

Lingsen Precision Industries, Ltd.

Parent Company Only Financial Statements
and Independent Auditors' Report

For the Years Ended December 31, 2021 and 2020

Address: No. 5-1, Nan'er Rd., Tanzi Dist., Taichung City 427058,
Taiwan (R.O.C.)

TEL: (04)25335120

Independent Auditors' Report

To the Board of Directors and Shareholders of Lingsen Precision Industries, Ltd.

Audit opinions

We have audited the accompanying parent company only financial statements of Lingsen Precision Industries, Ltd. (the "Company"), which comprise the unconsolidated balance sheets as of December 31, 2021 and 2020, and the unconsolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the R.O.C.. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. The auditors of the firm, subject to the independence regulations, have maintained independence from the Company in accordance with the Code of Ethics and perform other obligations of such Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the Company for the year ended December 31, 2021. These matters were addressed in the context of our audit of the unconsolidated 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 for the Company's unconsolidated financial statements for the year ended December 31, 2021 are stated as follows:

Authenticity of service revenue recognition

The main source of revenue of the Company relies on the service revenue from various wafer and integrated circuit packaging and testing services; therefore, the service revenue is determined to be the main indicator for the management to evaluate the business performance, and its recognition authenticity has a material impact on the overall financial statements. Accordingly, the authenticity of the recognition of specific customer service revenue is listed as the key audit matter. For revenue recognition related accounting policy, please refer to Notes 4 and 20 of the unconsolidated financial statements.

We summarize the main audit procedures executed for the aforementioned matters of the current year as follows:

1. Understand and assess the internal control design related to the audit and risk in the product sales and payment collection cycle and conduct a test on its effectiveness.
2. Inspect and obtain samples from the account sales of specific customers, and inspect relevant documents of delivery orders and sales invoices, and also verify whether the payment collection subjects are consistent with the delivery subjects, and also perform letter issuance for customers of service revenue, in order to verify the authenticity of the service revenue.

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

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

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

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

Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements

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

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

1. Identify and assess the risk of material misstatement of the unconsolidated financial statements due to fraud or error, design and adopt appropriate countermeasures for the risks assessed, and obtain sufficient and appropriate audit evidence in order to be used as the basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management level.
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 ability of the Company to continue as a going concern. In case where we consider that such events or circumstances have a material uncertainty, then relevant disclosure of the unconsolidated financial statements are required to be provided in our audit report to allow users of unconsolidated financial statements to be aware of such events or circumstances, 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 auditor's report. However, future events or conditions may cause Lingsen Precision Industries, Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including relevant notes, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entity of the Company, and express an opinion on unconsolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Company. We remain solely responsible for our audit opinion.

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

We also provide the governance units with statements that we have complied with relevant matters that may reasonably be thought to bear on our independence, and we have also communicated with the governance units on all relationships and other matters (including relevant protective measures) that may be considered to affect the independence of auditors.

From the matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the Company's 2021 unconsolidated

financial statements and are therefore the key audit matters. 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 Taiwan

CPA Shu-Ching Chiang

CPA Ting-Chien Su

Financial Supervisory Commission
Approval Document No.
Jin-Guan-Zheng-Shen-Zi No. 1000028068

Financial Supervisory Commission Approval
Document No.
Jin-Guan-Zheng-Shen-Zi No. 1070323246

March 17, 2022

Lingsen Precision Industries, Ltd.
Parent Company Only Balance Sheets
December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code	ASSETS	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
	Current Assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 1,212,698	14	\$ 1,084,329	16
1140	Contract assets - current (Notes 4 and 21)	135,659	2	114,509	2
1170	Accounts receivable (Notes 4, 8, 20 and 26)	1,439,848	17	1,098,847	16
1200	Other receivables (Notes 4 and 9)	180,659	2	237,007	3
1220	Current tax assets (Notes 4 and 22)	210	-	514	-
1310	Inventories (Notes 4 and 10)	657,624	8	284,720	4
1470	Other current assets (Notes 4, 14, 26 and 27)	331,692	4	190,835	3
11XX	Total current assets	<u>3,958,390</u>	<u>47</u>	<u>3,010,761</u>	<u>44</u>
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income - non-current (Note 4 and 7)	9,982	-	8,457	-
1550	Investment accounted for using the equity method (Notes 4 and 11)	938,874	11	829,935	12
1600	Property, plant and equipment (Notes 4, 12 and 27)	2,949,761	35	2,661,865	39
1755	Right-of-use assets (Notes 4 and 13)	150,220	2	155,098	2
1840	Deferred tax assets (Notes 4, 5 and 22)	23,008	1	89,751	1
1915	Prepayments for facilities	350,718	4	91,957	2
1920	Refundable deposits (Note 4)	324	-	241	-
1975	Net defined benefit assets - non-current (Notes 4 and 18)	12,009	-	-	-
1990	Other non-current assets	5,839	-	1,292	-
15XX	Total non-current assets	<u>4,440,735</u>	<u>53</u>	<u>3,838,596</u>	<u>56</u>
1XXX	Total assets	<u>\$ 8,399,125</u>	<u>100</u>	<u>\$ 6,849,357</u>	<u>100</u>
	Liabilities and Equity				
	Current Liabilities				
2100	Short-term bank borrowings (Notes 15)	\$ 194,118	2	\$ 134,759	2
2170	Accounts payable	479,409	6	310,405	5
2200	Other payables (Notes 16 and 26)	693,056	8	446,678	6
2230	Deferred tax liabilities (Notes 4 and 22)	26,506	-	-	-
2250	Liability reserve - current (Notes 4 and 17)	3,980	-	19,450	-
2280	Lease liabilities - current (Notes 4 and 13)	4,420	-	4,386	-
2320	Long-term borrowings due in one year (Notes 15 and 27)	290,814	4	417,600	6
2399	Other current liabilities	63,888	1	46,168	1
21XX	Total current liabilities	<u>1,756,191</u>	<u>21</u>	<u>1,379,446</u>	<u>20</u>
	Non-current liabilities				
2540	Long-term banks borrowings (Notes 15 and 27)	589,886	7	314,000	5
2570	Deferred tax liabilities (Notes 4 and 22)	784	-	1,156	-
2580	Lease liabilities - non-current (Notes 4 and 13)	147,364	2	151,784	2
2640	Net defined benefit liabilities - non-current (Notes 4 and 18)	-	-	54,241	1
2645	Deposits received	51,822	-	1,822	-
25XX	Total non-current liabilities	<u>789,856</u>	<u>9</u>	<u>523,003</u>	<u>8</u>
2XXX	Total Liabilities	<u>2,546,047</u>	<u>30</u>	<u>1,902,449</u>	<u>28</u>
	Equity				
3110	Ordinary shares	3,801,023	45	3,801,023	56
3200	Capital surplus	1,250,011	15	1,384,604	20
	Retained earnings				
3320	Special reserve	160,419	2	192,020	3
3350	Unappropriated earnings (accumulated deficit)	912,825	11	(166,267)	(3)
3400	Other equities	(71,372)	(1)	(64,644)	(1)
3500	Treasury shares	(199,828)	(2)	(199,828)	(3)
3XXX	Total equity	<u>5,853,078</u>	<u>70</u>	<u>4,946,908</u>	<u>72</u>
	Total liabilities and equities	<u>\$ 8,399,125</u>	<u>100</u>	<u>\$ 6,849,357</u>	<u>100</u>

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.
Parent Company Only Statements of Comprehensive Income
For the Years from January 1 to December 31, 2021 and 2020

Unit: Expressed in NT\$ thousand; except
(loss) earnings per share expressed in NT\$

Code		2021		2020	
		Amount	%	Amount	%
4000	Operating revenue (Notes 4, 20 and 26)	\$ 6,489,676	100	\$ 4,628,930	100
5000	Operating costs (Notes 10, 21 and 26)	<u>5,261,577</u>	<u>81</u>	<u>4,260,775</u>	<u>92</u>
5900	Gross profit	<u>1,228,099</u>	<u>19</u>	<u>368,155</u>	<u>8</u>
	Operating expenses (Notes 21 and 26)				
6100	Selling and marketing expenses	63,671	1	50,968	1
6200	General and administrative expenses	208,454	3	142,056	3
6300	Research and development expenses	143,554	2	138,918	3
6450	Expected credit impairment losses (Notes 4 and 8)	<u>465</u>	<u>-</u>	<u>358</u>	<u>-</u>
6000	Total operating expenses	<u>416,144</u>	<u>6</u>	<u>332,300</u>	<u>7</u>
6900	Operating profit	<u>811,955</u>	<u>13</u>	<u>35,855</u>	<u>1</u>
	Non-operating income and expenses (Note 4)				
7100	Interest income	3,297	-	5,694	-
7110	Rental income (Note 26)	13,477	-	14,342	-
7130	Dividend income	1,205	-	909	-
7190	Other income (Note 26)	29,795	1	47,886	1
7210	Gains on disposal of property, plant and equipment	1,829	-	490	-
7230	Net gain on foreign exchange	14,943	-	3,482	-
7510	Interest expenses	(8,647)	-	(9,480)	-
7775	Share of loss from subsidiaries and associated companies using the equity method	<u>89,182</u>	<u>1</u>	<u>(248,008)</u>	<u>(5)</u>
7000	Total non-operating incomes and expenses	<u>145,081</u>	<u>2</u>	<u>(184,685)</u>	<u>(4)</u>

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Code		2021		2020	
		Amount	%	Amount	%
7900	Net profit (loss) before income tax	\$ 957,036	15	(\$ 148,830)	(3)
7950	Income tax expenses (Notes 4 and 22)	(83,187)	(2)	(15,513)	-
8200	Net profit (loss) for the year	<u>873,849</u>	<u>13</u>	<u>(164,343)</u>	<u>(3)</u>
	Other comprehensive income (loss) (Note 4)				
8310	Items not reclassified subsequently to profit or loss				
8311	Remeasurement of defined benefit plans (Note 18)	48,720	1	1,828	-
8316	Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	1,525	-	1,352	-
8330	Share of other comprehensive profits/losses of subsidiaries and associated companies accounted for using equity method	(5,797)	-	6,102	-
8349	Income tax related to items that will not be reclassified subsequently (Note 22)	(9,744)	-	(366)	-
		<u>34,704</u>	<u>1</u>	<u>8,916</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of the financial statements of foreign operations	(2,456)	-	(139)	-
8300	Other comprehensive income of the year (net amount after tax)	<u>32,248</u>	<u>1</u>	<u>8,777</u>	<u>-</u>
8500	Total comprehensive income (loss) for the year	<u>\$ 906,097</u>	<u>14</u>	<u>(\$ 155,566)</u>	<u>(3)</u>
	Earnings (losses) per share (Note 23)				
9750	Basic	<u>\$ 2.35</u>		<u>(\$ 0.44)</u>	
9850	Diluted	<u>\$ 2.32</u>		<u>(\$ 0.44)</u>	

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.
Parent Company Only Statement of Changes in Equity
For the Years from January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code		Retained earnings (Note 19)				Other equity items (Note 4)			Total equity	
		Common share capital (Note 19)	Capital surplus (Note 19)	Legal reserve	Special reserve	Undistributed earnings (losses to be covered) (Note 4)	Exchange differences on translation of the financial statements of foreign operations	Unrealized Valuation Gain/(Loss) on Financial Assets at Fair Value Through Other comprehensive income		Treasury shares (Note 19)
A1	Balance at January 1, 2020	\$ 3,801,023	\$ 1,451,696	\$ 359,085	\$ 226,856	(\$ 461,077)	(\$ 22,033)	(\$ 52,425)	(\$ 176,415)	\$ 5,126,710
	2019 Deficit Compensation									
B13	Legal reserve deficit compensation	-	-	(359,085)	-	359,085	-	-	-	-
B17	Reversal of special reserve	-	-	-	(34,836)	34,836	-	-	-	-
	Other change of capital surplus:									
C3	Change due to receipt of gifts	-	64	-	-	-	-	-	-	64
C11	Covering loss from capital surplus	-	(67,156)	-	-	67,156	-	-	-	-
D1	2020 net loss	-	-	-	-	(164,343)	-	-	-	(164,343)
D3	Other comprehensive income (loss) for 2020	-	-	-	-	1,462	(139)	7,454	-	8,777
D5	Total comprehensive income (loss) for 2020	-	-	-	-	(162,881)	(139)	7,454	-	(155,566)
L1	Buy-back of treasury shares (Note 19)	-	-	-	-	-	-	-	(23,413)	(23,413)
M7	Change in ownership interests in subsidiaries	-	-	-	-	(887)	-	-	-	(887)
Q1	Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(2,499)	-	2,499	-	-
Z1	Balance, December 31, 2020	3,801,023	1,384,604	-	192,020	(166,267)	(22,172)	(42,472)	(199,828)	4,946,908
	2020 Deficit compensation									
B17	Reversal of special reserve	-	-	-	(31,601)	31,601	-	-	-	-
	Other change of capital surplus:									
C3	Change due to receipt of gifts	-	73	-	-	-	-	-	-	73
C11	Covering loss from capital surplus	-	(134,666)	-	-	134,666	-	-	-	-
D1	2021 Net profit	-	-	-	-	873,849	-	-	-	873,849
D3	Other comprehensive income (loss) in 2021	-	-	-	-	38,976	(2,456)	(4,272)	-	32,248
D5	Total comprehensive income of 2021	-	-	-	-	912,825	(2,456)	(4,272)	-	906,097
Z1	Balance, December 31, 2021	\$ 3,801,023	\$ 1,250,011	\$ -	\$ 160,419	\$ 912,825	(\$ 24,628)	(\$ 46,744)	(\$ 199,828)	\$ 5,853,078

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.

Parent Company Only Statement of Cash Flows

For the Years from January 1 to December 31, 2021 and 2020

Unit: In Thousands of New Taiwan Dollars

Code		2021	2020
	Cash flows from operating activities		
A10000	Net profit (loss) before tax for the year	\$ 957,036	(\$ 148,830)
	Income/expenses items		
A20100	Depreciation expense	584,787	668,151
A20300	Expected credit impairment losses	465	358
A20900	Interest expenses	8,647	9,480
A21200	Interest income	(3,297)	(5,694)
A21300	Dividend income	(1,205)	(909)
A22400	Share of loss (profit) from subsidiaries and associated companies using the equity method	(89,182)	248,008
A22500	Gains on disposal of property, plant and equipment	(1,829)	(490)
A23800	Loss for market price decline and obsolete and slow-moving inventories.	6,020	1,653
A24100	Net gain on foreign exchange	(3,659)	(2,789)
A29900	Amortization of prepayments	1,952	1,480
A32200	Provision (reversal) for liabilities	(15,470)	7,072
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	(21,150)	(33,948)
A31130	Notes receivable	-	36
A31150	Accounts receivable	(342,267)	(211,560)
A31180	Other receivables	62,719	72,312
A31200	Inventories	(378,924)	(61,691)
A31240	Other current assets	(147,230)	(45,963)
A32150	Accounts payable	171,193	47,346
A32180	Other payables	237,916	52,627
A32230	Other current liabilities	17,720	(57,253)
A32240	Net defined benefit liability	(<u>17,530</u>)	(<u>21,287</u>)
A33000	Cash provided by operating activities	1,026,712	518,109
A33100	Interest received	3,299	5,964
A33300	Interest paid	(7,406)	(8,458)
A33500	Income tax returned	<u>250</u>	<u>15,541</u>
AAAA	Net cash inflow from operating activities	<u>1,022,855</u>	<u>531,156</u>

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Code		2021	2020
	Cash flows from investing activities		
B02200	Net cash outflow for obtaining subsidiaries	(\$ 28,010)	(\$ 308,170)
B02700	Purchase of property, plant and equipment	(771,136)	(132,995)
B02800	Proceeds from disposal of property, plant and equipment	5,002	5,901
B03700	Increase in refundable deposits	(83)	(7)
B06700	Increase in other non-current assets	(6,499)	(844)
B07100	Increase in prepaid equipment amount	(349,090)	(89,496)
B07600	Dividends received	<u>1,205</u>	<u>909</u>
BBBB	Net cash outflow from investment activities	<u>(1,148,611)</u>	<u>(524,702)</u>
	Cash flows from financing activities		
C00100	Increase in short-term bank borrowings	1,133,187	524,328
C00200	Decrease in short-term bank borrowings	(1,072,721)	(575,868)
C01600	Proceeds from long-term bank borrowings	616,700	-
C01700	Repayments of long-term bank borrowings	(467,600)	(345,600)
C03000	Increase in guarantee deposits	50,000	909
C04020	Repaid principal of lease liabilities	(5,514)	(5,557)
C04900	Buy-back of treasury shares	-	(23,413)
C09900	Uncollected overdue dividends	<u>73</u>	<u>64</u>
CCCC	Net cash inflow (outflow) from financing activities	<u>254,125</u>	<u>(425,137)</u>
EEEE	Increase (decrease) of cash and cash equivalents for the year	128,369	(418,683)
E00100	Beginning cash and cash equivalents of the year	<u>1,084,329</u>	<u>1,503,012</u>
E00200	End cash and cash equivalents of the year	<u>\$1,212,698</u>	<u>\$1,084,329</u>

The accompanying notes are an integral part of the unconsolidated financial report

Lingsen Precision Industries, Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2021 and 2020

(Amounts are expressed In thousands of New Taiwan Dollars or foreign currency, unless stated otherwise)

1. Company History

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

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

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

2. Approval Date and Procedures of the Financial Statements

These parent company only financial statements were approved by the Board of Directors on March 17, 2022.

3. Application Of New, Amended And Revised Standards And Interpretations

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

Application of aforementioned amendments will not have a significant effect on the Company's accounting policies.

- (2) IFRSs endorsed by FSC applicable in 2022

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB
“Annual Improvements to IFRSs 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “References to Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, plant and equipment: Proceeds before intended use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous contract - costs incurred in fulfilling contracts”	January 1, 2022 (Note 4)

Note 1: Amendments to IFRS 9 are applicable to exchange of financial liabilities or clause amendment occurred during the annual reporting period beginning on or after January 1, 2022; Amendments to IAS 41 "Agriculture" are applicable to the fair value measurement during the annual reporting period beginning on or after January 1, 2022; Amendments to IFRS 1 "First Adoption of IFRSs" are retrospectively applicable to the annual reporting period beginning on or after January 1, 2022.

Note 2: Amendments are applicable to the merge and acquisition at the annual reporting period beginning on or after January 1, 2022.

Note 3: Amendments are applicable to plant, property and equipment in and under necessary places and conditions which meet the operation way expected from the management at the periods beginning on or after January 1, 2021.

Note 4: The Amendments are applicable to all contracts which have not fulfilled obligations on January 1, 2022.

As of the date the financial statements were authorized for issue, the Company has assessed the possible impact that the application of other standards and interpretations would have on the Company's financial position and financial performance, and has determined that there would be no such material impact.

(3) IFRSs already announced by IASB but not yet endorsed and issued into effect by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "First time of application of IFRS 17 and IFRS 9 – comparison information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policy"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimation"	Sunday, January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred income tax: related to assets and liabilities incurred due to single transaction"	January 1, 2023 (Note 4)

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

Note 2: Amendments are applicable to the reporting period beginning on or after Sunday, January 1, 2023.

Note 3: Amendments are applicable to the changes on accounting estimates and accounting policies for annual reporting periods beginning on or after January 1, 2023.

Note 4: Except for the temporary difference of lease and decommissioning obligations recognized as deferred income tax on January 1, 2022, the amendments are applicable to transactions occurred after January 1, 2022.

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

4. Summary of Significant Accounting Policies

(1) Statement of Compliance

These parent company only financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

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

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

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

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

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets that are expected to be realized within twelve months from the balance sheet date; and
- 3) Cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position).

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the maturity of the debt (even if the liability at the date of statement of financial position to complete the long-term refinancing prior to the financial statements or reschedule payment agreement), and
- 3) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

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

(4) Foreign Currency

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

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

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

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

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

(5) Inventories

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

(6) Investment in subsidiaries

The Company's investments in the subsidiaries are accounted for using the equity

method.

Subsidiaries are entities which the Company holds the control of.

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

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

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

The Company considers cash-generating unit in the entire financial statement as testing for impairment and compares its recoverable amount with its carrying amount. If the recoverable amount of assets increases, the reversal of impairment loss will be recognized as profit. However, the carrying amount of assets after the reversal of impairment loss shall not exceed the carrying amount that would have been determined net of required amortization and have no impairment loss been recognized. Impairment loss of goodwill shall not reverse in the subsequent period.

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

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

(7) Investment in Associates

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

The Company's investments in the associates are accounted for using the equity method.

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

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

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

(8) Property, plant and equipment

The property, plant and equipment are recognized at costs and subsequently measured at costs of the amount less accumulated depreciation

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

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

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

(9) Impairments of related assets including property, plant and equipment, right-of-use assets and contract cost

At the end of each reporting period, the Company reviews whether there is any indication that its property, plant and equipment, right-of-use assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

When impairment loss subsequently reverses, the carrying amounts of the asset,

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

(10) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1) Classification of measurement

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

i. Financial assets measured at amortized cost

When the financial assets invested by the Company satisfies the following two criteria at the same time, it is classified as the amortized cost financial assets:

- a. Where the financial assets are held under certain business model, and the purpose of such model is to hold the financial assets in order to collect contract cash flows; and
- b. Where contract terms generated cash flow of specific date, and such cash flow is completely for the payment of the interest of principle and external circulating principle amount.

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

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

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

- ii) Investments in equity instruments measured at fair value through other comprehensive income

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

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value. Subsequently the changes in fair value are reported in other comprehensive income and accumulated in other equity. On disposal of investments, the accumulated profit or loss is directly transferred to retained earnings and it is not reclassified to profit or loss.

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

2) Impairments of financial assets and contract assets

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

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. Other financial assets are assessed to determine whether the credit risk has significantly increased since the original recognition. If there is no significant increase, then the allowance loss is recognized according to the 12-month expected credit loss. If it has increased significantly, then allowance loss is recognized according to the lifetime expected credit loss.

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

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

- i) There is internal or outside information prevails that it is not possible the borrower pays off the debt.
- ii) The overdue exceeds the average credit period, unless reasonable and supportable information indicates that a delayed default basis is more appropriate.

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

3) Derecognition of financial assets

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

On derecognition of financial assets at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of Investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Financial liabilities

1) Follow-up measurement

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

2) Derecognition of financial liabilities

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

(11) Provision for liabilities

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

(12) Revenue recognition

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

1) Sales revenue

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

2) Service income

Service Income comes from packaging and final testing.

When the customer simultaneously receives and consumes the benefits provided by the Company's performance of packaging and final testing service, or the customer controls an asset which the Company's performance has created or enhanced, the related revenue is recognized. Packaging of products counts on involvement of technicians. The Company measures the work in progress by the percentage of completion. The contract with customer states that the customer will be billed after the packaging or the delivery is

completed. A contract asset is thus recognized when the Company renders the service and transferred to accounts receivable when the packaging or delivery is completed. Final testing counts on the involvement of technicians. The Company measures the work in progress by the percentage of completion. Contract customer will be billed after the completion of service, and the Company will recognize accounts receivable when rendering the service.

(13) Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities, lease payments made before commencement date less lease incentives granted, initial direct costs as well as estimated costs to restore the underlying assets. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the parent company only balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and the default fine arises from lease termination. The lease payments are discounted using the interest rate in a lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized as profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

(14) Borrowing costs

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

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

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

(15) Government grants

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

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

(16) Employee benefits

1) Short-term employee benefits

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

2) Pensions

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

Defined benefit costs (including service cost, net interest and rereasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Rereasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur.

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

(17) Income tax

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

1) Current tax

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

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

meeting.

Income tax payable for prior period is adjusted to the current income tax.

2) Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at the date of balance sheet and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets originally not recognized is also reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is recovered, based on tax rates and laws that have been enacted or substantively enacted by the date of balanced sheet. The measurement of deferred tax liabilities and assets reflects the tax consequences that arise from the manner in which the Company expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

5. Significant Accounting Assumptions and Judgment, And Major Sources of Estimation Uncertainty

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

The Company has taken the possible impact of COVID-19 on domestic development

and economic environment into consideration on significant accounting estimates of cash flow estimation, growth rate, discount rate and profitability. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period when the estimates are revised if the revisions affect only that period. If revisions affect both current and future periods, the accounting estimates are recognized in the current and future periods.

Major source of estimates and assumption uncertainty – Income Tax

Upon the date of December 31, 2020, the balance of unused loss carryforwards was NT\$719,458,000. The carrying amount of deferred tax assets related to unused tax losses was NT\$55,999,000. In addition, up to the date of December 31, 2021, with the improvement of the overall operational condition of the Company, unused loss carryforwards have been used completely in this year. The carrying amount of deferred tax assets related to temporary differences for 2021 and 2020 were NT\$23,008,000 and NT\$33,752,000 respectively. The main source of estimation uncertainty relies on the realization of deferred income tax assets, and it mainly depends on whether there is sufficient profit or taxable temporary difference in the future. In 2021, due to the subsequent development of COVID-19 pandemic, the business operation of the Group may be interrupted, such that significant uncertainty may occur to the aforementioned estimation. A significant reversal of deferred tax assets will be recognized as gain or loss if the real profits in the future are less than expected. Such reversal is recognized as gain or loss during the occurrence period.

6. Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and petty cash	\$ 273	\$ 263
Check and demand deposit	507,575	443,140
Cash equivalents		
Time deposits	605,000	490,000
Short-term notes and bills	<u>99,850</u>	<u>150,926</u>
	<u>\$ 1,212,698</u>	<u>\$ 1,084,329</u>
<u>Annual interest rate (%)</u>		
Cash in banks	0.001-0.05	0.001-0.05
Time deposits	0.13-0.41	0.12-0.42
Short-term notes and bills	0.23	0.23

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Listed and OTC stocks</u>		
ETREND Hightech Corp.	\$ 2,877	\$ 2,265
<u>Emerging stocks</u>		
Amtek Semiconductors Co., Ltd.	7,105	6,192
Xpert Semiconductor Inc.	-	-
	<u>\$ 9,982</u>	<u>\$ 8,457</u>

The Company invests the aforementioned common stocks in accordance with long-term strategic objectives and expects to profit from long-term investments. The management of the Company deems if the short-term volatility at fair value of such investments recognized in profit or loss is not consistent with the aforementioned long-term

investment plan, it will be determined that such investments are measured through other comprehensive income at fair value.

8. Accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Amortized cost</u>		
Total carrying amount	\$ 1,441,962	\$ 1,100,496
Less: Allowance for bad debts	(<u>2,114</u>)	(<u>1,649</u>)
	<u>\$ 1,439,848</u>	<u>\$ 1,098,847</u>

The average collection period for selling products and rendering service of the Company is 60 to 90 days, excluding accounts receivable. Credit of key customers is rated by using other public available financial information and historic transaction records. The Company continues supervising credit risk exposure and credit rating of the counterparty, as well as distributing the total transaction amount into different qualified customers. In addition, the management shall review and approve counterparty's line of credit for the purpose of managing credit risk exposure.

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

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

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

The loss allowance for accounts receivable is measured as follows:

	<u>0~90 days</u>	<u>Aging 91~180 days</u>	<u>Aging 181~365 days</u>	<u>Aging over 365 days</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected credit loss (%)	0.1	2	10	100	
Total carrying amount	\$ 1,406,621	\$ 35,341	\$ -	\$ -	\$ 1,441,962
Allowance for loss	(<u>1,407</u>)	(<u>707</u>)	-	-	(<u>2,114</u>)
Amortized cost	<u>\$ 1,405,214</u>	<u>\$ 34,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439,848</u>
<u>December 31, 2020</u>					
Expected credit loss (%)	0.1	2	10	100	
Total carrying amount	\$ 1,071,719	\$ 28,777	\$ -	\$ -	\$ 1,100,496
Allowance for loss	(<u>1,073</u>)	(<u>576</u>)	-	-	(<u>1,649</u>)
Amortized cost	<u>\$ 1,070,646</u>	<u>\$ 28,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,847</u>

Changes on allowance for accounts receivable loss are as follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	\$ 1,649	\$ 1,291
Provision	<u>465</u>	<u>358</u>
Balance at the end of the year	<u>\$ 2,114</u>	<u>\$ 1,649</u>

9. Other receivables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits with an initial maturity in three months	\$ 160,000	\$ 220,000
Tax Refund Receivable	19,959	13,586
Others	<u>700</u>	<u>3,421</u>
	<u>\$ 180,659</u>	<u>\$ 237,007</u>
Annual percentage rate of time deposits with an initial maturity in three months (%)	0.11-0.815	0.3-0.815

10. Inventories

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Raw materials	\$ 657,624	\$ 284,709
Finished goods	-	11
Work in process	<u>-</u>	<u>-</u>
	<u>\$ 657,624</u>	<u>\$ 284,720</u>

Inventory-related operating costs as of 2021 and 2020 are NT\$5,261,577,000 and NT\$4,260,775,000 respectively.

Operating costs include the following items:

	<u>2021</u>	<u>2020</u>
Revenue from sale of scraps	(\$ 66,650)	(\$ 34,329)
Inventory valuation losses	6,020	1,653

11. Investments accounted for using the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investment in subsidiaries	<u>\$ 938,874</u>	<u>\$ 829,935</u>
Investment in Associates	<u>\$ -</u>	<u>\$ -</u>

(1) Investment in subsidiaries

Investees	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	Amount	Equity %	Amount	Equity %
<u>Private entity</u>				
Lingsen Holding (Samoa) Inc.	\$ 157,776	100	\$ 175,821	100
Panther Technology Co., Ltd.	426,506	64	325,495	64
Sooner Power Semiconductor Co., Ltd.	215,148	99	188,779	99
Lee Shin Investment Co., Ltd.	235,569	100	235,215	100
Lingsen America Inc.	59,502	100	60,192	100
Nexus Material Corporation	<u>27,102</u>	<u>78</u>	<u>27,162</u>	<u>78</u>
	1,121,603		1,012,664	
Less: Transferred treasury shares	(176,415)		(176,415)	
Accumulated impairment loss	<u>(6,314)</u>		<u>(6,314)</u>	
	<u>\$ 938,874</u>		<u>\$ 829,935</u>	

The Company has been approved by Investment Commission, MOEA to invest in Lingsen Holding (Samoa) Inc. at NT\$28,010,000 (US\$1,000,000), NT\$30,040,000 (US\$1,000,000) and NT\$28,130,000 (US\$1,000,000) respectively in July 2021 as well as May and December, 2020. In the meanwhile, Lingsen Holding (Samoa) Inc. indirectly reinvested in Ningbo Liyuan Technology Co., Ltd. through the investment company Li Yuan Investments Co., Ltd.

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

Please see Tables 3 and 4 for detailed investments in subsidiaries indirectly held by the Company.

The share of profit or loss and other comprehensive income of subsidiaries accounted for using the equity method in 2021 and 2020 are in accordance with auditors' reports of each subsidiaries as of the same period.

(2) Investment in Associates

Investees	December 31, 2021		December 31, 2020	
	Amount	Shareholding	Amount	Shareholding
<u>Private entity</u>				
Qi Feng Technology Co., Ltd.	\$ 11,417	30%	\$ 11,417	30%
Less: Accumulated impairment loss	(11,417)		(11,417)	
	<u>\$ -</u>		<u>\$ -</u>	

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

12. Property, Plant and Equipment

	December 31, 2021	December 31, 2020
Assets used by the Company	\$ 2,758,884	\$ 2,466,197
Assets subject to operating leases	190,877	195,668
	<u>\$ 2,949,761</u>	<u>\$ 2,661,865</u>

(1) Assets used by the Company

2021	Balance at the beginning of the year	Increase	Decrease	Reclassification	Balance at the end of the year
<u>Cost</u>					
Buildings	\$ 2,226,536	\$ 53,966	\$ 8,021	\$ -	\$ 2,272,481
Machinery and equipment	3,738,206	520,985	1,179,169	90,329	3,170,351
Transportation Equipment	19,385	-	-	-	19,385
Office equipment	57,995	1,357	33,456	-	25,896
Other equipment	228,907	92,661	65,102	-	256,466
Unfinished construction	-	111,680	-	-	111,680
Total cost	<u>6,271,029</u>	<u>\$ 780,649</u>	<u>\$ 1,285,748</u>	<u>\$ 90,329</u>	<u>5,856,259</u>

2021	Balance at the beginning of the year	Increase	Decrease	Reclassificati on	Balance at the end of the year
<u>Accumulated depreciation</u>					
Buildings	812,404	\$ 94,998	\$ 8,021	\$ -	899,381
Machinery and equipment	2,780,039	422,128	1,175,996	-	2,026,171
Transportation Equipment	17,039	582	-	-	17,621
Office equipment	45,296	6,861	33,456	-	18,701
Other equipment	<u>150,054</u>	<u>50,549</u>	<u>65,102</u>	-	<u>135,501</u>
Total accumulated depreciation	<u>3,804,832</u>	<u>\$ 575,118</u>	<u>\$ 1,282,575</u>	<u>\$ -</u>	<u>3,097,375</u>
	<u>\$ 2,466,197</u>				<u>\$ 2,758,884</u>
2020	Balance at the beginning of the year	Increase	Decrease	Reclassificati on	Balance at the end of the year
<u>Cost</u>					
Buildings	\$ 2,279,636	\$ 6,240	\$ 59,340	\$ -	\$ 2,226,536
Machinery and equipment	4,322,982	56,025	647,701	6,900	3,738,206
Transportation Equipment	19,114	2,271	2,000	-	19,385
Office equipment	59,177	2,463	3,645	-	57,995
Other equipment	<u>250,060</u>	<u>35,922</u>	<u>57,075</u>	-	<u>228,907</u>
Total cost	<u>6,930,969</u>	<u>\$ 102,921</u>	<u>\$ 769,761</u>	<u>\$ 6,900</u>	<u>6,271,029</u>
<u>Accumulated depreciation</u>					
Buildings	774,065	\$ 97,679	\$ 59,340	\$ -	812,404
Machinery and equipment	2,917,306	505,023	642,290	-	2,780,039
Transportation Equipment	18,039	1,000	2,000	-	17,039
Office equipment	39,995	8,946	3,645	-	45,296
Other equipment	<u>161,340</u>	<u>45,789</u>	<u>57,075</u>	-	<u>150,054</u>
Total accumulated depreciation	<u>3,910,745</u>	<u>\$ 658,437</u>	<u>\$ 764,350</u>	<u>\$ -</u>	<u>3,804,832</u>
	<u>\$ 3,020,224</u>				<u>\$ 2,466,197</u>

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

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

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

(2) Assets subject to operating leases

2021	Balance at the beginning of the year	Increase	Balance at the end of the year
<u>Cost</u>			
Buildings	\$ 279,629	\$ <u> -</u>	\$ 279,629
<u>Accumulated depreciation</u>			
Buildings	<u>83,961</u>	<u>\$ 4,791</u>	<u>88,752</u>
	<u>\$ 195,668</u>		<u>\$ 190,877</u>
<u>2020</u>			
<u>Cost</u>			
Buildings	\$ 279,629	\$ <u> -</u>	\$ 279,629
<u>Accumulated depreciation</u>			
Buildings	<u>79,170</u>	<u>\$ 4,791</u>	<u>83,961</u>
	<u>\$ 200,459</u>		<u>\$ 195,668</u>

The Company has used buildings based on operating leases with a lease term of 1 to 18 years. All operating lease contracts include the clause where the lessee shall adjust the lease payment according to market rent when a right of renewal is exercised. The lessee has no bargain purchase option on such asset after the end of the lease period.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Year 1	\$ 12,267	\$ 10,735
Year 2	6,061	9,690
Year 3	6,061	4,530
Year 4	6,061	4,530
Year 5	6,061	4,530
Over 5 years	<u>27,584</u>	<u>20,888</u>
	<u>\$ 64,095</u>	<u>\$ 54,903</u>

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

Buildings	45 ~ 50 years
-----------	---------------

13. Lease agreements

(1) Right-of-use assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of right-of-use assets		
Land	\$ 149,573	\$ 153,804
Buildings	<u>647</u>	<u>1,294</u>
	<u>\$ 150,220</u>	<u>\$ 155,098</u>
	<u>2021</u>	<u>2020</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,231	\$ 4,277
Buildings	<u>647</u>	<u>646</u>
	<u>\$ 4,878</u>	<u>\$ 4,923</u>

Except for the depreciation expenses recognized above, there were no major sublease

and impairment loss of the right-of-use assets of the Company in 2021 and 2020.

(2) Lease liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Carrying amount of lease liabilities		
Current	\$ 4,420	\$ 4,386
Non-current	\$ 147,364	\$ 151,784

Ranges of discount rates for lease liabilities are as follow

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	0.67%-0.91%	0.67%-0.91%
Buildings	0.67%-0.91%	0.67%-0.91%

(3) Material leases and terms

The Company leases several lands and buildings for the use of plants, office buildings and employee dormitories with a lease term of 1 to 10 years. Upon the termination of the lease period, the Company has no bargain purchase option for leased lands and buildings.

(4) Information on other lease

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

	<u>2021</u>	<u>2020</u>
Expenses relating to short-term leases	\$ 1,740	\$ 120
Total cash outflow for leases	(\$ 8,382)	(\$ 6,837)

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

14. Other assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Supply inventory	\$ 196,415	\$ 102,003
Time deposit pledge (Note 27)	103,000	71,000
Input tax	12,579	2,284
Prepayments	10,393	10,245
Payments on behalf of others	8,784	5,086
Others	521	217
	<u>\$ 331,692</u>	<u>\$ 190,835</u>

15. Borrowings

(1) Short-term bank loans

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Credit loans	\$ 50,000	\$ 50,000
Import/export financing loans	144,118	84,759
	<u>\$ 194,118</u>	<u>\$ 134,759</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Annual interest rate (%)</u>		
Credit loans	0.8	0.8
Import/export financing loans	0.88-0.90	0.90-1.32
(2) Long-term bank loans		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Mortgage loan	\$ 264,000	\$ 641,600
Credit loans	<u>616,700</u>	<u>90,000</u>
	880,700	731,600
Less: Amount falling due in one year	(<u>290,814</u>)	(<u>417,600</u>)
Amount falling due after one year	<u>\$ 589,886</u>	<u>\$ 314,000</u>
<u>Annual interest rate (%)</u>		
Mortgage loan	0.42-1.30	0.42-1.30
Credit loans	0.42-1.14	0.42-1.34
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Maturity date</u>		
Mortgage loan	2022.04-2022.12	2021.11-2022.12
Credit loans	2024.04-2026.05	2021.11-2022.04

16. Other payables

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Payables for Wages and bonuses	\$ 231,405	\$ 172,667
Payables for factory supplies	156,449	124,636
Payables for Employees' bonuses and remuneration of directors and supervisors	130,505	-
Payables for annual leave	52,741	48,290
Payables for purchases of equipment	29,530	20,963
Others	<u>92,426</u>	<u>80,122</u>
	<u>\$ 693,056</u>	<u>\$ 446,678</u>

17. Provisions - Current

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

Changes on provisions are as below:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	\$ 19,450	\$ 12,378
Current recognition (reversal)	(<u>15,470</u>)	<u>7,072</u>
Balance at the end of the year	<u>\$ 3,980</u>	<u>\$ 19,450</u>

18. Retirement benefits plan

(1) Defined contribution plans

The pension system of the "Labor Pension Act" is applicable to the Company,

belonging to the affirmed appropriation of pension plan under the management of the government, and pension is appropriated at the rate of 6% of the monthly salary of employees into the personal dedicated account of the Bureau of Labor Insurance.

(2) Defined benefit plans

The Company has labor pension system as defined benefit plans under the Labor Standards Act of R.O.C.. The payment of the employee pension is made based on an employee's length of service and average monthly salary for the six-month period prior to retirement approved. The Company contributes an amount equal to 3 % of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the balance in the Funds is assessed. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees qualified with retirement requirements in the next year, the Company is required to make up the difference all at once with one appropriation, which is required to be made before the end of March of next year. The Funds are operated and managed by the government's designated authorities. Accordingly, the Company does not have any right to intervene in the investments of the Funds.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Present value of defined benefit obligation	\$ 730,046	\$ 788,843
Fair value of plan assets	(<u>742,055</u>)	(<u>734,602</u>)
Net defined benefit liabilities (assets)	(<u>\$ 12,009</u>)	<u>\$ 54,241</u>

Movements in net defined benefit (assets) liabilities are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
Balance at January 1, 2021	<u>\$ 788,843</u>	<u>(\$ 734,602)</u>	<u>\$ 54,241</u>
Service cost			
Current service cost	8,079	-	8,079
Interest expense (income)	<u>2,339</u>	<u>(2,221)</u>	<u>118</u>
Defined benefit costs			
recognized in profit or loss	<u>10,418</u>	<u>(2,221)</u>	<u>8,197</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts included in net interest expense)	-	<u>(20,059)</u>	<u>(20,059)</u>
Actuarial loss (gain) - changes in demographic assumptions	1,253	-	1,253

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities (assets)
- changes in financial assumptions	(30,169)	-	(30,169)
- experience adjustments	<u>255</u>	<u>-</u>	<u>255</u>
Defined benefit costs recognized in other comprehensive income	(<u>28,661</u>)	(<u>20,059</u>)	(<u>48,720</u>)
Contributions from employer	-	(24,500)	(24,500)
Benefits paid	(<u>40,554</u>)	<u>39,327</u>	(<u>1,227</u>)
	(<u>40,554</u>)	<u>14,827</u>	(<u>25,727</u>)
Balance as of December 31, 2021	<u>\$ 730,046</u>	(<u>\$ 742,055</u>)	(<u>\$ 12,009</u>)
Balance as of January 1, 2020	<u>\$ 786,506</u>	(<u>\$ 709,150</u>)	<u>\$ 77,356</u>
Service cost			
Current service cost	8,246	-	8,246
Interest expense (income)	<u>5,764</u>	(<u>5,297</u>)	<u>467</u>
Defined benefit costs recognized in profit or loss	<u>14,010</u>	(<u>5,297</u>)	<u>8,713</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$ 30,383)	(\$ 30,383)
Actuarial loss (gain)			
- changes in demographic assumptions	1,460	-	1,460
- changes in financial assumptions	36,809	-	36,809
- experience adjustments	(<u>9,714</u>)	<u>-</u>	(<u>9,714</u>)
Defined benefit costs recognized in other comprehensive income	<u>28,555</u>	(<u>30,383</u>)	(<u>1,828</u>)
Contributions from employer	-	(30,000)	(30,000)
Benefits paid	(<u>40,228</u>)	<u>40,228</u>	<u>-</u>
	(<u>40,228</u>)	<u>10,228</u>	(<u>30,000</u>)
Balance as of December 31, 2020	<u>\$ 788,843</u>	(<u>\$ 734,602</u>)	<u>\$ 54,241</u>

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

- i) Investment risk: The pension funds are invested in domestic and foreign equity securities, debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds' designated authorities or under the

mandated management. However, the distributable amount of plan assets of the Company shall not be less than the return calculated by the average interest rate on a two-year time deposit published by the local banks. .

- ii) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, the return on the debt investments of the plan assets will increase as well. The two will be partially offset on net defined benefit liabilities
- iii) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation of the Company are carried out by qualified actuaries. The principal assumptions are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate	0.70%	0.30%
Expected salary increase rate	2.00%	2.00%

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Discount rate		
Increase by 0.25%	(<u>\$ 18,181</u>)	(<u>\$ 20,822</u>)
Decrease by 0.25%	<u>\$ 18,861</u>	<u>\$ 21,640</u>
Expected salary increase rate		
Increase by 0.25%	<u>\$ 18,570</u>	<u>\$ 21,219</u>
Decrease by 0.25%	(<u>\$ 17,997</u>)	(<u>\$ 20,531</u>)

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contributions expected in one year	<u>\$ 18,000</u>	<u>\$ 30,000</u>
Average maturity of defined benefit obligation	10 years	10 years

19. Equity

(1) Ordinary shares

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Authorized shares (in thousands)	<u>500,000</u>	<u>500,000</u>
Authorized capital	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Issued and paid shares (in thousands)	<u>380,102</u>	<u>380,102</u>
Issued capital	<u>\$ 3,801,023</u>	<u>\$ 3,801,023</u>

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

(2) Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Additional paid-in capital	\$ 1,123,151	\$ 1,123,151
From convertible bonds	126,434	252,910
Donations	426	353
Treasury stock transactions	<u>-</u>	<u>8,190</u>
	<u>\$ 1,250,011</u>	<u>\$ 1,384,604</u>

The capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, convertible bonds, treasury stocks and difference between the price of acquisition or disposal of subsidiaries' equity and the book value) may be used to offset a deficit. In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends to the paid-in capital. However, stock dividends may not exceed a certain percent of the paid-in capital.

(3) Retained earnings and dividend policy

Surplus earning distribution policy under the Company's Articles of Incorporation states that when allocating earnings, the Group shall pay the tax, offset its losses, set aside its legal capital reserve at 10% of the retained earnings, and then set aside or reverse special capital reserve in accordance with relevant laws or regulations; if there are earnings left, along with accumulated unappropriated earnings, the Board of Directors shall propose the surplus earning distribution for shareholders' meeting to determine the allocation of dividends and bonus. Please see Note 21 for distribution policy for employees' compensation, and remuneration of directors under the Company's Articles of Incorporation.

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

The Company approved loss make-up proposal of 2019 in the shareholders' meeting in June 2020. Due to losses in 2019, after the deficit was compensated with the reversal of special reserve of NT\$34,836,000 and legal reserve of NT\$359,085,000 as well as capital reserve 67,156,000, no distribution of earnings was made.

The Company approved loss make-up proposal of 2020 in the shareholders' meeting in August 2021. Due to losses in 2020, after the deficit was compensated with the reversal of special reserve of NT\$31,601,000 and legal reserve of NT\$134,666,000, no distribution of earnings was made.

The distribution of earnings for 2021 had been proposed by the board of directors on March 17, 2022 as follows:

	<u>2021</u>
Cash dividends	<u>\$ 490,000</u>
Cash dividend per share (NT\$)	<u>\$ 1.29</u>

The distribution of earnings for 2021 are subject to the resolution of the shareholders' meeting to be held in June 2022.

(4) Treasury stocks

On June 16, 2020, in the purpose of transferring stocks to employees, the board of directors has determined, from of June 17, 2020 to August 14, 2020, to repurchase 2,000,000 shares to increase treasury stocks at a centralized securities exchange market, at the price of NT\$7.28~NT\$13. The total number of shares and total amount of repurchase already made by the Company are 2,000,000 shares NT\$23,413,000 respectively.

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

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

	Total shares held (shares)	Carrying amount	Market value
December 31, 2021	5,658,911	<u>\$ 156,752</u>	<u>\$ 156,752</u>
December 31, 2020	5,658,911	<u>\$ 80,639</u>	<u>\$ 80,639</u>

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

20. Revenue

	2021	2020
Revenue from contracts with custom		
Service income	\$ 6,455,112	\$ 4,561,972
Sales revenue	<u>34,564</u>	<u>66,958</u>
	<u>\$ 6,489,676</u>	<u>\$ 4,628,930</u>
(1) Contract balance		
	December 31, 2021	December 31, 2020
Contract assets - current	\$ 135,659	\$ 114,509
Notes receivable	-	36
Accounts receivable	<u>1,439,848</u>	<u>888,935</u>
	<u>\$ 1,575,507</u>	<u>\$ 969,532</u>
(2) Timing of revenue recognition		
	2021	2020
Performance obligation satisfied over time	\$ 6,455,112	\$ 4,561,972
Performance obligation satisfied at a point in time	<u>34,564</u>	<u>66,958</u>
	<u>\$ 6,489,676</u>	<u>\$ 4,628,930</u>

21. Employee benefits and depreciation expenses

Classified as	operating costs	operating expenses	Total
<u>2021</u>			
Employee benefit expense			
Short-term employee benefits	\$ 1,238,346	\$ 226,774	\$ 1,465,120
Labor and health insurance expense	131,452	15,984	147,436
Pensions			
Defined contribution plans	40,007	6,495	46,502
Defined benefit plans	7,161	1,036	8,197
Remuneration of Directors	-	23,551	23,551
Other employee benefits	101,129	10,846	111,975
Depreciation expenses	537,075	47,712	584,787
<u>2020</u>			
Employee benefit expense			
Short-term employee benefits	971,540	159,731	1,131,271
Labor and health insurance expense	106,996	14,262	121,258
Pensions			
Defined contribution plans	35,153	6,109	41,262
Defined benefit plans	7,525	1,188	8,713
Remuneration of Directors	-	1,800	1,800
Other employee benefits	80,209	9,593	89,802
Depreciation expenses	611,629	56,522	668,151

For the years of 2021 and 2020, the Company had average 2,406 and 2,187 employees respectively, which included 5 non-employee directors for both years.

Average labor cost for the years ended December 31, 2021 and 2020 were NT\$741,000 and 638,000 respectively. Average salary and bonus for the years ended December 31, 2020 and 2019 were NT\$610,000 and 518,000 respectively. The average salary and bonus increased by 18% year over year.

The Company had no supervisors in 2021 and 2020; therefore, there were no relevant remunerations for supervisors.

The Company's remuneration policy

Except for independent directors receive a certain amount of remuneration, the remuneration of directors is reasonably provided according to the result of corporate

operation and the director's performance and participation. For remunerations of managerial officers and employees, remunerations are paid according to their respective job positions, responsibilities, future risk and contribution level to the business objectives and according to the remuneration management regulations of the Company.

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 10% and no higher than 2% respectively, of net profit before income tax, of remuneration of employees and remuneration of directors. According to the resolution of the board of directors meeting in March 2022, the 2021 remuneration of employees and remuneration of directors are as follows:

	2021	
	Accrual Rate	Amount
Remuneration of employees	10%	\$ 108,754
Remuneration of directors	2%	\$ 21,751

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

Due to a deficit in 2020, the remuneration of employees and remuneration of directors have not been estimated yet.

Please see "Market Observation Post System" (MOPS) under the Taiwan Stock Exchange for the information on the remuneration of employees and remuneration of directors determined by the board of directors.

22. Income tax

(1) Main components of income tax expense recognized in profit or loss

	2021	2020
Current tax		
Income tax expense generated in the current year	\$ 26,560	\$ -
Deferred tax		
Income tax expense generated in the current year	(30,012)	15,403
Adjustment on prior years	86,639	110
Income tax expense recognized in profit or loss	<u>\$ 83,187</u>	<u>\$ 15,513</u>

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

	2021	2020
Income tax expense (benefit) calculated at the statutory rate	\$ 191,407	(\$ 29,766)
Permanent differences	(21,582)	45,169
Temporary differences	(627)	1,721
Current loss carryforward	(142,638)	(17,124)
Deferred tax		
Income tax expense generated in the current year	(30,012)	15,403
Adjustment on prior years	86,639	110
Income tax expense recognized in profit or loss	<u>\$ 83,187</u>	<u>\$ 15,513</u>

(2) Deferred tax assets and liabilities

2021	Balance at the beginning of the year	Adjustment at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehensi ve income	Balance at the end of the year
<u>Deferred tax income</u>					
<u>assets</u>					
Temporary differences					
Defined benefit					
retirement plans	\$ 14,718	\$ -	\$ -	(\$ 9,744)	\$ 4,974
Inventory falling price					
reserves	5,485	-	1,204	-	6,689
Vacation pay payable	9,659	-	890	-	10,549
Provision for liabilities	<u>3,890</u>	<u>-</u>	<u>(3,094)</u>	<u>-</u>	<u>796</u>
	33,752	-	(1,000)	(9,744)	23,008
Loss carryforwards	<u>55,999</u>	<u>86,639</u>	<u>(142,638)</u>	<u>-</u>	<u>-</u>
	<u>\$ 89,751</u>	<u>\$ 86,639</u>	<u>(\$ 143,638)</u>	<u>(\$ 9,744)</u>	<u>\$ 23,008</u>
<u>Deferred income tax</u>					
<u>liabilities</u>					
Temporary differences					
Difference on					
depreciation					
methods	\$ 448	\$ -	(\$ 165)	\$ -	\$ 283
Foreign exchange gain	<u>708</u>	<u>-</u>	<u>(207)</u>	<u>-</u>	<u>501</u>
	<u>\$ 1,156</u>	<u>\$ -</u>	<u>(\$ 372)</u>	<u>\$ -</u>	<u>\$ 784</u>

2020	Balance at the beginning of the year	Defined benefit costs recognized in profit or loss	Defined benefit costs recognized in other comprehensive income	Balance at the end of the year
<u>Deferred tax income assets</u>				
<u>Temporary differences</u>				
Defined benefit retirement				
plans	\$ 15,084	\$ -	(\$ 366)	\$ 14,718
Inventory falling price				
reserves	5,154	331	-	5,485
Vacation pay payable	9,420	239	-	9,659
Provision for liabilities	2,476	1,414	-	3,890
Right-of-use assets	<u>110</u>	<u>(110)</u>	<u>-</u>	<u>-</u>
	32,244	1,874	(366)	33,752
Loss carryforwards	<u>73,123</u>	<u>(17,124)</u>	<u>-</u>	<u>55,999</u>
	<u>\$ 105,367</u>	<u>(\$ 15,250)</u>	<u>(\$ 366)</u>	<u>\$ 89,751</u>
<u>Deferred income tax</u>				
<u>liabilities</u>				
Temporary differences				
Difference on depreciation				
methods	\$ 633	(\$ 185)	\$ -	\$ 448
Foreign exchange gain	<u>260</u>	<u>448</u>	<u>-</u>	<u>708</u>
	<u>\$ 893</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ 1,156</u>

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>\$ 2,425,194</u>	<u>\$ 2,514,376</u>
(4) Income tax examination		
The tax authorities have examined the income tax returns of the Company through 2019.		

23. Earnings (Loss) per share

	<u>Net profit (loss) attributable to owners of the Company</u>	<u>Number of shares (denominator) (in thousand)</u>	<u>Earnings (Loss) per share (NT\$)</u>
<u>2021</u>			
Basic earnings per share			
Net profit attributed to the owners of the Company	\$ 873,849	372,443	<u>\$ 2.35</u>
Effect of potentially dilutive ordinary shares			
Remuneration of employees	<u>-</u>	<u>3,926</u>	
Diluted earnings per share			
Effect of net profit attributed to the owners of the Company plus potential ordinary shares	<u>\$ 873,849</u>	<u>376,369</u>	<u>\$ 2.32</u>
<u>2020</u>			
Basic and diluted loss per share			
Net loss attributable to owners of the Company	(<u>\$ 164,343</u>)	<u>373,465</u>	(<u>\$ 0.44</u>)

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

24. Capital risk management

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

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

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

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

25. Financial instruments

(1) Information on fair value

1) Financial instruments that are not measured at fair value

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

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

i. Fair value hierarchy

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 7,105	\$ 7,105
Listed and OTC stocks	<u>2,877</u>	<u>-</u>	<u>-</u>	<u>2,877</u>
	<u>\$ 2,877</u>	<u>\$ -</u>	<u>\$ 7,105</u>	<u>\$ 9,982</u>
December 31, 2020				
<u>Financial assets at fair value through other comprehensive income</u>				
Emerging stocks	\$ -	\$ -	\$ 6,192	\$ 6,192
Listed and OTC stocks	<u>2,265</u>	<u>-</u>	<u>-</u>	<u>2,265</u>
	<u>\$ 2,265</u>	<u>\$ -</u>	<u>\$ 6,192</u>	<u>\$ 8,457</u>

There was no transfer of fair value measurements between Level 1 and Level 2 for 2021 and 2020.

ii) Reconciliation of Level 3 fair value measurements on financial instruments

Financial assets	Financial assets at fair value through other comprehensive income	
	Equity instruments	
	2021	2020
Balance at the beginning of the year	\$ 6,192	\$ 5,362
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	<u>913</u>	<u>830</u>
Balance at the end of the year	<u>\$ 7,105</u>	<u>\$ 6,192</u>

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

The securities of emerging stocks held by the Company have no market

price reference and thus are evaluated under the cost approach. Its fair value is computed in reference to investment assets.

(2) Categories of financial instruments	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost	\$ 3,072,188	\$ 2,605,933
Financial assets at fair value through other comprehensive income	9,982	8,457
<u>Financial liabilities</u>		
Amortized cost	1,884,454	1,404,307

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

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

(3) Financial risk management objectives and policies

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

1) Market risk

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

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

i) Foreign currency risk

The Company's sales and purchase transactions are denominated in foreign currency, which exposes the Company to foreign currency risk. Approximately 15%~19% of sales revenue is not denominated in functional currency and approximately 41%~45% of the cost is not denominated in functional currency.

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

Sensitivity analysis

The Company is mainly affected by fluctuations in USD and JPY.

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

Categories of currency	Impact of fluctuations in exchange rate on profit or loss	
	2021	2020
USD	\$ 1,094	\$ 962
Japanese yen	8	80

ii) Interest rate risk

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

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

	December 31, 2021	December 31, 2020
Fair value interest rate risk		
Financial assets	\$ 530,850	\$ 481,925
Financial liabilities	251,363	258,555
Cash flow interest rate risk		
Financial assets	941,282	889,428
Financial liabilities	975,239	763,974

Sensitivity analysis

The following sensitivity analysis is determined in accordance with interest rate risk of non-derivative instruments at the date of balance

sheet. For the floating rate liabilities, the analysis is to assume that the amount of liabilities outstanding at the date of balance sheet is all outstanding at the reporting period. The rate of change is expressed as the increment or decrement by 1% when reporting to the management personnel internally of the Company, which also represents the management's assessment of the reasonable interest rate change.

For floating-rate financial assets and liabilities, when interest rate is increase by 1% and other conditions remain unchanged, the net profit (loss) before tax of the Company in 2021 and 2020 are NT\$340,000 and NT\$1,255,000 respectively.

iii) Other price risk

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

Sensitivity analysis

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

If the equity price changes by 1%, the other comprehensive income in 2021 and 2020 will increase and decrease NT\$29,000 and NT\$22,000 respectively due to changes in fair value of financial assets measured at fair value through profit or loss.

2) Credit risk

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

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

The Company's credit risk is mainly resulted from its five largest customers. As of December 31, 2021 and 2020, the aforementioned customers are accounted for 52% and 45% of accounts receivable and contract assets, respectively.

3) Liquidity risk

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

The bank borrowing is a material source of liquidity to the Company. As of December 31, 2021 and 2020, the undrawn loan amounts are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Undrawn loan amounts	<u>\$ 1,283,022</u>	<u>\$ 1,236,331</u>

Liquidity and interest risks of non-derivative financial liabilities

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

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

<u>December 31, 2021</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>More than 3 years</u>
Non-interest bearing liabilities	\$ 757,814	\$ -	\$ -
Lease liabilities	5,514	9,554	161,179
Floating-rate liabilities	385,353	373,525	216,361
Fixed-rate liabilities	<u>99,579</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,248,260</u>	<u>\$ 383,079</u>	<u>\$ 377,540</u>
<u>December 31, 2020</u>			
Non-interest bearing liabilities	\$ 536,126	\$ -	\$ -
Lease liabilities	5,514	10,303	165,944
Floating-rate liabilities	449,974	314,000	-
Fixed-rate liabilities	<u>102,385</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,093,999</u>	<u>\$ 324,303</u>	<u>\$ 165,944</u>

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

	<u>Within 1 year</u>	<u>1-5 years</u>	<u>5~10 years</u>	<u>10~15 years</u>	<u>15~20 years</u>	<u>Over 20 years</u>
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 5,514</u>	<u>\$ 19,024</u>	<u>\$ 151,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 5,514</u>	<u>\$ 19,834</u>	<u>\$ 156,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

26. Related-party transactions

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

(1) Related party name and categories

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

(2) Operating income

<u>Related party category</u>	<u>2021</u>	<u>2020</u>
Subsidiary	<u>\$ 439</u>	<u>\$ 2,876</u>

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

(3) Purchase

<u>Related party category</u>	<u>2021</u>	<u>2020</u>
Second-tier subsidiary	<u>\$ 1,050</u>	<u>\$ -</u>

Raw materials are purchased form subsidiary, and no other similar non-related party transaction can be compared. The payment is collected at 30 days T/T following the date the goods are sold in principle.

(4) Operating expense - miscellaneous expense

<u>Related party category</u>	<u>2021</u>	<u>2020</u>
Second-tier subsidiary	<u>\$ 420</u>	<u>\$ -</u>

Parts are purchased form subsidiary, and no other similar non-related party transaction can be compared. The payment is collected at 30 days T/T following the date the goods are sold in principle.

(5) Operating expense - commission expense

The Company has signed a commission agreement with Lingsen America Inc. states that the Company shall pay a 2% commission on monthly sales revenue of particular exports in the U.S.A. (in USD). The commission expenses in 2021 and 2020 are NT\$6,569,000 and NT\$5,793,000, respectively. The commissions payable as of December 31 2021 and 2020 are NT\$529,000 and NT\$1,979,000, respectively.

(6) Non-operating income - rent income

<u>Related Party Category/Name</u>	<u>2021</u>	<u>2020</u>
Subsidiary		
Sooner Power Semiconductor Co., Ltd.	\$ 720	\$ 2,160
Panther Technology Co., Ltd.	178	1,556
Lee Shin Investment Co., Ltd.	36	36
	<u>\$ 934</u>	<u>\$ 3,752</u>

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

(7) Non-operating income - other revenue

<u>Related party category</u>	<u>2021</u>	<u>2020</u>
Subsidiary	<u>\$ 566</u>	<u>\$ 122</u>

(8) Accounts receivable

<u>Related party category</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subsidiary	<u>\$ -</u>	<u>\$ 32</u>

(9) Endorsements/guarantees	Guarantees	December 31,	December 31,
		2021	2020
<u>Company</u>			
Subsidiary	Bank loans	\$ 210,000	\$ 210,000
	Bank loans	USD 5,000	USD 5,000

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

	December 31, 2021	December 31, 2020
Pledged time deposits	<u>\$ 103,000</u>	<u>\$ 71,000</u>

(10) Remuneration of key management personnel	2021	2020
Short-term employee benefits	\$ 76,452	\$ 28,853
Pensions	425	507
	<u>\$ 76,877</u>	<u>\$ 29,360</u>

The remuneration of directors and other key management personnel were determined by the Remuneration Committee in accordance with the individual performance and the market trends.

27. Pledged assets

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

	December 31, 2021	December 31, 2020
Property, plant and equipment	\$ 1,007,528	\$ 1,265,329
Pledged time deposits (recognized in other current assets)	<u>103,000</u>	<u>71,000</u>
	<u>\$ 1,110,528</u>	<u>\$ 1,336,329</u>

28. Significant Contingent Liabilities and Unrecognized Commitments

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

(1) For customs duties guarantee and other objectives, the financial institution has provided guarantee details as follows:		
	December 31, 2021	December 31, 2020
	<u>\$ 28,000</u>	<u>\$ 33,950</u>
(2) Unrecognized commitments are as follows:		
	December 31, 2021	December 31, 2020
Purchase of property, plant and equipment	<u>\$ 383,128</u>	<u>\$ 342,880</u>

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

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

Foreign currency assets	December 31, 2021			December 31, 2020		
	Foreign Currency	Exchange rate	NTD	Foreign Currency	Exchange rate	NTD
<u>Monetary items</u>						
USD	\$ 13,284	27.68	\$ 367,701	\$ 9,948	28.48	\$ 283,319
Japanese yen	173,864	0.2405	41,814	86,438	0.2763	23,883
<u>Non-monetary items</u>						
<u>Investment accounted for using the equity method</u>						
USD	7,850	27.68	217,288	8,287	28.48	236,014
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
USD	17,235	27.68	477,065	13,326	28.48	379,524
Japanese yen	177,046	0.2405	42,580	57,575	0.2763	15,908
Euro	427	31.32	13,374	-	-	-

Significant unrealized exchange gains (losses) are as follows:

Foreign Currency	2021		2020	
	Exchange rate	Net exchange gains (losses)	Exchange rate	Net exchange gains (losses)
USD	27.68 (USD : NTD)	\$ 2,671	28.48 (USD : NTD)	\$ 3,433
Japanese yen	0.2405 (JPY: NTD)	(252)	0.2763 (JPY: NTD)	104
Euro	31.32 (EUR : NTD)	85	35.02 (EUR : NTD)	-
		<u>\$ 2,504</u>		<u>\$ 3,537</u>

30. Other disclosures

(1) Information on significant transactions and (2) investees

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

million or 20% of the paid-in capital: None.

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- 9) Trading in derivative instruments: None.
- 10) Information on investees: Table 3.

(3) Information on Investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4.
- 2) Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows:
 - i) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - ii) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - iii) The amount of property transactions and the amount of the resultant gains or losses: None.
 - iv) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1.
 - v) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None.
 - vi) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Note 26.

(4) Information of major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5% or more of the equity: Table 5.

Lingsen Precision Industries, Ltd. and Subsidiaries

Endorsements/guarantees provided

For the year ended December 31, 2021

Table 1

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

No.	Endorsement/ guarantee provider	Guaranteed party		Limits on endorsement/g uarantee amount provided to each guaranteed party (Note)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of accumulated endorsement/g uarantee to net equity per latest financial statements(%)	Maximum amount of endorsement/g uarantee allowance (Note)	Guarantee provided by parent company	Guarantee provided by subsidiary	Guarantee provided to subsidiaries in Mainland China
		Company Name	Relationship										
0	Parent Company	Sooner Power Semiconduct or Co., Ltd.	Subsidiary	\$ 877,961	\$ 210,000	\$ -	\$ -	\$ -	-	\$ 1,755,923	Y	—	—
		Ningbo Liyuan Technology Co., Ltd.	Third-tier subsidiary	877,961	138,400 (USD 5,000)	138,400 (USD 5,000)	110,720 (US\$ 4,000)	103,000	2	1,755,923	Y	—	Y

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

Lingsen Precision Industries, Ltd. and its subsidiaries

Marketable securities held

December 31, 2021

Table 2

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

Holding company name	Marketable securities types and name	Relationship with the issuers	Financial statement account	End of year			
				Shares/Units	Carrying amount	Shareholding %	Fair value (Note 2)
Parent Company	<u>Stock</u>						
	Amtek Semiconductors Co., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	527,280	\$ 7,105	2	\$ 7,105
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	75,000	2,877	-	2,877
	Xpert Semiconductor Inc.	None	Financial assets at fair value through other comprehensive income- non-current	44,891	-	-	-
Lee Investment Ltd.	<u>Stock</u>						
	Parent Company	Parent company	Financial assets at fair value through other comprehensive income- non-current	5,658,911	156,752	1	156,752
	Enrich Tech CO., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	1,897,836	18,974	19	18,974
	ETREND Hightech Corp.	None	Financial assets at fair value through other comprehensive income- non-current	150,000	5,753	-	5,753
	Anwell Semiconductor Co., Ltd.	None	Financial assets at fair value through other comprehensive income- non-current	155,163	-	11	-

Note 1: Please see Tables 3 and 4 for related information on investment in subsidiaries.

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

Lingsen Precision Industries, Ltd. and its subsidiaries

Information on investees

For the year ended December 31, 2021

Table 3

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

Investor	Investee	Location	Main business	Initial investment amount		Balance at December 31, 2020			Current income (losses) of the investee	Share of income (losses) recognized
				End of current year	End of last year	Number of shares	Ratio %	Carrying amount		
Parent Company	Lingsen Holding (Samoa) Inc.	Samoa Islands	General investments	\$ 1,688,748	\$ 1,660,738	53,000,000	100	\$ 157,776	(\$ 45,302)	(\$ 45,302)
	Panther Technology Co., Ltd.	Hsinchu County, Taiwan	IC testing	230,146	230,146	22,922,899	64	426,506	158,648	101,011
	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic parts and components manufacturing	604,223	604,223	60,422,257	99	215,148	26,595	26,369
	Lee Shin Investment Co., Ltd. (Note 1))	Taichung City	General investments	300,000	300,000	30,000,000	100	59,154	6,151	6,151
	Nexus Material Corporation (Note 2)	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	53,483	53,483	5,348,315	78	20,788	(76)	(60)
	Lingsen America Inc.	California, U.S.A.	Intermediary	32,311	32,311	1,000,000	100	59,502	1,013	1,013
	Qi Feng Technology Co., Ltd. (Note 2)	Taichung City	Electronic parts and components production and processing	24,000	24,000	2,400,000	30	-	-	-
Lee Shin Investment Co., Ltd.	Sooner Power Semiconductor Co., Ltd.	Hsinchu County, Taiwan	Electronic parts and components manufacturing	2,561	2,561	277,080	1	987	26,595	121
	Nexus Material Corporation	Hsinchu County, Taiwan	Wholesale of electronic materials and electronic parts and components manufacturing	14,192	14,192	1,419,214	21	5,516	(76)	(16)
Lingsen Holding (Samoa) Inc.	Li Yuan Investments Co., Ltd.	Cayman Islands	General investments	1,688,748	1,660,738	53,000,000	100	157,776	(45,302)	(45,302)

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

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

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

Lingsen Precision Industries, Ltd. and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2021

Table 4

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

Name of Investee in Mainland China	Main business	Paid-in capital	Investment method	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Outward remittance or repatriation of investment amount at beginning of the year		Accumulated investment amount of outflow from Taiwan at the end of the year	Current income (losses) of the investee	Ownership percentage of direct or indirect investment	Investment gain (loss) recognized for the year (Note 2)	Book value of investment at the end of year	Inflow of investment revenue to Taiwan upon the end of the year
					Outward remittance	Repatriation						
Ningbo Liyuan Technology Co., Ltd.	IC packing and testing as well as optoelectronic devices	USD 53,000	(Note 1)	\$ 1,660,738 (USD 52,000)	\$ 28,010 (USD 1,000)	\$ -	\$ 1,688,748 (USD 53,000)	(\$ 45,302)	100%	(\$ 45,302)	\$ 157,776	\$ -

Accumulated investment amount of outflow in China mainland from Taiwan at the end of the year	Investment amount approved by Investment Commission, MOEA	limitation on investee regulated under Investment Commission, MOEA (Note 3)
\$ 1,688,748 (USD 53,000)	USD 55,000	\$ 3,511,846

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

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

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

Lingsen Precision Industries, Ltd.
Information of Major Shareholders
December 31, 2021

Table 5

Name of major shareholder	Shares	
	Total shares held (shares)	Shareholding percentage
Trust account in CTBC Bank for ESOP committee of Lingsen Precision Industries, Ltd.	23,843,020	6.27%
RUBYTOP Investment Co., Ltd (British Virgin Islands)	19,239,854	5.06%

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

Note 2: As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Security Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, including their own shares and their delivery to the trust, and have the right to make decisions on the trust property. Information on insider equity is available on the Market Observation Post System (MOPS) website.

§Statements of Major Accounting Items

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Lingsen Precision Industries, Ltd.
Statement of cash and cash equivalents
December 31, 2021

Table 1 Unit In Thousands of New Taiwan Dollars,
Unless Stated Otherwise

Item	Amount
Cash	
Cash on hand and petty cash	\$ 273
Cash in banks	
Checking accounts	3,292
Demand deposits	388,523
Foreign currency demand deposit (Note 1)	115,760
Time deposits	<u>263,000</u>
	770,848
 Cash equivalents	
Time deposits with an initial maturity of less than three months	605,000
Short-term notes and bills	<u>99,850</u>
	<u>1,475,698</u>
 Less: Time deposit pledge (Note 2)	(103,000)
 Time deposits with an initial maturity in three months	(<u>160,000</u>)
	 <u>\$ 1,212,698</u>

Note 1: It includes US\$2,671,000 and JPY 173,864,000, converted at the exchange rate of US\$1 = NT\$27.68 and JPY\$1 = NT\$0.2405.

Note 2: The due period is between January and February 2022, at an annual percentage rate of 0.38%/0.11%. It has been provided to the bank as collateral, transferred to other current assets, to make endorsement and guarantee for Ningbo Liyuan Technology Co., Ltd.

Lingsen Precision Industries, Ltd.
Statement of accounts receivable
December 31, 2021

Table 2

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Customer name	Amount
Company A	\$ 424,164
Company B	200,710
Company C	151,185
Company D	109,625
Company E	83,274
Others (Note)	<u>473,004</u>
	1,441,962
Less: Allowance for bad debts	(<u>2,114</u>)
	<u>\$ 1,439,848</u>

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

Lingsen Precision Industries, Ltd.

Statement of inventories

December 31, 2021

Table 3

Unit: Amounts expressed in thousands of
New Taiwan Dollars

<u>Item</u>	<u>Cost</u>	<u>Net realizable value</u>
Raw materials	\$ 657,624	\$ 657,624
Finished goods	-	-
Work in process	<u>-</u>	<u>-</u>
	<u>\$ 657,624</u>	<u>\$ 657,624</u>

Lingsen Precision Industries, Ltd.

Statement of changes in financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2021

Table 4

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

Financial instrument name	Balance at the beginning of the year		Unrealized gains or losses of Financial assets	Balance at the end of the year		Guarantee or pledge status
	Number of shares	Fair value		Number of shares	Fair value	
Listed domestic company						
ETREND Hightech Corp.	75	\$ 2,265	\$ 612	75	\$ 2,877	None
Emerging stocks						
Amtek Semiconductors Co., Ltd.	527	6,192	913	527	7,105	None
Xpert Semiconductor Inc.	45	-	-	45	-	None
		<u>6,192</u>	<u>913</u>		<u>7,105</u>	
		\$ 8,457	\$ 1,525		\$ 9,982	

Lingsen Precision Industries, Ltd.
Statement of changes in investments accounted for using the equity method
For the year ended December 31, 2021

Table 5

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

Investee	Balance at the beginning of the year		Increase (Decrease)		Gains (losses) of investments	Exchange differences on translation of the financial statements of foreign operations	Unrealized gains or losses of Financial assets	Balance at the end of the year			Market value or equity net value (Note)
	Number of shares	Amount	Number of shares	Amount				Number of shares	Shareholding %	Amount	
Lingsen Holding (Samoa) Inc.	52,000	\$ 175,821	1,000	\$ 28,010	(\$ 45,302)	(\$ 753)	\$ -	53,000	100	\$ 157,776	\$ 157,776
Panther Technology Co., Ltd.	22,923	325,495	-	-	101,011	-	-	22,923	64	426,506	426,506
Sooner Power Semiconductor Co., Ltd.	60,422	188,779	-	-	26,369	-	-	60,422	99	215,148	215,148
Lee Shin Investment Co., Ltd.	30,000	235,215	-	-	6,151	-	(5,797)	30,000	100	235,569	59,154
Lingsen America Inc.	1,000	60,192	-	-	1,013	(1,703)	-	1,000	100	59,502	59,502
Nexus Material Corporation	5,348	27,162	-	-	(60)	-	-	5,348	78	27,102	20,788
Qi Feng Technology Co., Ltd.	2,400	<u>11,417</u>	-	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	2,400	30	<u>11,417</u>	<u>-</u>
		1,024,081		<u>\$ 28,010</u>	<u>89,182</u>	<u>(2,456)</u>	<u>(\$ 5,797)</u>			1,133,020	<u>\$ 938,874</u>
Less: Transferred treasury shares		(176,415)								(176,415)	
Accumulated impairment loss		<u>(17,731)</u>								<u>(17,731)</u>	
		<u>\$ 829,935</u>								<u>\$ 938,874</u>	

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

Lingsen Precision Industries, Ltd.

Statement of Changes in Right-of-use Assets and Accumulated Depreciation

For the year ended December 31, 2021

Unit: Amounts expressed in thousands of New Taiwan Dollars

	Balance at the beginning of the year	Increase	Balance at the end of the year
Cost			
Land	\$ 162,849	\$ -	\$ 162,849
Buildings	<u>2,586</u>	<u>-</u>	<u>2,586</u>
	<u>165,435</u>	<u>\$ -</u>	<u>165,435</u>
Accumulated depreciation			
Land	9,045	\$ 4,231	13,276
Buildings	<u>1,292</u>	<u>647</u>	<u>1,939</u>
	<u>10,337</u>	<u>\$ 4,878</u>	<u>15,215</u>
	<u>\$ 155,098</u>		<u>\$ 150,220</u>

Lingsen Precision Industries, Ltd.
Statement of short-term borrowings
December 31, 2021

Table 7

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Loan type and bank	Maturity date (Note)	Annual interest rate (%)	Amount
Credit loans	2022.6.27	0.8	\$ 50,000
Taipei Fubon Bank (Zhonggang Branch)			
Import/export financing loans			
Taishin International Bank (Taichung Branch)	2022.1.26	0.88	49,579
Mega International Commercial Bank (Tan Zi Branch)	2022.3.29	0.901	<u>94,539</u>
			<u>\$ 194,118</u>

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

Lingsen Precision Industries, Ltd.
Statement of accounts payable
December 31, 2021

Table 8

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Company name	Amount
Company A	\$ 104,985
Company B	90,899
Company C	55,422
Company D	54,608
Company E	40,123
Company F	26,526
Others (Note)	<u>106,846</u>
	<u>\$ 479,409</u>

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

Lingsen Precision Industries, Ltd.

Statement of lease liabilities

December 31, 2021

Table 9

Unit: Amounts expressed in thousands of New Taiwan

Dollars

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate (%)</u>	<u>Balance at the end of the year</u>
Land	Plant and office	2013.04.16-2031.10. 21	0.67-0.91	\$ 151,131
Buildings	Plant and office	2020.01.01-2022.12. 31	0.67-0.91	<u>653</u>
				151,784
Less: Amount falling due in one year				(<u>4,420</u>)
				<u>\$ 147,364</u>

Lingsen Precision Industries, Ltd.
Statement of long-term borrowings
December 31, 2021

Table 10

Unit: Amounts expressed in thousands of New Taiwan Dollars

Loan type and bank	Loan period	Repayment method	Annual interest rate	Amount falling due in one year	Amount falling due after one year	Total
Mortgage loan						
Mega International Commercial Bank (Tan Zi Branch)	2014.03.28-2022.12.15	Down payment is repaid from the 15th day of the first month until two years after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 28 periods. (NT\$25,000,000 repayment for each period)	0.42%-0.68%	\$ 100,000	\$ -	\$ 100,000
	2019.11.29-2022.07.04	The settlement shall be made within twelve months; however, it shall be made before the drawdown period.	1.1%	128,000	-	128,000
CTBC Bank (Taichung Regional Center)	2015.06.03-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$6,000,000 repayment for each period)	0.42%-0.67%	-	-	-
	2015.12.02-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$5,650,000 repayment for each period)	0.42%-0.67%	-	-	-
	2016.05.13-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$1,750,000 repayment for each period)	0.42%-0.67%	-	-	-
	2015.01.16-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$20,000,000 repayment for each period)	0.42%-0.67%	-	-	-
KGI Bank (Shizheng Branch)	2019.04.30-2022.04.30	Down payment is repaid from the first date until 12 months after first drawdown date. After that, the equal principal shall be repaid every six months, divided into 5 periods. (NT\$40,000 repayment for each period)	1.13%-1.30%	36,000	-	36,000
Credit loans						
CTBC Bank (Taichung Regional Center)	2014.11.25-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$500,000 repayment for each period)	0.42%-0.67%	-	-	-

Loan type and bank	Loan period	Repayment method	Annual interest rate	Amount falling due in one year	Amount falling due after one year	Total
	2016.10.14-2021.11.25	Down payment is repaid from the first date until 24 months after first drawdown date. After that, the equal principal shall be repaid every three months, divided into 20 periods. (NT\$9,500,000 repayment for each period)	0.42%-0.67%	-	-	-
	2021.03.05-2026.03.05	Grace period refers to 18 months from the first drawdown date. Starting from October 15, 2022, the equal principle shall be paid on the 15th day of each month, and the remaining amount shall be repaid at a lump sum upon maturity, and interest is collected on a monthly basis.	0.7%	26,814	305,886	332,700
Taipei Fubon Bank (Zhonggang Branch)	2021.08.20-2024.04.10	Each drawdown date shall not exceed final maturity date, which is one business day prior to final drawdown date. The principal shall fully be repaid in one lump sum upon its maturity.	1.14%	-	100,000	100,000
	2021.05.20-2026.05.20	Grace period refers to the first 2 years of the 60 months from the first drawdown date. Starting from the 3rd year, the equal principle shall be paid on the 15th day of each month.	0.58%	-	84,000	84,000
O-Bank (Taichung Branch)	2021.04.26-2026.04.15	Grace period refers to 36 months from the first drawdown date. The equal principle shall be paid on the 15th day of each month, and divided into 25 period for payment.	0.74%	-	<u>100,000</u>	<u>100,000</u>
				<u>\$ 290,814</u>	<u>\$ 589,886</u>	<u>\$ 880,700</u>

Lingsen Precision Industries, Ltd.
Statement of operating revenue
For the year ended December 31, 2021

Table 11

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Item	Quantity (thousand PCS)	Amount
Packaging and final testing of IC	Around 5,432,850	\$ 6,334,062
Revenue from contracts with customers		135,659
Other operating income		<u>34,564</u>
		6,504,285
Less: Sales allowance		(<u>14,609</u>)
Operating income		<u>\$ 6,489,676</u>

Lingsen Precision Industries, Ltd.
Statement of operating costs
For the year ended December 31, 2021

Table 12

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Item	Amount
Raw material at the beginning of year	\$ 307,300
Current net purchase	2,497,325
Raw material at the end of year	(686,260)
Sales of raw materials	(33,561)
Other expenses	(<u>33,921</u>)
Raw material consumption	2,050,883
Direct labor	793,384
Production overheads	<u>2,444,342</u>
Production cost	5,288,609
Work in process at the beginning of the year	2,563
Work in process at the end of the year	(<u>2,554</u>)
Cost of finished goods inventory	5,288,618
Finished goods inventory at the beginning of the year	2,281
Finished goods inventory at the end of the year	(<u>2,253</u>)
Cost of sales	5,288,646
Income from sale of scrap	(66,650)
Inventory valuation losses	6,020
Cost of sales of raw materials	<u>33,561</u>
Operating costs	<u>\$ 5,261,577</u>

Lingsen Precision Industries, Ltd.
Statement of operating expenses
For the year ended December 31, 2021

Table 13

Unit: Amounts expressed in thousands of
New Taiwan Dollars

Item	Selling expenses	Administrativ e expenses	Research and development expenses	Total
Salary expense	\$ 38,230	\$ 127,459	\$ 92,602	\$ 258,291
Depreciation	324	14,437	32,951	47,712
Insurance expense	3,036	8,244	7,161	18,441
Commissions expense	7,696	-	-	7,696
Others	<u>14,385</u>	<u>58,314</u>	<u>10,840</u>	<u>83,539</u>
	<u>\$ 63,671</u>	<u>\$ 208,454</u>	<u>\$ 143,554</u>	<u>\$ 415,679</u>