteenth amendment was on April 30, 1987.  
The fifteenth amendment was on July 22, 1987.  
The sixteenth amendment was on November 1, 1987.  
The seventeenth amendment was on September 27, 1989.  
The eighteenth amendment was on August 7, 1990.  
The nineteenth amendment was on November 6, 1992.  
The twentieth amendment was on July 24, 1993.  
The twenty-first amendment was on June 29, 1994.  
The twenty-second amendment was on June 20, 1995.  
The twenty-third amendment was on May 14, 1996.  
The twenty-fourth amendment was on May 30, 1997.  
The twenty-fifth amendment was on March 17, 1998.  
The twenty-sixth amendment was on May 3, 2000.  
The twenty-seventh amendment was on April 12, 2001.  
The twenty-eighth amendment was on May 30, 2002.  
The twenty-ninth amendment was on June 14, 2005.  
The thirtieth amendment was on June 12, 2006.  
The thirty-first amendment was on June 4, 2010.  
The thirty-second amendment was on June 15, 2011.  
The thirty-third amendment was on June 6, 2012.  
The thirty-fourth amendment was on June 18, 2013.  
The thirty-fifth amendment was on June 10, 2015.  
The thirty-sixth amendment was on June 15, 2016.  
The thirty-seventh amendment was on June 12, 2019.

**Lingsen Precision Industries, Ltd.**  
**The Rules of Procedure for Shareholders' Meetings**

1. The rules of procedures for this Company's shareholders meetings, except as otherwise provided by law and regulation, shall be as provided in these Rules.
2. The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in. The number of shares in attendance shall be calculated according to the shares indicated by the sign-in cards handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
3. The attendance and the voting shall be calculated based on the number of shares.
4. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of the chairman, the chairman shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.  
If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.
6. The Company's attorneys, certified public accountants, or related persons retained by it may attend a shareholders meeting in a non-voting capacity.  
The staff of the shareholders' meeting shall wear an identification card or an armband.
7. The Company shall make audio and video recording during the shareholders meeting. The recorded materials of the preceding paragraph shall be retained for at least one year.
8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made.  
If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.  
When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
9. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.  
The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, a person shall be elected as a new chair by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting. After the meeting adjourned, the shareholders shall not appoint another chair to continue the meeting at the original or new location.
10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.
12. A juristic person may only appoint one representative to attend a shareholders meeting. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed and call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. The results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.
16. When a meeting is in progress, the chair may announce a break based on time considerations.
17. Except as otherwise provided in the Company Act and in this Corporation's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. Resolutions shall be deemed adopted if no objection is voiced by any of the attending directors after solicitation by the chairman. The effectiveness shall be the same as the voting.
18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
19. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (or security personnel) help maintain order at the meeting place, they shall wear an armband bearing the word "Proctor" (or security personnel).
20. These Rules shall take effect after having been submitted to and approved by a shareholders meeting. Subsequent amendments thereto shall be affected in the same manner.

## The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate.

**Explanation:** Not applicable because the Company's Board of Directors did not propose stock dividend distribution for the year of 2020.

### Lingsen Precision Industries, Ltd. Shareholding of Directors

(I) In accordance with Article 26 of the Securities and Exchange Act, the minimum required shareholding of all directors by law are 15,204,093 shares.

(II) As of the book closure date, the shareholding of directors recorded in the shareholder register are as follows:

(1) The shareholdings of all directors are 16,589,712 shares, which meets the requirement under Article 26 of the Securities and Exchange Act.  
The shares held by independent Directors shall not be counted in the calculation of director shareholdings.

(2) The Company had set up Audit Committee; so there is no applicable for minimum required shareholding of supervisors by law.

(3) As of the book closure date (April 20, 2021), the shares held by Directors are shown as below:

Position	Name	Shares
Chairman	Shu-Chyuan Yeh	14,526,754
Director	Tse-Sung Tsai	100,000
Director	Sheunn-Ching Yang	1,303,654
Director	Ming-Te Tu	188,829
Director	Shu-Hsun Yeh	320,475
Director	Pin-Wen Fang	150,000
Independent Director	Feng-Hsien Shih	394,080
Independent Director	Wan-Ping Chen	150,000
Independent Director	Pin-Chi Wei	362,000
Total		17,495,792

Note: Total common shares issued on April 20, 2021: 380,102,344 shares.