



**Stock code: 2369**

**LINGSSEN PRECISION INDUSTRIES, LTD.**  
**2020 Annual Report**

**【Translation】**

**This Annual Report is available at the following websites:**

**Website of Taiwan Stock Exchange Market Observation : <http://mops.twse.com.tw>**

**Company Website: <http://www.lingsen.com.tw>**

**PRINTED ON MARCH 31, 2021**

**---Notice to readers---**

**This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.**

## I. Spokesperson and Deputy Spokesperson

Spokesperson

Name : Ming-Wei Lai

Title: Chief Financial Officer

Tel: (04)2533-5120

E-mail: [larrylai@lingsen.com.tw](mailto:larrylai@lingsen.com.tw)

Deputy Spokesperson

Name: His-Tzu Tsai

Title: Section Manager

Tel: (04)2533-5120

E-mail : [edithtsai@lingsen.com.tw](mailto:edithtsai@lingsen.com.tw)

## II. Headquarters, Branches and Factories

Headquarter: No. 5-1, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T1: No. 5-1; No. 5-2, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T2: No. 36; No. 36-1; No. 36-2; No. 36-3; No. 38; No. 38-1; No. 38-2; No. 38-3;  
No. 40; No. 40-1; No. 40-2; No. 40-3; No. 42; No. 42-1; No. 42-2; No. 42-3, S.  
2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T3: No.3; No. 5, Jiangou Rd., Tanzi Dist., Taichung City

Factory T4: No. 4; No. 4-1; No. 4-2; No. 6; No. 6-1; No. 6-2; No. 8-1; No. 8-2; No. 10-1;  
No. 10-2, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T5: No. 22; No. 22-1; No. 22-2, S. 2<sup>nd</sup> Rd., Tanzi Dist., Taichung City

Factory T6: No. 37; No. 39, Dagan Rd., Wuqi Dist., Taichung City

Tel: (04)2533-5120

Fax: (04)2532-7904

## III. Stock Transfer Agent

Name: Department of Agency, CTBC Bank

Address: 5F., No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City  
100003

Website: <https://ecorp.ctbcbank.com/cts/index.jsp>

Tel: (02)6636-5566

Fax: (02)2382-2390

## IV. Auditors

Auditors: Shu-Ching, Chiang , Ting-Chien, Su

Name of the Firm: Deloitte & Touche Taiwan

Address: 22F., No.88, Sec. 1, Huizhong Rd., Xitun Dist., Taichung City 407025

Website: <http://www.deloitte.com.tw>

Tel: (04)3705-9988

Fax: (04)4055-9888

## V. Overseas Securities Exchange

N/A

## VI. Corporate Website

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

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# I. Letters to the Shareholders

Dear Shareholders,

After more than a year in adjustments of global semiconductors industry, the industry is gradually recovering. The semiconductor equipment factories have released the positive news as the silver lining of the industry. With the alteration of communication generation, promoting the related demands of 5G and WIFI, the development of AI technology became more mature, and the business opportunities of applying Artificial Intelligence such as EV and IoT intelligent edge also took off. It is expected in the future, the trend of semiconductor market will change from recovery to re-growth with development of the AI, 5G, IoT and EV which will bring increased demands.

Taiwan had a great opportunity for expansion under the pandemic of COVID-19 and US-China Trade War in 2020. 5G commercial operation and “stay-at-home economy” from the stay home pandemic preventive measure encourage the needs of electronic products.

Taiwan semiconductor factories were under process of large-scale expansion plan, for the reformation of semiconductor supply chain and the huge demand of “stay-at-home economy” to the electronic parts and components production. The packaging and testing of semiconductor supply chain was boosted because of the increase in demand. The Company also put in preparations for expanding production. The company has been preparing for the increase in production of radio frequency components to cope with the application of 5G and WiFi 6, and continuously developing in integrated circuit packaging of sensing element to make our action faster to grasp the fast-changing industrial environment and enhance the market competitiveness to grow with the trend.

After a year of reviving and transforming of Lingsen in 2020, the operation performance must have a new look. The company will face 2021 with the consistent development of new application and grasp the strength and opportunity of Taiwan, and expect the bright future of semiconductor industry with customers, suppliers and shareholders.

The summary of 2020 Business Result and 2021 Business Plan of the Company, as follows:

## 1.1 2020 Business Result

### 1.1.1 Result of 2020 Business Plan

In 2020, the company was benefited by the gradual recovery from the economic activities of post-pandemic, which increasing the demand of electronic products. Accompanied by increasing orders and higher utilization of production equipment, reduction in fixed unit costs became visible, the company's operating performance this year has increased significantly. The total revenue of 2020 is NT\$5.458 Billion(YOY 15.6%). Since the first quarter of 2020, the Operating Profit have become positive.

However, Due to the sales of some products made by the subsidiaries were over-expected on the market at the end of year 2020, the cost of inventory reduced to the net realizable value recognized as inventory valuation and obsolescence losses. The company evaluate the cost-effectiveness of the equipment reduced, recognised as assets impairment losses causing the loss in 2020, and resulted in loss per share of NT\$0.44.

The Assembly line capacity is fully loaded. In order to move forward steadily in this

rapidly changing environment, the company proactively planning in expansion of production line, for stabilizing management and flexible production capability to cope with the demand of terminal market. The company's profit growth will be more sustainable with the trend of industry is growing.

1.1.2 2020 Budget Implementation Status: The company did not prepare financial forecasting of 2020.

1.1.3 Financial Revenue and Expenditure Status and Profitability Capacity Analysis

Item analyzed		Year 2020	Year 2019
Financial Structure	Debt Ratio (%)	32.85	35.61
	Ratio of Long-term capital to property, plant and equipment(%)	169.56	158.56
Solvency	Current Ratio (%)	213.84	212.90
	Quick Ratio (%)	181.31	183.25
	Return On Assets (%)	-1.85	-6.54
	Return On Equity (%)	-3.12	-9.81
Profitability	Ratio of Operating Income to paid-in capital (%)	-4.30	-15.24
	Ratio of Pre-tax Income to paid-in capital (%)	-3.85	-14.44
	Profit Margin (%)	-2.98	-11.70
	Loss per share (NT\$)	-0.44	-1.47

1.1.4 Research and Development Status

(Amount Expressed in Thousands of New Taiwan Dollars)

Year	Year 2020	Year 2019	Year 2018
Research & Development Expense	166,697	184,672	171,873
Ratio of R&D Expense to operating revenue (%)	3	4	3

1.2 Summary of 2021 Business Plan

1.2.1 Operating Policy

The company bearing the faith of innovative and proactive; integrity and down-to-earth; and sharing excellence, other important operating policies as follows:

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

- occupational accident and reduce wastage.
- vii. Continuously enhancing the educational training to train the talent to assists the company's sustainable management and development.

1.2.2 Sales forecast and its basis

i. Basis

The amount of the expected sales of the company is set by considering the management strategy, the production ability, operating goals of all the departments and the budget. The company is estimated by consider of the future development trend of the entire industry, market supply and demand and the actual operating performance of the past years reasonably.

ii. Sales Quantity Forecast

Items/Year	Sales Quantity Forecast
Packaging and Testing	6.5 Billion

1.2.3 Important Production and Marketing Policies

i. Product Marketing

- A. Enhancing the quality of products and improving product yield to meet customers' satisfaction.
- B. Establishing market analysis mechanism to improve the future planning of products and marketing strategy.
- C. Diverse development of packaging product manufacturing and providing customer service with comprehensive needs.
- D. Enhancing research and development ability to shorten the time required for research and development to increase the revenue and profit of the new products.
- E. Proactively expand business by attending business expos and seeking for distributors of different region to extend the trading internationally and domestically.

ii. Production Policies

- A. Improving accurate delivery date and OTD (on time delivery).
- B. Optimizing the production preparation and improve the transparency of production.
- C. Improving management efficiency (Reducing the cost of inspection, optimizing the production preparation or enhancing the mobilization of the personnel).
- D. Improving equipment efficiency and equipment availability.
- E. Simplify and improving the manufacturing process, reducing the manufacturing process, material costs and to improve the quality for product shipment.

1.3 Future Developing Strategy of the Company

- 1.3.1 Provide the customers with all-rounded services, customer development and relation management proactively.
- 1.3.2 Be committed to environmental protection and obey the environmental protection laws and regulations and introduced green fabrication and package products.
- 1.3.3 Proactively innovating, leading the development of new technics and new products to meet the market trend and needs.
- 1.3.4 Continuously enhancing the management of cost expense of existing production line.

1.3.5 Dedicated in “Corporate Governance, Corporate Commitment, Social Contribution and Environmental Protection” four major fields of Corporate Social Responsibility

1.4 Impacts from External Competitive Environment, Legal Environment and Macro-Economic Environment

Look back to the year 2020, the COVID-19 pandemic happening around the world causing the uneasiness in international economics and politics. Prospect to the 2021, the enterprise still need highly focus on the revival of economics at the time of the pandemic changing. In international situation, the further development of US-China trading war and technology war after the President Joe Biden been elected, the international trading still under uncertainty in all aspects. The management of enterprise still facing highly challenges in the post-pandemic new normal.

The serious economic recession around the world due to the pandemic, with the effective pandemic control measures in Taiwan, factories Taiwan are still operating normally in Taiwan. In addition, the global market placed their order to the semiconductor industry in Taiwan to fulfil their demands of post pandemic market in order to obtain. Smooth and fast IC chips manufacturing required for the market, and result in the continuous development of IC design, manufacturing and packaging and testing industry around the world and Taiwan. The economic growth rate in Taiwan went against the trend with increase of approximately 2.98%, and as one of the few economies was growing in 2020. Taiwan also received the investment from international companies, such as Google, Facebook, offshore wind power, semiconductors and etc.

The changes and the new normal after the change in politics, economics and the impact of pandemic brought up new opportunities of resources, medical health and artificial intelligence as the new trends. In prospect, team of Lingsen adhering our consistent operational faith of integrity and down-to-earth and take high quality as major production and marketing policy, focusing on optimization of production efficiency and accelerate our speed in developing diverse package technics as our operating policy. Lingsen will consider the current and long-term development, and put in effective investment to responding the need of the market and create the value of the company under this constantly changing management environment. As the trend of intelligent industry arriving, team of Lingsen will welcome the bright and brand-new future with our customers and shareholders.

Chairman:Shu-Chyuan Yeh

## II. Company Profile

### 2.1 Date of Incorporation: April 23, 1973

### 2.2 Company History

The Company was founded by the overseas Chinese Mr. KE-GEN YEH and Citizens Mr. KE-QING YEH ,Mr. KE-JIAN YEH and others under the government policy of developing semiconductor industry. The business consists of assembly and testing of various integrated circuit and optoelectronics products. The Company continuously develop and research new products, and improve the quality level and productivity under the effort of entire staff since the establishment. The performance of the Company operating is growing and lasts for more than 40 years.

The Milestone of The Company, as follows:

April, 1973	The Company was founded with initial capital of NT\$ 8 Million.
July, 1995	For the purpose of factories expansion and purchasing machinery equipment, the Company issued cash capital increase of NT\$271,388,800 and capitalization of retained earnings of NT\$90,979,200, and filed the application of public offering. The subscription payment has been fully raised on September, 1995.
July, 1995	The Company received ISO-9002 certification from the Bureau of Commodity Inspection and Quarantine of Ministry of Economic Affairs.
May, 1997	Establishment of Panther Technology Co., Ltd.
April, 1998	The Company listed on the Taiwan Stock Exchange on April 10.
October, 1998	The Company received the ISO-14001 certification on Environmental Management Systems.
July, 1999	Panther Technology Co., Ltd. received the ISO-9001 certification.
August, 1999	The Company received the QS-9000, ISO 9001:2000 certification.
June, 2001	Establishment of Ningbo Liyuan (Mainland China) Technology Co.,Ltd.
November, 2003	The Company issue the first domestic unsecured convertible company bonds of NT\$ 600 Million in 2003.
March, 2005	The Company received TS 16949: 2002 certification.
October, 2005	Ningbo Liyuan (Mainland China) Technology Co.,Ltd. received ISO 9000: 2000 certification.



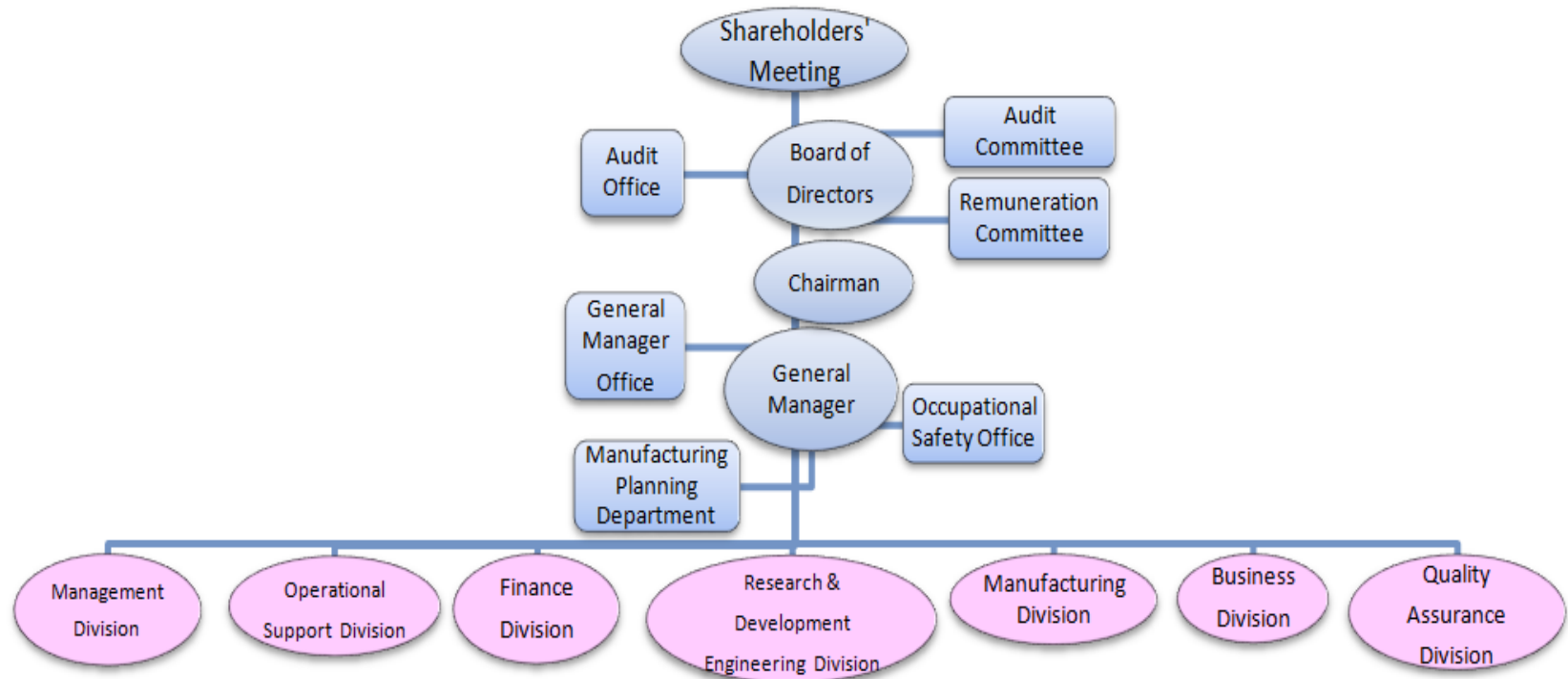
October, 2006	Panther Technology Co., Ltd. received ISO 14001 certification on Environmental Management Systems.
November, 2006	Ningbo Liyuan (Mainland China) Technology Co.,Ltd. received ISO 14001 certification on Environmental Management System.
October, 2007	The Company issue the second domestic unsecured convertible company bonds of NT\$ 400 Million in 2007.
November, 2007	Establishment of Sooner Power Semiconductor Co., Ltd.
December, 2007	The Company issuing new stock for cash capitalization for 30 million common stock with par value of NT\$10, the total of NT\$ 300 million.
December, 2008	Sooner Power Semiconductor Co., Ltd. received ISO 9000 certification.
November, 2009	The Company received OHSAS18001 certification on International Occupational Health and Safety Management Standard.
December, 2009	Sooner Power Semiconductor Co., Ltd. received ISO 14000 certification on Environmental Management Systems.
November, 2010	The Company received ISO 14064 Certification on Greenhouse gas emission Verification.
December, 2011	New Factory (T6 Factory) in the Chung-kang Export Processing Zone Approved by the Board of Directors.
October, 2012	The Company obtained NT\$1.5 Million subsidy from the "Improvement Encouragement of Private Building Intellectualization" project by the Architecture and Building Research Institute of the Ministry of the Interior.
December, 2013	The Company purchased factories located in No. 5-2-1, 5-3, 5-4, 12, 14, 16 and 18, S. 2Nd Rd., Tanzi District.
March, 2014	T6 Factory at Chung-kang Export Processing Zone completed.
January, 2015	T6 Factory received the Leadership in Energy & Environmental Design (LEED) Silver Certification from the U.S. Green Building Council.
December, 2015	The staff quarters at the Chung-kang Export Processing Zone completed and received the bronze certification from the Taiwan Green Building Council.
February, 2018	The Company received IATF 16949 certification on Quality Management System.
May, 2018	The Company awarded the 15th Taiwan Golden Roots Award.
July, 2018	Sooner Power Semiconductor Co., Ltd. received IATF 16949 certification on Quality Management System.

September, 2018	The Company received ISO14001:2015 the revision certification on Environmental Management Systems.
June, 2019	The Company received the renewed certificates of SONY Green Partner.
June, 2019	The Company's Board of Directors appointed Mr. Tse-Sung Tsai as the President of The Company.
January, 2020	Ningbo Liyuan (Mainland China) Technology Co.,Ltd. received ISO 9001:2015 certification.
September, 2020	The Company received ISO14001:2015 the revision certification on Environmental Management Systems, and the expiry date till September, 2023.
January, 2021	The Company received IATF 16949:2016 certification on Quality Management System, and the expiry date till January, 2024.
January, 2021	The Company received ISO 9001:2015 certification on Quality Management System, and the expiry date till January, 2024.

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organizational Chart



### 3.1.2 Work Description of Major Departments

Department	Functions
Audit Office	<ol style="list-style-type: none"> <li>1. Assisting Board of Directors to check and review the deficiencies of the internal control systems and estimates the effective and efficiency of operation</li> <li>2. Enacting the annual audit plan according to the result of risk evaluation, as the reference to review the internal control system of the company and its subsidiaries and prepared the audit report.</li> <li>3. Attend in Board of Directors' Meeting and report the operating of auditing.</li> </ol>
General Manager Office	<ol style="list-style-type: none"> <li>1. In charge of coordinating the project planning of the company.</li> <li>2. Planning of short-, mid-, long-term strategy, promoting policies and formulating of regulations.</li> </ol>
Manufacturing Planning Department	Enacting, handling and executing the manufacturing plans of the company.
Occupational Safety Office	Enacting, planning, monitoring and promoting of occupational safety and health management items and guided the related department for implementing.
Management Division	<ol style="list-style-type: none"> <li>1. Creating a safe, comfortable occupational environment; promoting self-health monitoring of employees; preventing of occupational injury, operating of labour and healthy related laws and regulations; and improving the friendly environment of best healthy workplace for the employees.</li> <li>2. Recruitment, training and caring of employees.</li> </ol>
Operational Support Division	<ol style="list-style-type: none"> <li>1. Pollution control, energy management, water resources management, environmental managing system and other prevention measures.</li> <li>2. Management of suppliers and building up relationships with them. Development and Evaluating suppliers.</li> <li>3. Management of raw material and warehousing.</li> </ol>
Finance Division	<ol style="list-style-type: none"> <li>1. Planning and Management of Finance, Accounting, Taxation, share affairs and budget.</li> <li>2. Disclose of annual report, financial related information, expense on environmental protection and expense on charity and other related operation.</li> </ol>
R & D Engineering Division	<ol style="list-style-type: none"> <li>1. Developing and Research innovative products with the development basis of green energy, environmental protection and energy saving.</li> <li>2. Improving of manufacturing process and improving of quality yield.</li> </ol>
Manufacturing Division	<ol style="list-style-type: none"> <li>1. Manufacturing of various integrated circuit and optoelectronic products.</li> <li>2. Caring and educational training of the operating personnel.</li> <li>3. Improving of manufacturing process and improving of quality yield.</li> <li>4. Handling of establishing and use of company' information system, and the connections and application of the systems.</li> <li>5. Introduction of Information systems and automation of connected facilities.</li> </ol>
Business Division	<ol style="list-style-type: none"> <li>1. Expansion of market within Domestically and Internationally and Market Analysis.</li> <li>2. Maintaining the relationship with the customers and the services of the operation with the company's business.</li> </ol>
Quality Assurance Division	<ol style="list-style-type: none"> <li>1. Planning and Implementing of Quality Policies.</li> <li>2. Enacted and implementing of continuous improvement in the level and standards of the quality.</li> </ol>

### 3.2 Directors and Management Team

#### 3.2.1 Directors -1

March 31, 2021 Unit: Shares

Title (Note 9)	Nationality/ Place of Incorporation	Name	Gender	Date Elected/ Appointed	Term (Year)	Date of First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degree of Kinship			Remark (Note10)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	Republic of China	Shu-Chyuan Yeh	Male	June 12, 2019	3	April 30, 1987	14,526,754 (Note 8)	3.82%	14,526,754 (Note 8)	3.82%	427,866	0.11%	No	No	Graduated from Department of Psychology, National Taiwan University	Note1	No	No	No	No Such Condition
Director	Republic of China	Tse-Sung Tsai	Male	June 12, 2019	3	June 12, 2019	0	0.00%	100,000	0.03%	No	No	No	No	Graduate from Department of Physic, Fu Jen Catholic University Vice President of Lingsen Precision Industrial Co., Ltd.	Note2	No	No	No	No Such Condition
Director	Republic of China	Ming-Te Tu	Male	June 12, 2019	3	June 12, 2019	162,829	0.04%	188,829	0.05%	24,320	0.01%	No	No	Master Degree from Institute of Computer Science and Engineering, National Chung Hsing University Graduated from Inst Vice President of Lingsen Precision Industrial Co., Ltd.	Note3	No	No	No	N/A
Director	Republic of China	Sheunn-Ching Yang	Male	June 12, 2019	3	June 15, 2011	1,002,078	0.26%	1,303,654	0.34%	No	No	No	No	Graduated from Department of Physics, Chinese Culture University General Manager of Lingsen Precision Industrial Co., Ltd. Associates of Siliconware Precision Industries Co., Ltd.	No	No	No	No	N/A
Director	Republic of China	Shu-Hsun Yeh	Male	June 12, 2019	3	June 10, 2015	270,475	0.07%	320,475	0.08%	No	No	No	No	Graduated from Tung Nan Jr. College of Technology General Manager of Long Ting (DongGuan) Decoration Co., Ltd.	Note4	Associate	Shu- Hui Yeh	Brothers	N/A
Director	Republic of China	Pin-Wen Fang	Male	June 12, 2019	3	June 12, 2019	40,000	0.01%	150,000	0.04%	No	No	No	No	Department of Industrial Management, Tamsui Commercial Industrial Vocational Senior High School Chairman of YiLiDe Business Administration Consultant Co., Ltd. Chairman of Ming Yuan Sport Leisure Co., Ltd.	No	No	No	No	N/A

Independent Director	Republic of China	Feng-Hsien Shih	Male	June 12, 2019	3	June 15, 2016	394,080	0.10%	394,080	0.10%	No	No	No	No	PhD in Computer Science, University of Maryland General Manager of Global Mixed-Mode Technology Inc. Elcos Microdisplay Technology Inc. CEO	Note5	No	No	No	N/A
Independent Director	Republic of China	Wan-Ping Chen	Male	June 12, 2019	3	June 15, 2016	150,000	0.04%	150,000	0.04%	No	No	No	No	Executive Master of Business Administration, National Sun Yat-Sen University Independent Director of Changs Ascending Enterprise Co., Ltd.	Note6	No	No	No	N/A
Independent Director	Republic of China	Pin- Chi Wei	Male	June 12, 2019	3	June 15, 2016	362,000	0.10%	362,000	0.10%	No	No	No	No	Master of Business Administration, New York University General Manager of Fu Chu Knitting Co., Ltd.	Note7	No	No	No	N/A

Note 1 : Vice President of the Company, Chairman of Lee Shin Investment Co., Ltd., Chairman of Lingsen America Inc., Chairman of Nexus Material Co., Ltd., Chairman of Panther Technology Co., Ltd., Chairman and General Manager of Sooner Power Semiconductor Co. Ltd., Chairman of Lingsen Holding(Samoa)Inc., Chairman of Li Yuan Investments Co., Ltd.

Note 2 : General Manager of the Company, Legal Person Representatives of Lee Shin Investment Co., Ltd., Legal Person Representatives of Nexus Material Corporation.

Note 3 : Vice President of the company, Legal Person Representatives of Lee Shin Investment Co. Ltd.

Note 4 : Director of Nexus Material Corporation, Legal Person Representative of Panther Technology Co., Ltd., Legal Person Representatives of Sooner Power Semiconductor Co.Ltd., Supervisor of Etrend Hightech Co.Ltd., Legal Person Representatives of Enrich Tech Co.,Ltd.

Note 5 : Chairman of Jing Hua International Inc., Chairman of Nian Pei International Co., Ltd., Supervisor of Etrend Hightech Co.,Ltd.

Note 6 : Chairman of Chang Ruei Investment Corporation, Independent Director and Member of Remuneration Committee of Chia Yi Steel Co., Ltd., Independent Director, Member of Remuneration Committee, Member of Audit Committee of Chen Nan Iron Wire Co., Ltd., Managing Director of Tainan Ji Yi Co, Ltd.

Note 7 : Director and General Manager of Fu Chu Knitting Co., Ltd., Director and General Manager of Chin Fu Long Industrial Co., Ltd., Director and General Manager of Hwa Kwei Knitting Co., Ltd., Chairman of Shen Bin Investment limited.

Note 8 : 5,000,000 shares as pledged shares.

Note 9 : The directors in position as until.

Note 10 : Where the Chairman of the Board of Directors and the General Manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

**Table 1. Major shareholders of the institutional shareholders**

March 31, 2021

Name of Institutional Shareholders	Major Shareholders
N/A	N/A

**Table 2. Major shareholders of the Company's major institutional shareholders**

March 31, 2021

Name of Institutional Shareholders	Major Shareholders
N/A	N/A

### 3.2.1 Director-2

#### Professional qualifications and independence analysis of directors

March 31, 2021

Criteria	Meet one of the following Professional Qualification Requirements, together with at least five years' work experience			Independence Criteria (Note 1)												Number of other Public Companies in which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Shu-Chyuan Yeh			v				v	v	v		v	v	v	v	v	0
Tse-Sung Tsai			v			v	v	v	v		v	v	v	v	v	0
Ming-Te Tu			v			v	v	v	v	v	v	v	v	v	v	0
Sheunn-Ching Yang			v			v	v	v	v	v	v	v	v	v	v	0
Shu-Hsun Yeh			v			v	v	v	v	v	v	v	v	v	v	0
Pin-Wen Fang			v	v	v	v	v	v	v	v	v	v	v	v	v	0
Feng-Hsien Shih			v	v		v	v	v	v	v	v	v	v	v	v	0
Wan-Ping Chen			v	v		v	v	v	v	v	v	v	v	v	v	2
Pin-Chi Wei			v	v		v	v	v	v	v	v	v	v	v	v	0

Note 1: Please "✓" the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the company or any of its affiliates. Not applicable in cases where the person is an independent director of the company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent of subsidiary.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under other's names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds 5% or more of the total number of outstanding shares of the company, rank as of its top five shareholders, or has representative director(s) serving on the company's board based on Paragraph 1 and 2 of the Article 27 (do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution which has a financial or business relationship with the company (do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (7) Not a chairman, general manager, or person holding an equivalent position of the company and a person in any of those positions or another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution. (do not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, manager or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. (Do not apply to specified company or institution holds twenty percent or more and no more than fifty percent of the total number of issued shares and independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the company and its parent or subsidiary or a subsidiary of the same parent).
- (9) A professional individual whom or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership company, or institution
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company
- (11) Not been a person of any conditions defined in Article 30 of the Company Act
- (12) Not a Governmental, legal person or its representative as defined in Article 27 of the Company Act.



## **The Composition of the Board of Directors shall be diversified**

1. The diversified policy of composition of the Board of Directors and the specific goals
  - (1) The Article of the Incorporation of the company stated that there shall be seven to nine directors and in a case a candidate's nomination system, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidate. The Director with three years of term and can be re-elected. The Above-stated number of directors, shall at least with three independent directors and not less than one-fifth of the total number of directors ( Article 19 from the Article of Incorporation)
  - (2) The Independent Director of the company shall meet the professional qualification requirements of Article 2 of the "Regulations Governing Appointment of Independent Director and Compliance Matters for Public Companies" and at least one independent director with the profession of accounting and finance.
  - (3) The company enacted the "Corporate Governance Best Practice Principles" and stated the structure of the Board of Directors, the number of the board members shall be properly determined by reviewing the scale of the corporate management and operation and the shareholding of the major shareholders and taking into consideration of the practical needs for operation. The Composition of the Board of Directors shall consider of gender equality. The Board Members shall have the necessary knowledge, skill, and experience for performing their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall have the following abilities: Ability to make operational judgement; Ability to perform accounting and financial analysis; Ability to conduct management administration; ability to conduct crisis management; possession industrial knowledge; possession perspective of international market; ability to lead; ability to make decisions and other ability with different perspectives. (The Article 20 and 21 of the "Corporate Governance Best Practice Principle".)
2. The diversified policy and the implementation conditions of specific goals.
  - (1) Our current directors are all composed with nine directors with different profession backgrounds, with three independent directors and four directors concurrently as the manager of the company. This did not exceed a half of chairs concurrently as the employees. There are two independent directors with the profession of finance and accounting, which meet the requirement of diversified policy and specific goals.
  - (2) The member of Board of Directors of the companies with diversified background the experience including the professions of semi-conductor and the electronics industry, finance and accounting and strategic management. Except the basic requirement and the professions knowledge and skills, with the operation various functional committee, the experiences of the directors may contribute themselves with monitoring and decisions of Corporate Governance, Environmental Sustainability, Corporate Social Responsibilities, Law Compliance and etc.

(3) Other conditions of implementing the Core Diversification Items, as follows:

Name Core Diversification Items	Basic Requirements								Industrial Experience and Professional Abilities				
	Title	Gen der	Age			Years as director			Concurrently as the company's employee.	Industrial Technology	Operation Management	Finance and Accounting	Crisis Management
			51- 60	61- 70	71- 80	Under 3 years	3 to 9 years	Over 9 years					
Shu-Chyuan Yeh	Director	Male		V				V	V	V	V		V
Tse-Sung Tsai	Director	Male	V			V			V	V	V		V
Sheunn-Ching Yang	Director	Male		V				V		V	V		V
Ming-Te Tu	Director	Male	V			V			V	V	V		V
Shu-Hsun Yeh	Director	Male	V				V		V	V	V		V
Pin- Wen Fang	Director	Male			V	V					V		V
Feng-Hsien Shih	Independent Director	Male		V			V			V	V		V
Pin- Chi Wei	Independent Director	Male	V				V				V	V	V
Wan-Ping Chen	Independent Director	Male		V			V				V	V	V

### 3.2.2 Management Team(Information of general manager, vice president, associates, department and branch directors)

March 31, 2021 Unit: Shares

Title (Note5)	Nationality	Name	Gender	Date Elected or Appointed	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or within Two Degrees of Kinship			Remarks (Note6)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	Republic of China	Tse-Sung Tsai	Male	June 28, 2019	100,000	0.03%	No	No	No	No	Graduate from Department of Physic, Fu Jen Catholic University	Note 1	No	No	No	No such condition
Vice President	Republic of China	Shu-Chyuan Yeh	Male	June 14, 2005	14,526,754	3.82%	427,866	0.11%	No	No	Graduated from Department of Psychology, National Taiwan University	Note 2	No	No	No	No such condition
Vice President	Republic of China	Ming-Te Tu	Male	September 20, 2007	188,829	0.05%	24,320	0.01%	No	No	Master Degree from Institute of Computer Science and Engineering, National Chung Hsing University	Note 3	No	No	No	N/A
Vice President	Republic of China	Chun-Liang Lin	Male	September 20, 2007	1,400	0.00%	No	No	No	No	Graduated from Department of Management Science, National Chiao Tung University. Associate of Department of Sales, Orient Semiconductor Electronics Co., Ltd.	No	No	No	No	N/A
Chief Financial Officer	Republic of China	Ming-Wei Lai	Male	September 20, 2007	85,852	0.02%	No	No	No	No	Graduated from Department of Accounting, National Cheng Chi University CPAs of the Republic of China Underwriting Department of Grand Cathay Securities Corporation	Note 4	No	No	No	N/A
Associates	Republic of China	Shu-Huei Yeh	Male	February 1, 2001	50,000	0.01%	No	No	No	No	Graduated for Department of Industrial and Information Management, National Cheng Gong University Personnel of Computer Software Design, China Airlines	No	No	No	No	N/A
Associates	Republic of China	Jih-Ming Hsu	Male	September 1, 2006	24,411	0.01%	No	No	No	No	Executive Master of Business Administration, Tong Hai University Production Management Department Manager of Etronic Precision Co., Ltd.	No	No	No	No	N/A

Note 1 : Legal Person Representatives of Lee Shin Investment Co., Ltd. and Legal Person Representatives of Nexus Material Corporation

Note 2 : Chairman of Lee Shin Investment Co., Ltd, Chairman of Lingsen America Inc., Chairman of Nexus Material Corporation, Chairman of Panther Technology, Chairman and General Manager of Sooner Power Semiconductor Co., Ltd., Chairman of Lingsen Holding(Samoa)Inc., Chairman of Li Yuan Investments Co., Ltd.

Note 3 : Legal Person Representative as Director of Lee Shin Investment Co., Ltd.

Note 4 : Legal Person Representative as Supervisor of Lee Shin Investment Co., Ltd., Legal Person Representative as Supervisor of Nexus Material Corporation and Legal Person Representative as Supervisor of Ningbo Li Yuan Technology Incorporation.

Note 5 : Still in position as until the date of the publication and printed of the annual report.

Note6 : Where the General Manager or person of an equivalent post (the highest level manager) and Chairman of the Board of Directors are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

### 3.3 Remuneration of Directors, General Manager and Vice President in latest year

#### 3.3.1 Remuneration of Directors and Independent Directors (Disclose names and ways of remuneration separately)

December 31, 2020 ; Unit: NT\$ Thousands

Title	Name	Remuneration								Ratio of Total Remuneration(A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income(%)		Compensation paid from an Invested Company other than the company's subsidiary or parent company
		Base Compensation(A)		Severance Pay (B)		Directors Compensation (C) (Note1)		Allowances (D)				Salary, Bonuses and Allowance (E)		Severance Pay (F)		Employee Compensation (G) (Note1)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
Chairman	Shu-Chyuan Yeh	0	3,029	0	0	0	0	120	132	-0.07%	-1.92%	6,575	6,575	0	0	0	0	0	0	-4.07%	-5.92%	0
Director	Tse-Sung Tsai	0	0	0	0	0	0	120	120	-0.07%	-0.07%	4,293	4,293	0	0	0	0	0	0	-2.69%	-2.69%	0
Director	Ming-Te Tu	0	0	0	0	0	0	120	120	-0.07%	-0.07%	2,908	2,908	0	0	0	0	0	0	-1.84%	-1.84%	0
Director	Shu-Hsun Yeh	0	0	0	0	0	0	120	132	-0.07%	-0.08%	1,565	1,565	0	0	0	0	0	0	-1.03%	-1.03%	668
Director	Sheunn-Ching Yang,	0	0	0	0	0	0	120	120	-0.07%	-0.07%	0	0	0	0	0	0	0	0	-0.07%	-0.07%	0
Director	Pin-Wen Fang	0	0	0	0	0	0	120	120	-0.07%	-0.07%	0	0	0	0	0	0	0	0	-0.07%	-0.07%	0
Independent Director	Feng-Hsien Shih	360	360	0	0	0	0	0	0	-0.22%	-0.22%	0	0	0	0	0	0	0	0	-0.22%	-0.22%	596
Independent Director	Wan-Ping Chen	360	360	0	0	0	0	0	0	-0.22%	-0.22%	0	0	0	0	0	0	0	0	-0.22%	-0.22%	0
Independent Director	Pin-Chi Wei	360	360	0	0	0	0	0	0	-0.22%	-0.22%	0	0	0	0	0	0	0	0	-0.22%	-0.22%	0

1.The policy, system, standard and construction of independent directors' payment and describe the relevance of the amount of payment according to the factors, such as responsibility, risk and times: Please refer to Page 20~21 of this annual report

2.Except disclosure of the above table, the remuneration of directors provide services to the companies with in the financial statement(For example: as the consultant of the non-employees): Independent Director Feng-Hsien Shih , Wan-Ping Chen and Pin-Chi Wei as the company's member of remuneration committee with NT\$120 Thousand per person as compensation.

Note1 : Due to the loss before tax in 2020, therefore the Board of Directors approved of not contributing employees' and directors' remuneration on March 18, 2021.

### 3.3.2 Compensation of General Manager and Vice President ( Summary in according to the Compensation Level and disclose the names and ways of compensation )

December 31, 2020 ; Unit: NT\$ Thousands

Title	Name	Salary(A)		Severance Pay (B) (Note1)		Bonus, Allowance and etc. (C)		Employee Compensation(D) (Note2)				Ratio of total compensation (A+B+ C+D) to net income (%)		Compensation paid from an invested company other than the company's subsidiary or the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager	Tse-Sung Tsai	17,686	17,686	324	324	4,088	4,088	0	0	0	0	-13.45%	-13.45%	None
Vice President	Shu-Chyuan Yeh													
Vice President	Ming-Te Tu													
Vice President	Ping-Chung Wang													
Vice President	Chun-Liang Lin													
Chief Financial Officer	Ming-Wei Lai													

#### Range of Remuneration

Range of Remuneration	Names of General Manager and Vice President	
	The Company	Companies in the consolidated financial statements
Less than NT\$ 1,000,000		
NT\$ 1,000,000 ( Included ) ~NT\$ 2,000,000 ( Not Included )		
NT\$ 2,000,000 ( Included ) ~NT\$ 3,500,000 ( Not Included )	Ming-Te Tu; Ping-Chung Wang; Chun-Liang Lin; Ming-Wei Lai	Ming-Te Tu; Ping-Chung Wang; Chun-Liang Lin; Ming-Wei Lai
NT\$ 3,500,000 ( Included ) ~NT\$ 5,000,000 ( Not Included )	Tse-Sung Tsai	Tse-Sung Tsai
NT\$ 5,000,000 ( Included ) ~NT\$10,000,000 ( Not Included )	Shu-Chyuan Yeh	Shu-Chyuan Yeh
NT\$ 10,000,000 ( Included ) ~NT\$15,000,000 ( Not Included )		
NT\$ 15,000,000 ( Included ) ~NT\$30,000,000 ( Not Included )		
NT\$ 30,000,000 ( Included ) ~NT\$50,000,000 ( Not Included )		
NT\$ 50,000,000 ( Included ) ~NT\$100,000,000 ( Not Included )		
Over NT\$ 100,000,000		
Total	6 Persons	6 Persons

Note1 : Pension funds in accordance of the laws.

Note2 : Due to the loss before tax in Year 2020, the Board of Directors approved not distributing employees compensation on March 18, 2021.

### 3.3.3 Remuneration paid to top five management personnel (Disclosure of Names and Compensation Separately)

December 31, 2020 : Unit: NT\$ Thousands

Title	Name	Salary(A)		Severance Pay (B) (Note1)		Bonus, Allowance and etc. (C)		Employee Compensation(D) (Note2)				Ratio of total compensation (A+B+ C+D) to net income ( % )		Compensation paid from an invested company other than the company's subsidiary or the parent company
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Vice President	Shu-Chyuan Yeh	5,269	5,269	0	0	1,306	1,306	0	0	0	0	-4.00%	-4.00%	None
General Manager	Tse-Sung Tsai	3,523	3,523	0	0	770	770	0	0	0	0	-2.61%	-2.61%	None
General Manager of Subsidiary	Zhen-Da Lin,(Note3)	1,897	2,513	0	0	539	539	0	0	0	0	-1.48%	-1.86%	None
Associate	Shu-Huei Yeh	1,318	2,718	0	0	239	239	0	0	0	0	-0.95%	-1.80%	None
Vice President	Ming-Te Tu	2,403	2,403	0	0	506	506	0	0	0	0	-1.77%	-1.77%	None

Note1 : Pension funds in accordance of the laws.

Note2 : Due to the loss before tax in Year 2020, the Board of Directors approved not distributing employees compensation on March 18, 2021.

Note3 : As the General Manager of the company's subsidiary of Ningpo Li Yuan Technology Co., Ltd. and retired on October 15, 2020.

### 3.3.4 Managers with Employee Remuneration Distribution

December 31, 2020 Unit: NT\$ Thousands

	Title	Name	Employee Compensation - in Stock (Fair Market Value)	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
	M a n a g e r s	General Manager	Tse-Sung Tsai	0 (Note1)	0 (Note1)	0 (Note1)
Vice President		Shu-Chyuan Yeh				
Vice President		Ming-Te Tu				
Vice President		Ping-Chung Wang				
Vice President		Chun-Liang Lin				
Chief Financial Officer		Ming-Wei Lai				
Associates		Shu-Huei Yeh				
Associates		Jih-Ming Hsu				

Note 1 Due to the loss before tax in Year 2020, the Board of Directors approved not distributing employees compensation on March 18, 2021

### 3.3.5 Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers, and vice president, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) Analysis on the total remuneration, as a percentage of net income stated in the parent company only financial reports or individual financial reports, as paid by the company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, general managers and vice president

Title	2019		2020	
	The Company	Companies within the consolidated financial statement	The Company	Companies within the consolidated financial statement
Director	-3.88%	-4.40%	-10.43%	-12.29%
General Manager and Vice President	-4.57%	-4.57%	-13.45%	-13.45%

- (2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

The directors' remuneration and managers' compensation of the company are paid in accordance of the Article of the Corporate and Internal Regulations of the company in an appropriate proportion. The payment principle for the directors' remuneration and managers' compensation as follow:

A. In according to the Article 31-1 of the Article of Incorporation, normal directors receive reasonable remuneration when the company makes profit within the year, and allocated at a rate of no more than 2% based on the profits before tax before the deduction of the employees' compensation and directors' remuneration in the current year.

Except the directors' remuneration allocated at a rate of no more than 2% based on profits before tax before deduction of the employees' compensation and directors' remuneration; the directors may be given reasonable remuneration based on the contribution to the company's operation in accordance of the company's Article of Incorporation.

In addition, the company paid the directors' monthly fixed transportation allowance and the expenses on executing business by the directors in accordance of "Guideline for allocating remuneration to the directors and functional committee".

B. The remuneration of the independent directors is in the agreed monthly fixed remuneration and not participated in the allocation of directors' remuneration under the Article 31-1 of the company's Article of Incorporate and be paid in accordance of "Guideline for allocating remuneration to the directors and functional committee".

C. For managers' compensation, the company given the reasonable remuneration based on the "Guideline of Assessment Employees Performance and Management of Salaries" with the reference of the company's overall operating performance, future business risks and development trends of the industry, as well as individual performance achievement rate and contributions to the company's performance.

The company's performance assessment, compensation distribution and reasonableness of the compensation shall be reviewed and approved by the remuneration committee and the board of directors. The company made timely adjustment to the compensation system in according to the actual operation status and the relevant laws and regulations in order to meet the balance of sustainable operation and risk management.

### **3.4 Implementation of Corporate Governance**

#### **3.4.1 Operation of the Board of Directors**

Lingsen Company elected the 19<sup>th</sup> Board of Director on the shareholders' meeting on June 12, 2019, including 9 directors (With 3 independent directors). The member of the board of directors shall base on the premise of loyal, cautious and highly aware of the company's interest. The members of the board of directors shall perform their duties on significant matters, such as evaluating the company's operating strategies, risk management, annual budget, business performance and invigilating major capital expenditure, merger, acquisitions, investment, disposal and others. The member of the board of directors shall ensure the accuracy of the accounting system and financial statements to prevent the behavior of the board members to harm the company or the board members' interest conflicts with the shareholders. The board of directors shall elected carefully, invigilating the management team, make objective judgement to the company affairs and elected the suitable internal audit supervisor to ensure the effectiveness of the internal control system, and to prevent any abuses and corruption.

The company convenes a board of directors' meeting at least once per quarter, currently. The management team report to the board of directors with regards to the operating performance and the board of directors making decisions on the company's future operating directions and major policies. Under the board of directors, there are audit office, audit committee and remuneration committee of reviewing the senior managers' compensation. With the review and suggestions of audit office, audit committee and remuneration committee, reported to the board of directors and assisting the board of directors in decision-making.

#### **The principle of avoiding interest conflicts**

Lingsen company enacted Rules of Procedure in accordance to the Regulation Governing Procedure for Board of Directors Meetings of Public Company. Directors were avoid themselves within discussions and voting related to their interest.



**A. Information on the operating condition of the Board of Directors**

A total of Five meetings of the Board of Directors were held in 2020. The attendance of directors were as Follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate %(Note)	Remarks
Chairman	Shu-Chyuan Yeh	5	0	100%	
Director	Tse-Sung Tsai	5	0	100%	
Director	Ming-Te Tu	5	0	100%	
Director	Sheunn-Ching Yang	5	0	100%	
Director	Shu-Hsun Yeh	5	0	100%	
Director	Pin-Wen Fang	5	0	100%	
Independent Director	Feng-Hsien Shih	4	1	80%	
Independent Director	Wan-Ping Chen	5	0	100%	
Independent Director	Pin-Chi Wei	5	0	100%	

Other Matters to be recorded:

1. If any of the following circumstances occurs in the operation of the Board of Directors' meeting, please indicate the date of the Board of Directors' meeting, the session number, the contents of the motion, the opinions of all independent directors and the company's handling of the opinions of the Independent Director:

(1) Matters listed in Article 14-3 of the Securities and Exchange Act : The company established the Audit Committee according to the law, therefore not applicable.

(2) Other than the aforementioned matters, any other matters approved by the Board of Directors which an independent director expresses an objection or reservation that has been included in records or stated in writing: None

2. For the situation where a director avoids a motion related to his/her own interest, please specify the director's name, the contents of the motion, the reason for the avoidance of interest and the voting result :

Date of the Board of Directors' meeting (Session)	Content of the Motion	Name of the Directors	Reason for Interest Avoidance	Participation in voting
No such situation in 2020				

3. Information regards to the period, scope, method and content of the self-evaluation of the Board of Directors, please refer to the execution situation of assessment of the Board of Directors.

4. The goals for strengthening the board's functions in the current and the recent year (e.g. establishment of an Audit Committee, promotion for information transparency, etc.) and assessment of the implementation: The board members continuously attending training courses related to corporate governance to strengthening the functions of the board and to promote communication and interaction. Training courses attending by the Board of Directors please refer to Page 43 of this annual report.

Note : The actual attendance rate (%) is calculated by the number of Board of Director's meeting convened and the number of actual meeting attend when in position.

## B. Implementation Status of Board Evaluations

(1)The company enacted the “Self-Evaluation or Peer-Evaluation of the Board of Directors” on March 17, 2020.

(2)To implementing corporate governance and to strengthen the functions of Board of Directors, setting up performance goals to improve the efficiency of the operating of Board of Directors. The company conducted the internal assessment to the entire Board of Directors and individual members of the Board of Directors , and the result of performance assessment has declared to the TWSE in accordance of law.

(3)The content and description of assessment to the Board of Directors, as follows:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items	Overall Average Score (Out of 5)
Once a year	Jan. 1, 2020 To Dec. 31, 2020	The Board of Directors	Internal evaluation of the Board of Directors	1. Level of participation in company operations 2. The quality of Board decisions, 3. Board composition and structure, 4. Appointment of directors and their continued development, 5. Internal controls.	4.35
		Individual Directors	Self-evaluation of the members in the Board of Directors	1. Grasp of company targets and missions 2. Understanding of the director's role and responsibilities 3. Level of participation in company operations 4. Internal relationship management and communication 5. Director's specialty and continued development 6. Internal controls.	4.55

### 3.4.2 The operation of the audit committee

#### The duties of Audit Committee

The Audit Committee assists the Board of Directors in performing its supervision functions. It also responsible for tasks defined by the Company Act, Securities and Exchange Act and other relevant laws and regulations. The Audit Committee of the company consists of three independent directors. The Audit Committee functions in accordance of the company’s Audit Committee Charter, the meeting shall at least convene once every quarter. The duties of Audit Committee, as follows:

- Adoption or Amendment of an Internal Control System Pursuant to Article 14-1 of the Securities and Exchange Act.
- Assessment of the Effectiveness of the Internal Control System.
- Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- A Matter Bearing on the Personal Interest of a Director.
- Material Asset or Derivative Transactions.
- Material Lending Funds, Endorsements or Guarantees.

- The offering, issuance, or a private placement of any equity-type securities.
- Hiring or Dismissal of an Attesting CPA, or the Compensation given thereto.
- The Appointment or Discharge of a financial, Accounting, or Internal Auditing Officer.
- Financial Statements
- Any Other Material Matter so Required by the Company or the Competent Authority.

### Annual Operation Highlight of Audit Committee

Items of performing its duties	Q 1	Q 2	Q 3	Q 4	When it's necessary
Communicate with the CPAs for the newly revised Accounting Standard, Financial and Tax Affairs Information					V
Adoption or Amendment of an Internal Control System Pursuant to Article 14-1 of the Securities and Exchange Act.					V
Review on Interest Conflicts or Transactions between Related-Parties					V
Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.					V
Review on Material Asset or Derivative Transactions					V
Review on Material Lending Funds, Endorsements or Guarantees	V				V
Hiring or Dismissal of an Attesting CPAs, or the Compensation given thereto and the independence of CPAs	V				
Reviewed the Financial Statements with CPAs regularly	V	V	V	V	
Communicate with CPAs with key audit matter				V	
Review on the Audit Report and Follow-up Report	V	V	V	V	V
Review on the Self-Evaluation of Internal Control System				V	
Assessment of the Effectiveness of the Internal Control System	V				
Recognition of Annual Financial Statement	V				
Review on the Business Report and Earnings Distribution and prepared an Inspection Report	V				

### A. The Operation of the Audit Committee

The term of the Audit Committee starts from June 12, 2019 to June 11, 2022. There are 5 meetings convened in the Year 2020 and the attendance of the independent directors were as follows:

Title	Name	Attendance in person	By Proxy	Attendance Rate %(Note)	Remarks
Independent Director	Feng-Hsien Shih	4	1	80%	
Independent Director	Wan-Ping Chen	5	0	100%	
Independent Director	Pin-Chi Wei	5	0	100%	

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date of the Board of Director's Meeting (Session)	Contents of Motion	The results of the resolution of the Audit Committee and the Company's handling of the opinions of the Audit Committee
March 17, 2020 (19 <sup>th</sup> BOD Session 1 of 2020)	1. Approve the Hiring of CPAs	The Audit Committee Approved Unanimously, proposed to the Board of Directors and approved by the Boards of Director
	2. Approve the 2019 Financial Statement	
	3. Approve the Internal Control Statement of 2019	
	4. Approved the Endorsement and Guarantee	
	5. Approved the amendment to the "Operation of Internal Control Systems and Internal Audit Implementation Rules" of the Company	
	6. Approve the Adjustment of Investment in Mainland China	
November 11, 2020 (19 <sup>th</sup> BOD Session 5 of 2020)	1. Approved the Capital Increase to the Subsidiaries	The Audit Committee Approved Unanimously, proposed to the Board of Directors and approved by the Boards of Director

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communication between the independent directors and the internal audit supervisors and accountants (shall include the major issues, methods and results of the company's financial and business conditions)

1. Communication with internal auditor supervisor

(1) After the audit report and follow-up report are reviewed, both reports shall deliver to the independent director for review before the end of the month following by the completion of the audit item. When the making audit matter report to the board of directors, the items and date that have been deliver to independent directors within the year shall be inspected.

(2) When the major abnormalities in the execution of the company's finance or business discovered in the internal control system shall report to each independent director, and reported to the board of directors in the audit operating report. However, there are no major abnormalities were found in the audits this year.

(3) When the board of directors' meeting convened every quarter, the audit matter report is carried out, the amendment the revision and the amendments to the internal control system shall approved by the audit committee in accordance of the regulation. The 2020 reported items are organized as follows:

Internal Control System/Internal Audit Implementation Rules	No.	Control/ Audit Operation Item	No. of Operation Item/ Audit Item	Date of Approved by Audit Committee	Date of Approved by the Board of Directors
Internal Control System	1	Management Procedure of Preparing Financial Statement	CT-106 Revision	2020/03/17	2020/03/17
	2	Management Operation of the treasury stock transferred to the employees	CT-115 Amendment	2020/11/11	2020/11/11
Internal Control Implementation Rules	1	Audit to the management procedure of preparing financial statement	AT-106 Revision	2020/03/17	2020/03/17
	2	Audit to the management operation of the treasury stock transferred to the employees	AT-115 Amendment	2020/11/11	2020/11/11

(4) The audit committee has devoted considerable attention and supervision to the review, tracking and improvement of the internal control and related deficiencies.

For example, if asking the internal audit supervisor about the difficulty in collecting information when conducting the audit matters of the subsidiary in Mainland China under the COVID-19 pandemic during the meeting.

(5) The results of the annual self-assessment of the company's internal control system were submitted to the audit committee for review and approval, none of the independent directors expressed objections.

(6) The internal audit supervisor regularly provides industry survey statistical information, such as TSIA 2020/Q4 and the Taiwan IC Industry Movement Observation Quarterly Report, to assist the independent directors with understanding the company's industry status.

2. Communication Condition with the CPAs

(1) The CPAs explains financial status, overall operation status and internal control status of the company and its subsidiaries to independent director every year, and fully communicates whether there are major adjustment in the entries or the amendment in laws and regulation that may affect the account condition.

(2) Summary on communication items

The CPAs issued a communication letter to the independent directors and report to the independent directors on the key audit matters on the financial status and income and loss.

After communicating on the key audit matters in the audit report, the audit committee agreed with the opinions of the CPAs. ◦

Result of Communication: The 2020 Financial Statement was reviewed and approved by the audit committees of the company and with the resolution of the board of the directors, and completed the announcement and declaration to the competent authority in accordance with the law.

Note : The Actual Attendance Rate is calculated by the number of times the audit committee convene the meeting while the directors were in position and the actual number of Meeting Attend.

### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
1. Does the company follow the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and has the company established and disclosed its own Corporate Governance Best Practice Principles?	V		The “Corporate Governance Best Practice Principles” of the Company has been established with the “Corporate Governance Best Practice Principles for TWSE”, and disclosed on the Company’s Website.	No significant variances
2. The Company’s shareholding structure and shareholders’ equity (1) Does the company stipulate internal operating procedures to deal with shareholders’ suggestions, doubts, disputes and litigation matters, and implement them according to procedures?	V		(1) To ensure the benefits and interests of the shareholders, the company set up the spokesperson and the deputy spokesperson, in addition with agent for stock affairs to deal with shareholders’ suggestions, doubts, disputes and litigation matters. If consists of legal issues it will be handled by the legal affairs of the company.	No significant variances
(2) Does the company have a list of ultimate controllers of the major shareholders and major shareholders of the actual control company?	V		(2) The company keep grasping the list of shareholders who hold more than 5% or top 10 shareholding of the company, and disclose the shareholding status of the directors, managers and major shareholders with shareholding more than 10%.	No significant variances
(3) Does the company establish implement and control the risk control and firewall mechanism between the enterprises?	V		(3) The matters with the company and its subsidiaries were in accordance of “Operational Procedure of invigilating the subsidiaries”, “Operational Procedures of Endorsements and Guarantees”, “Operational Procedures of funding to others”, “Operational Procedure of acquisition and disposal assets” and other related internal regulations to established suitable risk control and firewall mechanism, and with the regular invigilating on the implementation by the audit personnel.	No significant variances
(4) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?	V		(4) The company enacted “Management Operation of Preventing Insider Trading”, “Code of Ethical Conduct” and other regulations to prevent insider trading occurred in the company.	No significant variances
3.The composition and duties of the Board of Directors (1) Does the Board of Directors formulate a diversified policy and implement it in terms of membership?	V		(1) The company enacted the diversified policy for the composition of the board members in the “Corporate Governance Best Practice Principles” , for related policies, actual goals and implementation please refer to page 14~15 of the annual report.	No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
(2) Does the company voluntarily set up other functional committees in addition to the Remuneration committee and the Audit Committee?	V		(2) The company has established the remuneration committee and the audit committee under the board of directors. The company established internal committees such as occupational safety and health committee, environmental management committee to executing the related risk management activities. For other remaining issues of corporate governance are handled by the relevant internal units.	Establish depends on the future operating condition and the scale of the company.
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	V		(3) In order to implement corporate governance and to enhance the functions of the company’s board of directors. The company enacted the Self-Evaluation and Peer-Evaluation of the Board of Directors. The company conducted the annual internal performance assessment of the entire board of directors and individual members of board of directors every year. The results of the performance assessment shall be conducted before the end of the first quarter of the following year, submitted to the board of directors, and declared to the TWSE in accordance of law. The assessment scope shall include the assessment evaluation on the entire board of directors and individual members of the board of the directors. Please refer to Page23 of this annual report for the Implementation Status of the Board Evaluations.	The company has conducted the Self-Evaluation and Peer Evaluation of the board of directors since 2020 in accordance of the laws, and declared the results to the TWSE
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The company conducted the evaluation on the independence and the appropriateness of the CPAs annually, and setting up assessment mechanisms and standards in accordance of the Certified Public Accountant Act and Code of Professional Ethics: <ol style="list-style-type: none"> <li>1. There is no direct or significantly indirect financial interest relationship between the CPAs and the company.</li> <li>2. There is no funding or guarantees between the CPAs and the company or between the directors.</li> <li>3. There is no close business relationship or potential employment relationship between the CPAs and the company.</li> <li>4. The CPAs and his or her audit team members have not served as directors, managers or positions that significantly influence on the</li> </ol>	No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
			<p>auditing the company at present and the last two years.</p> <p>5. The CPAs does not provide non-audit serviced items that will directly affect the auditing.</p> <p>6. Request the CPAs to provide Independence Declaration every year.</p> <p>The engagement of CPAs shall be conducted after the evaluation and meet the evaluation standard of independence and appropriateness, submitted the result to the audit committee and board of directors’ meeting and with their review, approve and discussion.</p>	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The company’s corporate governance affairs are managed by the internal related unit and handled by their responsibilities. The secretary of the board of directors handled the meeting of board of directors by in charge of providing required documents to executing their duties and hosting related matters of board of directors in according to the laws. For company registration, registration in changes and matters of shareholders’ meeting are handled by the finance department in accordance of laws.	According to the “Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board’s Exercise of Powers”, the company will completed with establishing corporate governance supervisor before June 30, 2021.



Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		<p>The company set up the “Corporate Social Responsibility” Zone on the company’s website with contacted provided. The Company clearly illustrate the attitude and ways of putting in practice clearly, and published the Corporate Social Responsibility Report to review and enhance the interaction and management of the stakeholders.</p> <p>(1) The company established the spokesman system and well in use of MOPS allows the shareholders and the stakeholders to understand the Company’s Financial Operational Condition sufficiently.</p> <p>(2) The company’s website with the Client Zone and with the contact person for assisting clients to promote the channel of communicate with our clients successfully.</p> <p>(3) The company’s website with the supplier zone can handle the transaction conditions with our suppliers any time. With the responsible person to assist our suppliers and to promote the channel of communicate with our suppliers successfully.</p> <p>(4) The company established the system of regularly communicate with our employees and with the employees’ mailbox and the person in charge to reply to the employees’ opinion to promote the channel of communicate with our employees successfully.</p>	No significant variances
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company appointed the professional stock affairs institutes Department of Agency, CTBC Bank for the holding of shareholders’ meeting	No significant variances
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		<p>(1) The condition of the company disclosing its financial information and information on corporate governance : (<a href="http://www.lingsen.com.tw">http://www.lingsen.com.tw</a>)</p> <p>1. The condition of disclosing financial information: The website of the company set with the stakeholders’ zone , regularly updated financial information for our investors.</p> <p>2. The disclosure of business operating: The company set up the website with the introduction of the company’s product and provide immediate product information.</p> <p>3. The condition of disclosing corporate governance: The significant internal regulations were disclosed on the company’s website.</p>	No significant variances
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing	V		(2) The company has set up an English Language website with the person who is responsible for gathering and	No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Brief Description	
designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?  (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	disclosing company information. The company put in practice of the spokesperson system, announcement shall be made to the public by the spokesperson and deputy spokesperson.  (3)The company declared and announced the quarterly financial statements immediately after the approval of the Board of Directors and declared the operating conditions of the company each month prior to the given expiry date by laws and regulations.	The company completed with declaration before the fate given by the law.
8.Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Please refer to Pag. 42~ 43 (3.4.8) “Any other material of information that would afford a better understanding of the status of the company’s implementation of corporate governance” of this annual report.	No significant variances
<p>9. Please Explain the Improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and Provide the Priority Enhancement Measures:</p> <ol style="list-style-type: none"> <li>1. The company adding the declaration of English-Language version of “Handbook and Supplementary Information of the Shareholders’ Meeting”, the “Annual Report” and the “Annual Financial Statements”.</li> <li>2. The company established the Head of Corporate Governance in charge of matters requested by the directors and monitoring the related items of corporate governance.</li> </ol>				

### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee Duties of Remuneration Committee

The operation of remuneration committee with the purpose of enhance corporate governance and risk management, with consideration of motivates and retaining talents, and evaluating and invigilating the compensation and remuneration system for the directors and managers.

According to the regulations, more than half of the members of the remuneration committee shall be appointed by the independent directors, and the retire members shall elect an independent director as the convener and chairman of the meeting.

The company's remuneration committee consists of three independent directors, the committee is operating under the "Remuneration Committee Charter", the meeting shall be convened twice per year, and with the following duties:

- Regular review on the "Remuneration Committee Charter" and provides opinions of amendment.
- Establishing and regular review on the annual and long-term performance goals of the directors and managers, as well as the policies, system, standard and structure of the remuneration and compensation.
- Regular evaluation on the performance status of the directors and managers performance goals and determine the content and amount of individual compensation and remuneration.

### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Identity (Note1)	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note2)										Number of Other Public Companies in which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, CPAs or other Professional or Technical Specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10			
Independent Director	Feng-Hsien Shih			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Wan-Ping Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Pin-Chi Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note1 : Please filling whether as director, independent director or others in the identity column.

Note2 : A "✓" is placed in the box for those directors who fulfill the following conditions during and up to two years prior to their time in office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

## B. Operation condition of the Remuneration Committee

- (1) The annual operational highlight of the company's Remuneration Committee: approving the directors' compensation, efficient of the manager, review on remuneration framework, performance of the managers, approval of bonuses and reviewing the remuneration committee charter and proposed the amendment.
- (2) There are 3 members of the Remuneration Committee
- (3) The term of the current members of the Remuneration Committee: the fourth term in office is from June 24, 2019 to June 11, 2022. There are 2 meetings convened in the Year 2020 and the qualifications and attendance of member are as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%) (Note)	Remarks
Convener	Feng-Hsien Shih	2	0	100%	
Member	Wan-Ping Chen	2	0	100%	
Member	Pin-Chi Wei	2	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion:  
  
The board of directors accept all of the remuneration committee's suggestions and there is no conditions of the board of directors does not accept or adjust to the opinion of the remuneration committee.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note 1 : The actual attendance rate is calculated by the numbers of remuneration committee's meeting convened in position and the numbers of attending the meeting.

**C. Discussion Highlights on the Remuneration Committee meetings in year 2020 to March 31, 2021**

Date of the meeting	Discussion items and content of resolution	The resolution made by the remuneration committee and the company's handle to the opinion of the remuneration committee
March 17, 2020	<ol style="list-style-type: none"> <li>1. Suggestions to the 2019 Distribution of employees' compensation and directors' remuneration.</li> <li>2. Pass the revision of "Self-Evaluation or Peer Evaluation of the Board of Directors" of the company</li> </ol>	The attending members approved unanimously, and proposed and approved to the board of directors.
November 11, 2020	<ol style="list-style-type: none"> <li>1. Pass the "Remuneration Committee Charter" of the company</li> </ol>	
March 18, 2021	<ol style="list-style-type: none"> <li>1. Suggestions to the 2020 Distribution of employees' compensation and directors' remuneration.</li> <li>2. Suggestions for the 2021 salary adjustment to the manager</li> </ol>	

Remark : The entire remuneration committees' number of actual attendances in 2020: 2  
The entire remuneration committees' number of actual attendances in 2021 as until the date of the annual report is published and printed: 1

### 3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		1. The company enacted the "Corporate Social Responsibility Best Practice Principles". The company put in practice of corporate social responsibility and building up the sustainable development environment with the action plan expanded by four aspects: "Corporate Governance", "Sustainable Environment", "Corporate Commitment" and "Social Engagement". (The Actual Implementation, please refer to Page 45~48 Other important information to facilitate better understanding of the company's corporate social responsibility practices).	No significant variances
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the Board to be in charge of proposing the corporate social responsibility policies and reporting to the Board?	V		2. The Company's General Manager's Office as the dedicated unit for promoting Corporate Social Responsibility, which responsible for making and execution of the promoting plan with the assistant of Audit Unit of the company to review the condition of law compliance, and report regularly to the Board of Directors.	No significant variances
3. Environmental Issues (1) Does the company establish proper environmental management systems based on the characteristics of their industries? (2) Does the company endeavour to utilize all resources more efficiently and use renewable materials which have low impact on the environment? (3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its	V V V		The Company passed and obtained the certification of "ISO 14001 Environmental Management System", "ISO14064 Greenhouse gases examination" and other international environmental protection certifications. Base on the concept of Sustainable Development and implement the obligation of social responsibility, the company put in our effort on environmental protection actively. (The Implementation condition please refer to The summary of the company's effort on	No significant variances No significant variances No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
business, and take appropriate action to counter climate change issues? (4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		environmental protection of Information on Environmental Protection Expenditure under Chapter V. Operational Highlight (Page 77 ~ 79)	No significant variances
4. Social issues (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?  (2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?  (3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?  (4) Does the company provide its employees with career development and training sessions? (5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?  (6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V  V  V  V  V		(1) to (4) The company agreed and support the United Nations Sustainable Development Goals and the UN Global Compact, the company review it in all aspects with the relevant to the company's operation and with the implementation of Corporate Social Responsibility of the company. Other implementation conditions, please refer to Labour Relationship under Chapter V. Operational Highlight (Page 79 ~83).  (5) to (6) The Implementation condition please refer to Page45 .	No significant variances  No significant variances  No significant variances  No significant variances  No significant variances

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	V		The Company established the Corporate Social Responsibility Zone on the company’s website disclose the relevant and reliable information on Corporate Social Responsibility.	No significant variances
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:  No significant variances.				
7. Other useful information for explaining the status of corporate social responsibility practices:  Please refer to Page 45 of this annual report and the Corporate Social Responsibility Report disclose on the company’s website.				



**3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"**

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p>	V		<p>(1) The company with three major management faith of "active and proactive", "Integrity and Down-to-Earth" and "sharing excellence". Based on the management concept of integrity, transparent and responsibility, the company enacted the related policies based on integrity, and establishing the corporate culture of Lingsen company. The company enacted the "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conducts", "Management Operation of Preventing Insider Trading" and other basic regulations, as well as employees code of conduct, guidelines for rewards and punishments for our personnel to follow. The company's "Ethical Corporate Management Best Practice Principles" has been approved and enacted by the board of directors, and published on the company's website. The Ethical Corporate Management Best Practice Principles stated that the members of the board of directors and managerial personnel shall perform the duties of care when executing business, shall perform the duties with care in order to perform the commitment of ethical management policy. Inside the Ethical Corporate Management Best Practice Principal also enacted the matters that the company's personnel shall pay attention to following the ethical management policies when executing business.</p>	No significant variances

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?</p>	V		<p>(2) and (3)  The company has established the effective internal control system, all units implementing annual "Internal Control Self-Evaluation" operation. The assessment of the effectiveness of the internal control system has been approved by the audit committee. Through the internal audit process and enhance on the various anti-corruption measures and disseminating, effectively preventing any incidents of unethical occurred.  Under the "Guidelines for Board of Directors' meeting" and the "Remuneration Committee Charter" enacted the avoidance in directors' interest and implementing them accordingly. For more information please refer to Directors implementation on avoidance of interest conflicts under III. Corporate Governance.  In addition, in the "Code of Ethical Conduct, "Work Rules" and the "Affidavit Letter of no improper gift or commission payment signed by the suppliers " prohibited the personnel performing business gain their personal interests through the convenience of their duties.  Internally, when an employee conducts unethical behaviours, the company will be punished depends on the severity of the condition in accordance of "Guideline of Reward and Punishment". Except terminating his or hers purchase contract, disqualifying the supplier and request the responsibility of compensating the loss of the company.</p>	No significant variances

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Fulfill operations integrity policy				
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) The company request the suppliers to sign an affidavit letter, and no behaviours of improper gifts or commissions payment. By the affidavit letter to ensure the fair and transparent commercial activities between the two parties. In addition, the company's correspondent financial institutions were legally registered and well-known commercial bank or securities company, rights and obligations of both parties and the conditions of transactions were stated clearly inside the Credit Agreement.	No significant variances
(2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(2) The company established Audit Committee under board of directors to monitoring the effective measures, compliance of laws, regulations and rules of the company's internal control, as well as the control of existing or potential risk of the company. The internal audit unit also implementing the audit operation in accordance of the annual audit plan, and reported to the board of directors about the implementation regularly.	No significant variances
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) The company enacted the "Ethical Corporate Management Best Practice Principle" and "Codes of Ethical Conduct" to prevent from interest conflicts and provide the channel for making proper statement.	No significant variances
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent	V		(4) The company's account and internal control system were approved by the audit committee and the board of directors. Regular and Irregular review on the implementation of the system to effectively anti-corruption and to benefitting the company operation.	No significant variances

Evaluation Item	Implementation Status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
<p>unethical conduct, or hire outside accountants to perform the audits?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		(5) The Company regularly hold the educational training and disseminate event to put in practice of the ethical corporate management policy and take the policy as the assessment item.	No significant variances
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	V		<p>(1) The company enacted the "Ethical Corporate Management Best Practice Principle" and "Codes of Ethical Conduct" to encourage the whistle-blower to reported to the independent director, manager, internal audit manager with behaviours against the law or violates the "Codes of Ethical Conduct". In addition, there is a General Manager's Mailbox for a convenient whistle blowing channel and dedicated the appropriate responsible personnel.</p> <p>(2) The company dedicated the responsible unit in according to the matters of reported and monitored by the audit personnel to ensure the relevant content is confidential.</p> <p>(3) According to the company's "Ethical Corporate Management Best Practice Principle" and "Codes of Ethical Conduct", the company shall keep confidential to the whistle-blower and the content of reported cases and ensure the measure for protecting whistle-blowers from inappropriate disciplinary action.</p>	No significant variances
<p>4. Strengthening information disclosure</p> <p>Does the company disclose its ethical</p>	V		The company disclose our "Ethical	No

Evaluation Item	Implementation Status			Deviations from the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
corporate management policies and the results of its implementation on the company’s website and MOPS?			Corporate Management Best Practice Principle” and “Codes of Ethical Conduct” on the company’s website.	significant variances

5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.  
There have been no differences.

7. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).

- (a) The company comply to the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donation Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, and related laws and regulations of listed company and other business behaviours. The company take these laws and regulations as the basis of implementing ethical corporate management.
- (b) The Company’s Rules of Procedure for Board Directors and Audit Committee Charter stated the Avoidance of Conflicts of Interest to the directors. Within the meeting items if consists of the conflict of interest related to his or her own or the legal person and with the concern of affecting the company’s benefits, the director may make the statement and answering questions. However, the director may not join the discussion and voting, he or she shall avoid himself or herself, and may not act as a proxy as other directors to vote.

### **3.4.7 Ways of searching Corporate Governance Best Practices Principles and related regulations enacted by the company**

The company enacted Corporate Governance Best Practice Principles, related regulation, and all disclosed on the company’s website  
<http://www.lingsen.com.tw>.

### **3.4.8 Any other material information that would afford a better understanding of the status of the company’s implementation of corporate governance may also be disclosed.**

#### **A. Benefit and Interest of the employees and taking care of employees**

The company valued the care and the benefit and interest of the employees. The company planed various employees’ welfare, continuous learning and educational training measures. The actual implementation please refer to Employees’ Relations under Chapter V. Operational Highlight of the annual report on page 79 to 83.

#### **B. Investors Relation, supplier’s relation and rights of stakeholders**

The company set Mandarin Chinese and English Website, disclosure of the company’s information on finance and business. To ensure the benefit and

interest of stakeholders the company set up the “Stakeholders’ Zone” for a public communication channel, handled on basis of ethical corporate principle and the attitude of responsible. The company trying our effort on corporate social responsibility and to maintain the legal benefits and interests of the stakeholders.

### C. Conditions on the continuous studies of the directors

The company’s directors with industrial background and the experience of operational management, the directors with the continuous attending courses to enhance the functions and the communications of board of directors. The duration of attending continuous studies of each individual directors were meet the requirement of “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies” and the conditions as follows with more information please refer to MOPS:

Directors’ Training Records

Title	Name	Date	Sponsoring Organization	Course	Training Hours
Director	Shu-Chyuan Yeh	September 24, 2020	Securities & Future Institute	The principal and application of Blockchain	3
		September 29, 2020	Securities & Future Institute	How to plan the shares, and the offensive and defensive in Board of Directors’ Meeting and Shareholders’ Meeting.	3
Director	Tse-Sung Tsai	August 20, 2020	Accounting Research and Development Foundation	Practical Analysis towards the competent authority requested for “Head of Corporate Governance or Corporate Governance Personnel”	3
		August 21, 2020	Accounting Research and Development Foundation	Practical for Enterprise Corporate Governance: The Analysis of Strategy and Application Tool in Employee Compensation	3
Director	Sheunn-Ching Yang	August 20, 2020	Accounting Research and Development Foundation	Practical Analysis towards the competent authority requested for “Head of Corporate Governance or Corporate Governance Personnel”	3
		October 12, 2020	Securities & Future Institutes	5G Critical Technics and Applied Business Opportunity	3
Director	Ming-Te Tu	August 20, 2020	Accounting Research and Development Foundation	Practical Analysis towards the competent authority requested for “Head of Corporate Governance or Corporate Governance Personnel”	3
		August 21, 2020	Accounting Research and Development Foundation	Practical for Enterprise Corporate Governance: The Analysis of Strategy and Application Tool in Employee Compensation	3
Director	Shu Hsun Yeh	June 22, 2020	Accounting Research and Development Foundation	Practical Issue Analysis of Law Compliance and Anti-Fraud on the Information Safety and Personal Privacy of Internal Control Personnel	6
Director	Pin-Wen Fang	September 4, 2020	Securities & Future Institute	2020 Continued Training on the prevention of insider trading and insiders’ share transfers.	3
		October 12, 2020	Securities & Future Institute	5G Critical Technics and Applied Business Opportunity	3
Independent Director	Feng Hsien Shih	September 30, 2020	Securities & Future Institute	2020 Continued Training on the prevention of insider trading and insiders’ share transfers.	3
		October 16, 2020	Taiwan Stock Exchange Corporation	The 2020 Dissemination Meeting of Corporate Governance and Corporate Integrity for the Directors and Supervisors	3
Independent Director	Wan Ping Chen	May 7, 2020	Taiwan Corporate Governance Association	Big Data Analysis Technology and Risk Intelligent Dashboard to effectively control the operational risk of the Enterprise	3
		August 6, 2020	Taiwan Corporate Governance Association	Corporate Risk Management and share of the transformation trend of the post- pandemic era	3
Independent Director	Pin Chi Wei	September 4, 2020	Securities & Future Institute	2020 Continued Training on the prevention of insider trading and insiders’ share transfers.	3
		October 12, 2020	Securities & Future Institute	5G Critical Technics and Applied Business Opportunity	3

## D. Trainings Attended by Head of Accounting and Internal Audit

Training attended by the head of accounting and internal audit, as follows:

Title	Name	Date	Organizer	Name of the course	Duration (hours)
Chief Financial Officer	Ming-Wei Lai	2020/12/21 2020/12/22	Accounting Research and Development Foundation	Continuing Training Course for Accounting Supervisors of Issues, Brokers and TWSE.	12
Head of Audit	Chih-Wei Yang	2020/07/27	Accounting Research and Development Foundation	Analysis on the policy of "Assisting companies to increase its ability to self-prepared financial statement" issued by competent authority and the practical of internal control management	6
		2020/07/28	Accounting Research and Development Foundation	Practice and Case Studies of Compliance to the labour laws during the COVID-19 Pandemic	6

## E. Risk Management Policies and Risk Evaluation

### (1) Organization of Risk Management

#### A. Establishing effective internal control system

Each unit implementing the annual internal control self-assessment in accordance to the audit plan. Through the internal audit procedures, and enhance on the measures of anti-corruption and disseminating to effectively prevent any accident of risk occurred.

#### B. Internal Audit Unit

Executing auditing in accordance of annual audit plan, regularly report to the board of the directors on its implementation. In charge of the amendment and promoting of internal control system.

#### C. Audit Committee

Supervising the effective implementation of the company's internal control, compliance with laws and regulations, and the management and control of the existing or potential risks of the company.

In order to achieve the purpose of reliable and prepared in compliance of related laws and regulation of the company's operation results report.

#### D. Board of Directors

As the company's highest decision-making unit and determining the overall operating directions of the company. Enacted the specific policies and implementation plans in responding the company's overall operational risk.

### (2) Conditions on implementation

#### A. Establish, revise and promoting various standard operation procedures at the appropriate time and effectively manage the operational risk.

- B. Enacted various company's regulations in accordance with laws, establishing effective management mechanism and implementing them, and put law compliance in practice.
  - C. In order to protect the company's assets and protect the rights and benefits of the employees and the stakeholders, the company has taken out relevant insurance to avoid risks, such as commercial fire insurance, public liability insurance, employees' group insurance and others.
  - D. The company applies the liability insurance for directors and important employees. (D&O) ◦
  - E. Establishing "Labour Safety and Health Committee", "Environmental Management Committee" and other committees to executing activities related to risk management.
  - F. Promoting profit centered system and performance reward mechanism indicators to review on the economic scale of each production line. Strictly implementing the enterprise scale risk management.
- (3) For other information please refer to the Analysis and Assessment of risk matters of the most recent year and as the date of publication and printed of the annual report under Chapter VII. Review of Financial Conditions, Financial Performance, and Risk Management (Page 98 to 102).

**F. Other Important Information to facilitate better understanding of the company's corporate social responsibility practices:**

The company desperately taking the corporate social responsibility while aiming for sustainable operating. With the operation of the company's Corporate Social Responsibility, the company review comprehensively on environment, society, issues of corporate governance and its relevant to the company's operation under the materiality principle, The brief summary as follows:

Major Issues	Assessment Items	Related Policies and Strategy
Corporate Governance	Legal Compliance	Implementing the internal control mechanism to ensure the entire personnel of the company and the operation comply to the related laws and regulations
Environmental Protection	Reduce Energy usage and reduce waste	The company put in effort of environmental protection, the company manufacturing green energy and environmental protection products. The company comply the laws and regulations to energy saving, reduce waste and pollution prevention. The company continuously improving and aiming the sustainable management. The company comply to the ISO-14001 related rules and the systematic PDCA Environmental Operation Cycle, effectively reduce the emissions of pollution and the impact to the environment. The company set up environmental goals target every year and implement according to it. The company regularly convened the Environmental Management Plan Meeting to track and continuously heading to the goals of electricity saving, water saving, reduce carbon emission and reduce waste.
Corporate Commitment	Product Safety	The safety of the products, the company has introduced the green production and is committed to environmental protection. All products are manufacturing in compliance with customers and



		EU RoHs regulation, and without hazardous substances. Through the rigorous quality management system, we provide our customers with stable product quality and at the same time ensure the customers service quality to increase customers' satisfaction. We established customer service hotline and communication website, actively taking customer satisfaction survey in every quarter. The company enhance the cooperation and trust relationship with our customers, the company mutually benefit and grow with the customer in order to achieve sustainable development.
	Confidential Privacy of clients	The company is committed to provide the best service to our customers. In the management system of the customers privacy, except signing confidentiality agreements with customers, we continue to strengthen the control and usage of confidential information. Through the document management centre, strictly manage the use of confidential files and implement the protection of client confidential information. In addition, The company enacted the relevant information system operation procedures and policies to protect commercial secrets.
	Implementation of responsible suppliers	As a member of the semiconductor industry supply chain, the company workers with the suppliers to improve in technics, quality, delivery, environmental protection, human rights, safety, health and other different aspects, implementing the responsible suppliers. <ul style="list-style-type: none"> <li>• 100% purchase of non-conflict mineral raw materials- the company in response to international control measures on conflicts minerals, the company continues to required existing and new suppliers to strictly abide the non-use of metal materials in conflicting region.</li> <li>• 100% do not use environmentally banned substances-The company formulates environmental substance management operating guidelines based on customers and international standards for non-hazardous substances, and informs suppliers, proposes a green procurement policy with environmental protection as its appeal, and requires raw material suppliers to sign [Environmental Management Substance Non-use Certificate] and provide the third certification body's test report, and remind the supplier to provide the latest test report every year through the [Supplier Certification Data Operating System], so as to achieve the goal of 100% non-use of environmentally banned substances.</li> <li>• The company requires all suppliers to comply with local regulations, social norms and environmental protection requirements. In order to enhance the overall competitiveness of the supply chain, the company conducts supplier review and approval operations in accordance with IATF16949 and the annual audit plan. Through the company's standard supplier evaluation procedures, select excellent suppliers that meet the company's quality and environmental management system requirements to maintain the best competitiveness in the supply chain.</li> </ul>
Corporate Commitment	Occupational Safety	The company respects basic labour human rights, obey the government labour laws and regulations, ensure the workplace of the employees, health, safety and other related rights and benefits. Protecting and promoting human rights. For example,

		<p>base on the caring of employees' health and respecting human rights, the company promoting smoke-free workplace activities(respecting the non-smoker to refuse second-hand smoke) and construct an working environment of Employers caring and Employees feeling safe.</p> <p>In addition to complying with relevant domestic laws and regulations to carry out daily operation management, it has established an "Occupational Safety and Health Management Policy" and passed the ISO45001 occupational safety and health certification. Through the documentation, planning, implementation, inspection, correction and prevention of the management system, Improve a safe and hygienic working environment and effectively prevent occupational accidents.</p>
<p>Social Engagement</p>	<p>Positive Caring Common good in the society</p>	<p>The company actively participated in various public welfare activities in the society to create an inclusive workplace and care for the disadvantaged, hoping to given some positive impacts to the society.</p> <ol style="list-style-type: none"> <li>(1) Industry-Academic Cooperation Plan: Since 2006, the company has actively promoted the industry-academic cooperation plan. The corporate internship allows the students to familiar with work practice and management knowledge to eliminate the gap between academic and industry. Through the industry-academic cooperation model, allows the students to have career opportunities and makes the company with sufficient human resources.</li> <li>(2) Cleaning Mountains and cleaning the Road Activities: the company's club actively initiating multiple cleaning mountains and cleaning the road activities to protect our earth with actual actions.</li> <li>(3) Establishing Lingsen TzuYi Society: With care, love and feedback as the ultimate goal, we are committed to social welfare and take practical actions to take care of people in need. For example, to promote the activity of donating receipts with love, setting up a "loving receipt box", all the collected receipts are donated to the Taichung City Private Faith Hope Love Intelligent Development Center, hoping that small good deeds can bring hope and create happiness to those in need.</li> <li>(4) For the long-term friend of Eden Foundation: continue to support Eden Tanzi Shelter Workshop through subscription of regular fixed amount mealbox. The company provide support and encouragemet to the physically and mentally disadvantaged people.</li> <li>(5) Providing career opportunities, hiring physical and mentally disadvantaged groups. The company helping them to live on their own, expecting them to have a happy family and contribute to the harmony in society.</li> <li>(6) The company implementing the recycling and classification, the company hoping to assist disadvantaged recycling self-employed individual to reduce their workload and providing stable amount of recycling. The company response to the municipal government's "Eternal Security Plan" to take actions support and care of disadvantaged.</li> </ol>

### **G. Implementation of Client Policy**

To enhance the trust to our client, the company dedicated individual personnel to the client to provide immediate response. By the measure we taken, to obtain the trust of our client and build up solid relationship with our client. Implementing of the company's all-rounded services, and actively developing clients and development strategy of relationship management.

### **H. Certification of Employees whose jobs are related to the related to the disclosure of the company's financial information**

CPA of Republic of China: Chief Financial Officer Ming-Wei Lai

Certified Internal Auditor: Audit Office Chih-Wei Yang

### **I. Actual Practice of Implementing Ethical Corporate Management**

#### **(1) Hosting internal and external educational training on ethical corporate management**

The company hosting internal and external educational training on ethical corporate management every year. The company disseminating internal educational training on ethical corporate management(including corporate culture; work rules and internal regulation; occupational safety and health; Ethical Corporate Management; Law Compliance and other issues) in pre-job training for new employees.

The accumulated training employees were 886 attendees with 1,734 hours of training duration in 2018. The accumulated training employees were 398 attendees with 608 hours of training duration in 2019.

#### **(2) Conditions on education and disseminate of preventing insider trading**

The company provide education and disseminate document to current directors and managers. For example, by providing Q&A Disseminate Handbook of insider trading for TWSE Listed Company. This allows the insider of the company understand the its rules and comply to it. In addition, internal regulations and procedures were made public on the company's external website for directors, managers and employees as reference.

### 3.4.9 Implementation of the internal control system

#### A. Internal Control Statement

## Lingsen Precision Industries, Co., Ltd. Internal Control Statement

March 19, 2021

The Internal Control System from January 1 to December 31, 2020, according to the result of self-assessment is this stated as follows:

- (1)The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The Company has established such a system. The goal of the system is aimed at the operation efficiency and effectiveness(including profits, performance, and assets safeguarding), and to provide reasonable assurance on producing reliable, timely and transparent reports in compliance with the governing law and regulations.
- (2)An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment of circumstances. The internal control system of the Company, however, contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.
- (3)The company should evaluate the effectiveness of the design and execution of its internal control system based on judgment criteria set by the “Regulation Governing the Establishment of Internal Control Systems by Public Companies” (hereinafter referred as “The regulations”). The regulations adopt the criteria, and divide the managerial control process into five key elements: 1. Control Environment, 2. Risk Assessment, 3. Control activities, 4. Information and Communications, and 5. Monitoring. Each element contains detailed items. Aforementioned items please refer to The regulations.
- (4)The company has conducted an effectiveness evaluation on its internal control system by adopting the above-mentioned internal control system judgment criteria.
- (5)Based on the preceding assessment result, the company believes that its internal control system (with subsidiaries supervision and management) on the date of December 31, 2020 includes the awareness of operation effectiveness and target achievement efficiency, reports are reliable, timely, and transparent in compliance with the governing law and regulations. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.
- (6)This Statement will become the major part of the Company’s annual report and prospectus, which will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Law.
- (7)This Statement has been approved by the Board of Directors Meeting of the Company held on the date of March 18, 2021, where none of the nine attending directors expressed dissenting opinions, and unanimously affirmed the content of this Statement.

**Lingsen Precision Industries, Co., Ltd.**

**Chairman:** Shu-Chyuan Yeh

**General Manager:** Tse-Sung Tsai

**B. If the Company has commissioned external auditors to review the Company’s internal control system, the external auditor’s report should be disclosed: None.**

**3.4.10 The punishment to the company and its employees in accordance with the law, the company’s punishment to its employees for violation of the provisions of its internal control system, the major defects and the improvements made in the latest year and as of the date of publication of the annual report: None.**

**3.4.11 Major Resolutions of Shareholders’ Meeting and the Board Meeting**

**A. Important Resolution of Shareholders’ Meeting and implementation status in 2020**

The resolution made on the 2020 shareholders’ meeting were recorded in the minutes of meetings in accordance of Article 183 of the Company Act and the Article of Incorporation. The minutes of meetings were sent to the individual shareholders and made public on the MOPS.

Important Resolutions and the Implementation:

(1) Recognition of the 2019 final account of the company.

(2) Recognition of the 2019 Loss Make-up

Implementation: This issue will be implemented after the resolution of shareholders’ meeting.

(3) Lifted the banned of non-compete restrictions set to the directors.

Implementation: This issue will be implemented after the resolution of shareholders’ meeting

**B. Important Board resolutions for 2020 and as until the date the annual report is publication and printed**

Date	Major Resolutions
Match 17, 2020	(1) Approved the engagement and remuneration of the company’s CPAs. (2) Approve the suggestions of directors’ remuneration and employees’ compensation made by the remuneration committee. (3) Approved the 2019 Business Report, Financial Statement(including Consolidated financial statement), Internal Control System Statement. (4) Approved the 2019 Loss Make-up. (5) Approved the adjustment of investment framework in Mainland China. (6) Approved the 2020 Business Plan. (7) Approved to lift the banned on the directors non-compete restrictions. (8) Approved to lift the banned on the Accounting Supervisors non-compete restrictions. (9) Approved to the amendment to the company’s internal control system procedure and implementation rules. (10) Approved to the amendment to the Self-Evaluation or Peer Evaluation of the Board of Directors. (11) Approved to the amendment to the Corporate Governance Best Practice Principles. (12) Approved to the amendment to the Corporate Social Responsibility Best Practice Principles. (13) Approved to the amount of endorsements or guarantees made by the company. (14) Approved to convene the 2020 shareholders’ meeting including issues accepting shareholders’ proposal. (15) Approved the application of credit line to the correspondent bank.
May 5, 2020	(1) Approved the company’s consolidated financial statement of first quarter of 2020. (2) Approved the change of 2020 shareholders’ meeting venue.

Date	Major Resolutions
	(3) Approved the application of credit line to the correspondent bank.
June 16, 2020	(1) Approved the repurchase of the company's share with 2,000,000 shares.
August 5, 2020	(1) Approved the company's consolidated financial statement of second quarter of 2020. (2) Approved the appointment of Mr. Bang-Chieh Yen as the Executive Director and General Manager of the company's subsidiaries – Ningbo Liyuan Technology Co., Ltd. (3) Approved the application of credit line to the correspondent bank.
November 11, 2020	(1) Approved the company's consolidated financial statement of third quarter of 2020. (2) Approved the correction and increase in the company's 2020 capital expenditure plan. (3) Approved the project loans to the Ministry of Economic Affairs. (4) Approved the application of credit line to the correspondent bank. (5) Approved the increase in capital to the subsidiaries. (6) Approve the 2021 audit plan. (7) Approved the amendment to the company's internal control system procedure and implementation rules. (8) Approved the amendment to the Remuneration Committee Charter. (9) Approved to propose to the shareholders' meeting to discuss the amendment to the Guideline for directors election.
March 18, 2021	(1) Approved the 2021 business plan. (2) Approved the suggestions of the company's directors' remuneration, employees' compensation and managers' salaries. (3) Approved the 2020 Business Report, Financial Statement(including consolidated financial statement and internal control system statement). (4) Approved the loss make-up of 2020. (5) Approved to propose to the shareholders' meeting to discuss on lifting the banned of non-compete restrictions to the directors. (6) Approved the amount of endorsements or guarantees made by the company. (7) Approved to convene 2021 shareholders' meeting, including accepting proposals from the shareholders. (8) Approved the application of credit line to the correspondent bank.

Implementation: Some of the resolution made by the board of director were completed, and some of them will be executing by its initial plan.

**3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.**

**3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, General Manager, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D: None.**

### 3.5 Information Regarding the Company's Audit Fee

#### 3.5.1 Audit Fee

Accounting Firm	Name of CPA		Period covered by CPA's Audit	Remarks
Deloitte & Touche Taiwan	Shu-Jing Chiang	Ding-Jian Su	January 1, 2020 - December 31, 2020	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Amount Unit: NT\$ Thousands

Fee Range		Fee Item	Audit Fee	Non-Audit Fee	Total
1	Under 2,000			V	
2	2,000(Included)~4,000		V		V
3	4,000(Included)~6,000				
4	6,000(Included)~8,000				
5	8,000(Included)~10,000				
6	Over 10,000 (Included)				

Note1 : Audit Public Fee referred to the professional fees paid by the company to a certified public accountant for auditing, review, and secondary reviews of financial reports, financial forecast reviews, and tax certification.

Note2 : Non-audit public service content:

(1) System Designing, Business Registration, Human Resources: None

(2) Other: Custom Bonded Check NT\$ 150 Thousand ; Review on Employees' Compensation NT\$ 50 Thousand.

**3.5.2 Non-audit public fees paid to the CPA's, accounting firm and its affiliated enterprise are more than one quarter of the audit public fees shall disclose the amount paid for audit public fees, non-audit public fees and the content of non-audit services: No such condition.**

**3.5.3 The Auditing public fee paid for the replacement of the accounting firm and the replacement year is lower than the auditing public fee for the previous year of replacement: No Such Condition.**

**3.5.4 Those with audit fees amounting to a reduction of 10% or more compared to the previous year shall disclose the amount of reduction, percentage of reduction and its reason: No Such Condition**

**3.6 Replacement of CPAs (If the company replace its CPAs in the most recent two years and within the period shall disclose the following)**

**3.6.1 Regarding the former CPAs**

Replacement Date	(1) Approved by the Board of Directors on March 20, 2019 (2) Approved by the Board of Directors on March 17, 2020		
Replacement reasons and explanations	In compliance with independence of CPA and regulator requirement on rotation.		
Describe whether the Company terminated or the CPA did not accept the appointment	Client	CPA	Consignor
	Status		
	Appointment terminated automatically	N/A	N/A
	Appointment rejected (Discontinued)	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principle or practice
			Disclosure of Financial Statements
			Auditing Scope or Procedures
			Other
	None	V	
	Explanation: N/A		
Other Revealed Matters	None		



### 3.6.2 Regarding the successor CPAs

Name of Accounting Firm	Deloitte & Touche
Name of CPAs	(1) Xiao-Fan Yen and Shu-Jing Chiang (2) Shu-Jing Chiang and Ding-Jian Su
Date of appointment	(1) Approved by the Board of Directors on March 20, 2019 (2) Approved by the Board of Directors on March 17, 2020
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

**3.6.3 The reply of former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards:  
None.**

**3.7 The company's Chairman, General Manager, Managers in charge of its finance and accounting operation hold any positions within the company's independent audit firm or affiliates in the most recent year: None.**

**3.8 In most recent year and as of the end of this annual report is published and printed, the directors, managers and shareholders holding more than 10% of the equity transfer and equity pledge changes**

**3.8.1 Changes in shareholdings of directors, managers and major shareholders.**

Unit: Shares

Title	Name	2020		As of March 31, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and Senior vice President	Shu-Chyuan Yeh	0	0	0	0
Director and General Manager	Tse-Sung Tsai	0	0	0	0
Director	Sheunn-Ching Yang	0	0	0	0
Director and Vice President	Ming-Te Tu	26,000	0	0	0
Director	Shu-Hsun Yeh	0	0	0	0
Director	Pin-Wen Fang	0	0	0	0
Independent Director	Feng- Hsien Shih	0	0	0	0
Independent Director	Wan Ping Chen	0	0	0	0
Independent Director	Pin Chi Wei	0	0	0	0
Vice President and Head of Finance and Accounting, Chief Financial Officer	Ming-Wei Lai	26,000	0	0	0
Vice President	Chun-Liang Lin	0	0	0	0
Vice President (Date of Dismissal: 110/2/26)	Ping-Chung Wang	0	0	0	0
Associates	Shu-Huei Yeh	0	0	0	0
Associates	Jih-Ming Hsu	22,000	0	0	0

Note : The company has no shareholder holding greater than a 10% percent stake in the company.

**3.8.2 Shares Trading with Related Parties: The Company's director, manager and major shareholders didn't transfer any shares to the related-parties.**

**3.8.3 Shares Pledge with Related Parties: The Company's director, manager and major shareholders didn't pledged their shares to any counterparties as related-parties.**

### 3.9 Relationship among the Top Ten Shareholders.

Shareholders who account for the top ten shareholders, and their relationship with each other.

As of April 18, 2020 ( the Book closere date)

Name	Personal Holding Share		Spouse, underage children holding shares		Holding shares in the name of others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
The CTBC trusted property account by the employees' stock ownership association of Lingsen Precision Industries, Co., Ltd. Representative: Ching-Yi Wu	25,827,400	6.79%	No	No	No	No	No	No	
Da Yu Investment Co., Ltd.	19,239,854	5.06%	No	No	No	No	No	No	
Shu-Chyuan Yeh	14,526,754	3.82%	427,866	0.11%	No	No	Lee Shin Investment Co., Ltd.	Representatives	
Norges Bank	7,318,000	1.93%	No	No	No	No	No	No	
Lee Shin Investment Co., Ltd. Representative: Shu-Chyuan Yeh	5,658,911	1.49%	No	No	No	No	Shu-Chyuan Yeh	Chairman	
	14,526,754	3.82%	427,866	0.11%	No	No	No	No	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	4,338,000	1.14%	No	No	No	No	No	No	
Ya Kai De Emerging Markets ETF appointed to the management of Standard Charter Bank	4,213,000	1.11%	No	No	No	No	No	No	
New System of Labour Pension Fund	4,015,000	1.06%	No	No	No	No	No	No	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	3,997,421	1.05%	No	No	No	No	No	No	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JP Morgan Securities/	3,194,000	0.84%	No	No	No	No	No	No	

### 3.10 Ownership of Shares in Affiliated Enterprises

#### Comprehensive Shareholding Ratio

As of March 31, 2021 Unit: Thousands of Shares

Affiliated Enterprises (Note)	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors /Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Lingsen America Inc.	1,000	100%	—	—	1,000	100%
Lee Shin Investment Co., Ltd.	30,000	100%	—	—	30,000	100%
Nexus Material Corporation	5,348	78.65%	1,442	21.21%	6,790	99.86%
Lingsen Holding (Samoa) Inc.	52,000	100%	—	—	52,000	100%
Chih Fong Technology Co., Ltd.	2,400	30%	—	—	2,400	30%
Panther Technology Co., Ltd.	22,923	63.67%	—	—	22,923	63.67%
Sooner Power Semiconductor Co., Ltd.	60,422	99.15%	302	0.49%	60,724	99.64%

Note : As long-term investment under the equity method.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Share Capital

#### Source of Share Capital

Unit: NT\$/ Shares

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Sources of Capital	Remark	Capital Increased by Assets Other than Cash	Other
		Shares	Amount	Shares	Amount				
April, 1973	100	80,000	8,000,000	80,000	8,000,000	Capital Funding	8,000,000	Nil	Nil
March, 1976	100	120,000	12,000,000	120,000	12,000,000	Issuance of Common Stock for Cash 2,080,000 Stock Dividends of Common Stock 1,920,000		Nil	Nil
May, 1977	100	130,000	13,000,000	130,000	13,000,000	Issuance of Common Stock for Cash 1,000,000		Nil	Nil
October, 1980	-	208,000	20,800,000	208,000	20,800,000	Stock Dividends of Common Stock 7,800,000		Nil	Nil
September, 1981	-	312,000	31,200,000	312,000	31,200,000	Stock Dividends of Common Stock 10,400,000		Nil	Nil
November, 1982	-	374,400	37,440,000	374,400	37,440,000	Stock Dividends of Common Stock 6,240,000		Nil	Nil
December, 1983	-	505,440	50,544,000	505,440	50,544,000	Stock Dividends of Common Stock 13,104,000		Nil	Nil
September, 1985	-	631,800	63,180,000	631,800	63,180,000	Stock Dividends of Common Stock 12,636,000		Nil	Nil
November , 1987	-	1,010,880	101,088,000	1,010,880	101,088,000	Stock Dividends of Common Stock 37,908,000		Nil	Nil
September 1990	200	1,263,600	126,360,000	1,263,600	126,360,000	Issuance of Common Stock for Cash 25,272,000		Nil	Nil
October, 1994	-	1,516,320	151,632,000	1,516,320	151,632,000	Stock Dividends of Common Stock 25,272,000		Nil	Nil
July, 1995	20	51,400,000	514,000,000	51,400,000	514,000,000	Issuance of Common Stock for Cash 271,388,800 Stock Dividends of Common Stock 90,979,200		Nil	Nil
July, 1996	-	130,000,000	1,300,000,000	72,300,000	723,000,000	Stock Dividends of Common Stock 154,200,000 Capital Surplus Transferred to Common Stock 51,400,000 Employees Bonuses Transferred to Common Stock 3,400,000		Nil	Nil
June, 1997	20	130,000,000	1,300,000,000	114,416,000	1,144,160,000	Issuance of Common Stock for Cash 200,000,000 Stock Dividends of Common Stock 144,600,000 Capital Surplus Transferred to Common Stock 72,300,000 Employees Bonuses Transferred to Common Stock 4,260,000		Nil	Nil
April, 1998	45	350,000,000	3,500,000,000	172,850,800	1,728,508,000	Issuance of Common Stock for Cash 343,248,000 Stock Dividends of Common Stock 171,624,000 Capital Surplus Transferred to Common Stock 57,208,000 Employees Bonuses Transferred to Common Stock 12,268,000		Nil	Nil
May, 1999	-	350,000,000	3,500,000,000	209,105,860	2,091,058,600	Stock Dividends of Common Stock 172,850,800 Capital Surplus Transferred to Common Stock 172,850,800 Employees Bonuses Transferred to Common Stock 16,849,000		Nil	Nil
May, 2000	-	350,000,000	3,500,000,000	230,016,446	2,300,164,460	Stock Dividends of Common Stock 62,731,760 Capital Surplus Transferred to Common Stock 146,374,100		Nil	Nil
May, 2001	-	350,000,000	3,500,000,000	253,600,000	2,536,000,000	Stock Dividends of Common Stock 207,014,800 Employees Bonuses Transferred to Common Stock 28,820,740		Nil	Nil
June, 2002	-	350,000,000	3,500,000,000	263,744,000	2,637,440,000	Stock Dividends of Common Stock 101,440,000		Nil	Nil

September, 2003	-	350,000,000	3,500,000,000	266,714,000	2,667,140,000	Employees' stock option transferred to common stock 29,700,000	Nil	Nil
March, 2004	-	350,000,000	3,500,000,000	289,491,283	2,894,912,830	Convertible company bonds transferred common stock 227,772,830	Nil	Nil
June, 2004	-	350,000,000	3,500,000,000	293,854,775	2,938,547,750	Convertible company bonds transferred common stock 43,634,920	Nil	Nil
September, 2004	-	350,000,000	3,500,000,000	295,227,740	2,952,277,400	Convertible company bonds transferred common stock 12,729,650 Employees' stock option transferred to common stock 1,000,000	Nil	Nil

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
December, 2004	-	350,000,000	3,500,000,000	297,263,887	2,972,638,870	Convertible company bonds transferred common stock 1,361,470 Employees' stock option transferred to common stock 19,000,000	Nil	Nil
March, 2005	-	350,000,000	3,500,000,000	298,266,841	2,982,668,410	Convertible company bonds transferred common stock 1,429,540 Employees' stock option transferred to common stock 8,600,000	Nil	Nil
June, 2005	-	350,000,000	3,500,000,000	300,326,841	3,003,268,410	Employees' stock option transferred to common stock 20,600,000	Nil	Nil
September, 2005	-	350,000,000	3,500,000,000	300,596,841	3,005,968,410	Employees' stock option transferred to common stock 2,700,000	Nil	Nil
December, 2005	-	350,000,000	3,500,000,000	300,756,841	3,007,568,410	Employees' stock option transferred to common stock 1,600,000	Nil	Nil
March, 2006	-	350,000,000	3,500,000,000	300,836,841	3,008,368,410	Employees' stock option transferred to common stock 800,000	Nil	Nil
December, 2006	-	350,000,000	3,500,000,000	300,936,841	3,009,368,410	Employees' stock option transferred to common stock 1,000,000	Nil	Nil
March, 2007	-	350,000,000	3,500,000,000	300,979,394	3,009,793,940	Convertible company bonds transferred common stock 425,530	Nil	Nil
June 2007	-	350,000,000	3,500,000,000	306,077,251	3,060,772,510	Convertible company bonds transferred common stock 5,097,857	Nil	Nil
August, 2007	-	350,000,000	3,500,000,000	307,558,091	3,075,580,910	Convertible company bonds transferred common stock 1,480,840	Nil	Nil
December 2007	13.7	400,000,000	4,000,000,000	339,385,726	3,393,857,260	Issuance of Common Stock for Cash 300,000,000 Convertible company bonds transferred common stock 17,276,350 Employees' stock option transferred to common stock 1,000,000	Nil	Nil
April, 2008	-	400,000,000	4,000,000,000	339,641,045	3,396,410,450	Convertible company bonds transferred common stock 2,553,190	Nil	Nil
September, 2009	-	400,000,000	4,000,000,000	346,433,866	3,464,338,640	Stock Dividends of Common Stock 6,792,821	Nil	Nil
March, 2010	-	400,000,000	4,000,000,000	361,097,340	3,610,973,400	Convertible company bonds transferred common stock 14,663,474	Nil	Nil
June, 2010	-	400,000,000	4,000,000,000	368,006,545	3,680,065,450	Convertible company bonds transferred common stock 6,909,205	Nil	Nil
August, 2010	-	400,000,000	4,000,000,000	374,130,417	3,741,304,170	Convertible company bonds transferred common stock 4,318,872 Employees' stock option transferred to common stock 1,805,000	Nil	Nil
December, 2010	-	400,000,000	4,000,000,000	376,810,726	3,768,107,260	Convertible company bonds transferred common stock 2,530,309 Employees' stock option transferred to common stock 150,000	Nil	Nil
March, 2011	-	400,000,000	4,000,000,000	376,960,726	3,769,607,260	Employees' stock option transferred to common stock 150,000	Nil	Nil
December, 2011	-	500,000,000	5,000,000,000	378,765,726	3,787,657,260	Employees' stock option transferred to common stock 18,050,000	Nil	Nil
March, 2012	-	500,000,000	5,000,000,000	380,023,207	3,800,232,070	Convertible company bonds transferred	Nil	Nil

2012						common stock 12,574,810		
June, 2012	-	500,000,000	5,000,000,000	380,048,869	3,800,488,690	Convertible company bonds transferred common stock 256,620	Nil	Nil
September, 2012	-	500,000,000	5,000,000,000	380,102,344	3,801,023,440	Convertible company bonds transferred common stock 53,475	Nil	Nil

Type of Stock as the year 2020 and as until the annual report is published and printed

As of March 31, 2021 Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares (Note)	Un-issued Shares	Total Shares (Note)	
Common Stock	380,102,344	119,897,656	500,000,000	

Note Shares as the shares of listed company.

### Shelf Registration

Type of Securities	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares.	Remarks
	Total Shares	Authorized Amount	Shares	Price			
Nil	0	0	0	0	0	0	

### 4.1.2 Status of Shareholders

As of April 18, 2020 (the Book closure date); Unit: Shares

ITEM	Government Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Natural Person	Total
Number of Shareholders	0	4	232	61,827	107	62,170
Shareholding	0	25,877,907	10,978,023	283,060,501	60,185,913	380,102,344
Percentage	0.00%	6.81%	2.89%	74.47%	15.83%	100.00%

### 4.1.3 Distribution Profile of Share Ownership

As of April 18, 2020 ( the Book closere date)

Class of Shareholding (Unit : Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	34,770	1,354,462	0.36%
1,000-5,000	18,315	42,721,197	11.24%
5,001-10,000	4,511	37,088,755	9.76%
10,001-15,000	1,283	16,359,653	4.30%
15,001-20,000	1,105	21,087,288	5.55%
20,001-30,000	824	21,585,791	5.68%
30,001-50,000	637	25,757,287	6.78%
50,001-100,000	412	30,182,478	7.94%
100,001-200,000	202	28,817,444	7.58%
200,001-400,000	58	16,338,419	4.30%
400,001-600,000	13	6,415,228	1.69%
600,001-800,000	11	7,560,408	1.99%
800,001-1,000,000	3	2,518,694	0.66%
Over 1,000,001	26	122,315,240	32.17%
Total	62,170	380,102,344	100.00%

### Preferred Share

April, 18, 2020

Shareholding Ownership	Number of Shareholders	Shareholding	Percentage of Shareholding
Nil	0	0	0
Total	0	0	0

### 4.1.4 List of Major Shareholders

As of April 18, 2020 (the Book closere date) ; Unit: Shares

Common Share/ Major Shareholder	Shareholding (Shares)	Shareholding Percentage
The CTBC trusted property account by the employees' stock ownership association of Lingsen Precision Industries, Co., Ltd.	25,827,400	6.79%
Da Yu Investment Co., Ltd.	19,239,854	5.06%
Yeh, Shu-Chyuan	14,526,754	3.82%
Norges Bank	7,318,000	1.93%
Lee Shin Investment Co., Ltd.	5,658,911	1.49%
JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stitching Depository APG Emerging Markets Equity Pool	4,338,000	1.14%
Ya Kai De Emerging Markets ETF appointed to the management of Standard Charter Bank	4,213,000	1.11%
New System of Labour Pension Fund	4,015,000	1.06%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	3,997,421	1.05%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for JP Morgan Securities	3,194,000	0.84%



#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Information on the Market Price per share, net worth, earnings, cash dividends and stock bonuses

Item		Year		01/01/2021~ 03/31/2021 (Note 8)	
		Year 2019	Year 2020		
Market Price per share (Note 1)	Highest Market Price		11.15	15.10	18.00
	Lowest Market Price		8.16	6.86	13.10
	Average Market Price		9.69	11.60	15.48
Net Worth per share (Note 2)	Before Distribution		13.69	13.28	-
	After Distribution		13.69	(Note 2)	-
Earnings Per share (Note 3)	Before adjustment	Weighted Average Shares	374,443,433	373,465,291	372,443,433
		Diluted EPS	(1.47)	(0.44)	-
	After Adjustment	Weighted Average Shares	374,443,433	373,465,291	372,443,433
		Diluted EPS	(1.47)	(0.44)	-
Dividend per share	Cash Dividends		-	(Note 2)	-
	Issuance of Bonus Shares	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		-6.25	-24.64	-
	Price / Dividend Ratio (Note 6)		-	(Note 2)	-
	Cash Dividend Yield Rate (Note 7)		0%	(Note 2)	-

If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1 : Setting forth the highest and lowest market price per share of common stock for each fiscal year. And Calculating each fiscal year's average market price based upon each fiscal year's actual transaction prices and volume.

Note 2 : Based both on the number of issued shares at the end of the year, and on the distribution decided on at the shareholders' meeting the following year. The 2020 Dividend Distribution shall wait for the approval of the Board of Directors.

Note 3: For those requiring retroactive adjustment due to stock grants, both the pre- and post-adjustment EPS should be listed.

Note 4: In issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and postpone until a year when profit is made, The Dividends accumulated over the period ending in the year of distribution should be disclosed.

Note 5: Price/ Earnings Ratio = Average Closing Price per share for the year/ earnings per share. Note 6: Price / Dividend Ratio = Average Closing Price per share for the year/cash dividend per share for the year.

Note 7: Cash Dividend Yield Rate = Cash Dividend/Average closing price per share for the year.

Note 8: Net Worth per share and EPS are calculated based on the financial statement for the most recent quarter that has been verified by an accountant. All other fields are based on the current year data through the publication date of the annual report. As of publication of this report, the Quarter 1 2021 financial information has not yet been reviewed by the auditors.

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy**

According to the Article 32 of Article of Incorporate, the dividend policy shall cope with the current and future development plan; consider the investment environment; the need of funds; the competitiveness within domestically and international; and shall take care of the shareholders' interests. If there is earnings in the annual final account, after paying all taxes and offsetting any loss from prior years, the company set aside 10 percent as legal reserve, set aside or reverse the Special reserve, distributing dividend and bonuses not less than 50% (If the dividend and bonus more than NT\$1 per share shall at least allocate 20% of the excess as cash dividend), and submitted to the shareholders' meeting for approval..

##### **B. Proposed Distribution of Dividend**

Due to the loss in 2020, The board of director of the company proposed the matters of 2020 Deficit Compensation. The company reversed the special reverse of NT\$ 31,601,857.

The deficit to be compensated at the end of 2020 was NT\$134,666,316. It is proposed to be compensated by capital surplus NT\$134,666,316 and result in not making distribution.

The above-stated issue of 2020 Deficit Compensation shall be resolved by the shareholders' meeting on June 18, 2021.

##### **C. Expected in change in Dividend Policy shall explain the condition of distribution**

Not Applicable

#### **4.1.7 The impact of issuance of bonus shares to the company's operational performance and the earning per share to be resolved by the shareholders' meeting: Not Applicable.**

#### **4.1.8 Compensation of Employees and directors**

##### **A. Information Relating to Compensation of Employees, Directors in the Articles of Incorporation**

If the company gain the profit in the year (Gain the profit as the income before taxation before distributing to the compensation of the employees and the directors) shall set aside not lower than 10% as the employees' compensation and with no higher than 2% of the directors' compensation. However, when the company has accumulative loss shall first retained for the makeup of loss. The employee's compensation of the preceding paragraph can be in form of shares or cash.

The preceding two paragraphs shall be approved by the board of director with two-thirds of directors attending the meeting and with majority votes of the attending directors; the resolution made by the board of directors shall reported to the shareholders' meeting.

##### **B. The basis for estimating the amount of employee and director compensation, for calculating the number of shared to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.**

The company distribute the employees and director's compensation with the income before taxation, which not yet deducted from the employees and director's compensation, to distribute no lower than 10% to the employees and no higher than 2% to the directors. The share distributed shall be calculate by the closing price of common stock one day prior to the board of directors made their decisions. If there is change in amount in the financial statement, will handle according to the accounting estimate and made the adjustment by the second year.

**C. Information on any approval by the board of directors of distribution of compensation:**

- (1) The amount of any employee compensation distributed in cash or stocks and compensation for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed.

The company decided of not contributing the compensation to the employees and the directors by the approval of Board of Directors on March 18, 2021 and announced on MOPS in accordance of law.

The employee and director compensation and the estimated figure with no difference.

- (2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: None.

**D. The actual distribution of employee and director compensation for the previous fiscal year (with indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director**

No Difference.

**4.1.9 Buy-back of Treasury Stock**

The company repurchase its own shares of the most recent year and as until the annual report is published and printed

**A. Repurchases already completed**

Treasury stocks:Batch Order	5 <sup>th</sup> Batch
Purpose of buy-back	Transfer the shares to the employees
Time frame of buy-back	June 17, 2020 ~ August 14, 2020
Price range	Between NT\$7.28 to NT.13, if the Company's share price is lower than the lower limit of the price range , the company will continue execution of the repurchase.
Class, quantity of shares repurchased	Common Stock ; 2,000,000 shares
Value of shares repurchased	NT\$23,413,660
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	100%
Shares sold/transferred	0 share
Accumulated number of company shares held	2,000,000 shares

Percentage to the total company shares issued (%)	0.53%
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**B.Any repurchase still in progress: None.**

**4.2 Issuance of Corporate Bonds:**

**No Such Condition.**

**4.3 Issuance of Preferred Shares and Global Depository Receipts:**

**No Such Condition.**

**4.4 Status of Employees Stock option plan : No Such Condition.**

**4.5 Status of New Share Issuance in Connection with Mergers and Acquisitions : No Such Condition.**

**4.6 Financing Plans and Implementation:**

**No such condition .**

## V. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main areas of business operations

Integrated Circuit(hereafter as IC) and a variety of semiconductors packaging, test, manufacturing and trading.

With Regarding to the Main Business Scope of the company and its subsidiaries, please refer to Page 104 (2) Basic Information of Affiliated Company under ChapterVIII. Special Disclosure.

##### B. Weighting of Business Activities

Incomes from packaging 99 % and 1% for other operating income.

##### C. Main products

- IC packaging and test
- Discrete semiconductors assembly and test

##### D. New Products (Service) Development

- Packaging of High Performance and Directional Microphone.
- Packaging of MEMS Speaker Sensor.
- Packaging of MEMS Ultrasonic Sensor.
- Packaging of MEMS Temperature Sensor.
- Packaging of Thermal Image Sensor.
- Packaging of Gas Sensor.
- Packaging of Eye Tracking Sensor.
- Packaging of Gesture Sensor for vehicles.
- Packaging of Vehicles and Medical Electronic Products.
- Packaging of MEMS Products for Vehicles
- Packaging of High-Frequency Wireless Communication Module
- Packaging of custom-made thin and short Environmental Sensor.
- Packaging of MEMS Optical Focusing Module
- Packaging of TWS Microphone
- Packaging of Piezoelectric Ultrasound distancing Sensor.

#### 5.1.2 Industry Overview

##### A. Industrial Status and Development

According to the statistics of Industrial Technology Research Institute, the IC industry in Taiwan exceed NT\$3222.2 Billion(USD 108.9 Billion) , compared to 2019 with the growth of 20.9%. The IC Packaging industry as NT\$ 377.5 Billion (USD 12.8 Billion) and with a 9% growth compared to 2019. The Testing Industry of IC as NT\$ 171.5 Billion (USD 5.8 Billion) and with the growth of 11.1% compared to 2019. The currency exchange rate to USD is calculated as 29.6.

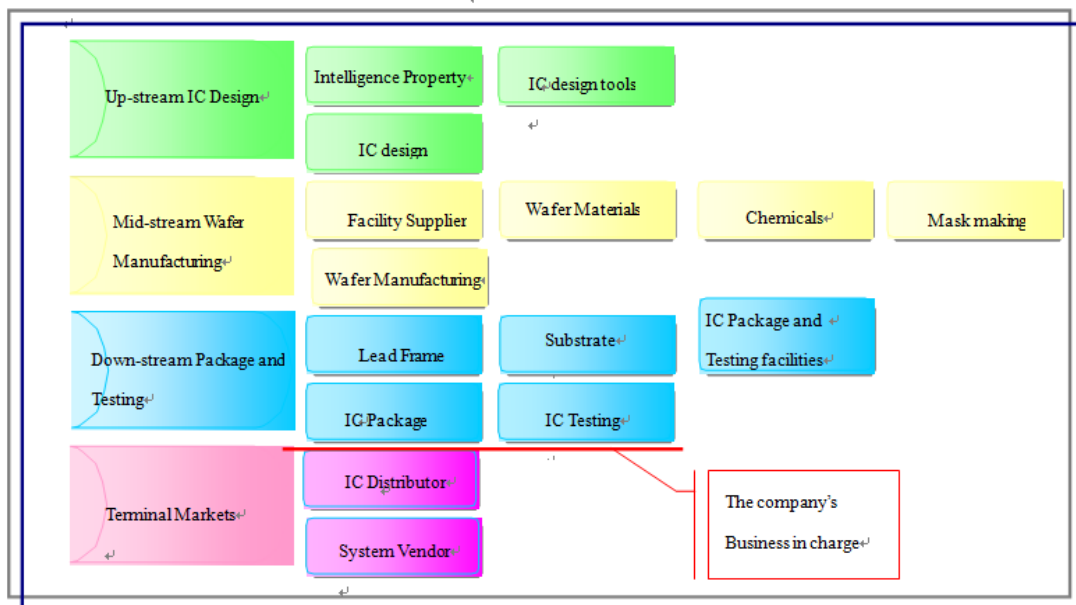
Prospect to the Annual IC Packaging and Testing Industry of 2021, the pandemic of COVID-19 expected to gradually be stabilized and as the vaccine coverage increased the global economy become more active,

driven the sales in electronic end products. Taiwan has the world's most advanced packaging and testing energy and Chip Heterogenous Integration packaging and testing technics, which can fulfil the high integration and high-performance needs of global electronic end products. It is expected that the production value of packaging and testing industry in Taiwan is NT\$ 586.5 Billion in 2021 with an increase of 6.8% , comparing to the year of 2020.

Starting from 2017, the key application that pushes semiconductor application forward in the past five years were AI, IoT and 5G technologies. Overall, the key application have gradually applied to the consumer application market, therefore, these key application field will directly affect the growth trend of demand of semiconductors in the next 3 to 5 years. With the innovation and improvement of semiconductor technology, the industry development prospect are positive in long-term.

### B. Relevant of the up-stream, mid-stream and down-stream in the industry

In the structure of semiconductor industry, the company responsible in the packaging and testing of the down-stream, which provides customers with services of IC packaging and Testing.



### C. Product Trends

With advances in electronic technology development and consumer needs for high performance electronic components, the manufacturers match consumer's need by producing light, thinner, short and small components with more functions. Thus, the packaging technology process is looking for high pin counts, high performance ,small size, low cost assembly method.

Currently, the company has purchased the latest IC packaging equipment. The accurate precision and the excellent production efficiency and the technical specialty of packaging and testing will work together to creating greater value for the entire

semiconductor industrial chain. By this, the company will be able to provide customers with optimizing packaging and testing technics to shortened the time for their products entering the market and ensure the customers received high-quality and high-performance products.

In the aspects of testing technology development, due to the complexity of the products is increasing continuously, there is an increasing demand for high-end test equipment with more complicated functions. With regards to the testing production we use the most appropriate testing equipment to the most suitable products; increasing testing production efficiency; saving human resources and material resources, decrease in costs, creating profit and increasing customer satisfaction.

#### **D. Product Competition**

In the semiconductor packaging and testing industry, the company provide customers with satisfying services and efficiency as the main competitiveness. The company's main business scope are the packaging process and testing of integrated circuits and various semiconductor components.

The percentage of operation for packaging and other operating income are 99% and 1% respectively. At present, the company's main competitors are Orient Semiconductor, ChipMOS Technologies, Greatek Electronic, Sigurd Microelectronics, Taiwan IC Packaging, Formosa Advanced Technologies, Walton Advanced Engineering and other companies.

#### **5.1.3 Research and Development**

##### **A. Expenditures on research and development of the recent year and as until the annual report is published and printed**

(1) Expenditures on 2020 NT\$ 166,697,000.

(2) Expenditures as until the annual report is published and printed NT\$ 40,887,000.

##### **B. Technics and Products successfully developed**

In addition to the traditional packaging products, the company provide products of stacked die package, multi-chip module, system packaging, MEMS component packaging technologies are mature production. Among them, MEMS components are light, thin, short, small and with the multifunction of sensor, calculating and action. The application of MEMS is broad and the market demand has great potential.

Due to the requirement of Green Environmental Directive "WEEE ", "RoHS ", "EUP" issued by European Union, the company respond to them by introduce green manufacturing and committed in environmental protection packaging.

Results of research and development in the most recent year as follows:

1. Power Components Module Package and Testing, including thin and

- thick aluminium wire and clip bonding.
- 2. Environmental Optics sensor module for cell phone or mobile device package and testing
- 3. MEMS sensor module package (e.g. MEMS accelerometer, gyroscope, pressure meter, altimeter, tire gage, MEMS crophone and etc.)
- 4. Multi-functional MEMS Module package
- 5. Miniaturization Optical Sensor Package
- 6. Multi-functional Photoelectric Sensor Module Package
- 7. Power Module IGBT(450A/1200V) Package
- 8. 0.3mm Thin QFN Package
- 9. Flip Chip on QFN/TSOT Package
- 10. Pulse Detector Sensor Package
- 11. Oximeter Sensor Package
- 12. Lamination Microphone Package
- 13. Power module MOSFET 100V/100A Package
- 14. light sensor with different thickness package
- 15. Low Power Module IPM/ SPM Package
- 16. MIS Like Package
- 17. Water Proof Pressure Sensor Package
- 18. Smart Lock Identify Sensor Package
- 19. TWS optical Sensor Package
- 20. Thermal pile Thermal Sensor Package

#### **5.1.4 Long-term and Short-term Development**

##### **A. Long-Term Development**

- (1) Focus in the new application area under the industry development trend.
- (2) Focus in developing new customer actively and strengthening customer relationship management.

##### **B.Short-Term Development**

- (1) Traditional IC packaging and Sensor IC packaging are both important.  
The Company continues to develop sensor components and vehicle IC packaging, including microelectromechanical (MEMS), environmental optical sensor, and products and application on the need of vehicle.
- (2) Consolidating the existing customer relationships and provide complete services that meet the need of customers.
- (3) Planning and establishing operating profit centre to pay attention and review on the economic scale of each production line, improving the resources utilisation, reduce waste, increase in income, decrease in expenditure and to increase the company's profit.



## 5.2 Market and Sales Overview

### 5.2.1 Market Analysis

#### A. Sales (Service) Region

Unit: NT\$ Thousands

Region	2019		2020	
	Amount of sales	Percentage	Amount of sales	Percentage
Asia	4,215,174	89.32%	4,874,706	89.32%
America	350,274	7.42%	308,519	5.65%
Europe	153,942	3.26%	274,218	5.03%
Other	-	0%	143	0%
Total	4,719,390	100.00%	5,457,586	100.00%

#### B. Market Share

The company is currently one of the major packaging and testing suppliers in power management and flash memory ICs in Taiwan, with the position in major domestic IC design companies. The company is also the first company with MEMS package .

The company benefiting from the rev up market in smartphones and tablets with high specification and affordable; in-vehicle electronic application and wearable device. In addition, the application field and market scale of microelectromechanical products and the MEMS component is demanding, including Accelerometers, Gyroscopes, Electronic compasses, silicon microphones (Si-Mic), tire pressure detector and MEMS component, and with strong growing potential, these still with opportunities for profits.

The company's technical ability and the quality of the products were received the certification including IATF16949 and ISO14001. Product Quality and the ability to mass production have been recognised by well-known domestic and foreign manufacturers. The rapid mass production introduces to the application in products, these shows that the company's production technics or management ability and the development in new product field with the strong competitiveness in the industry and its market share will be described later.

Unit: NT\$ Hundred Millions

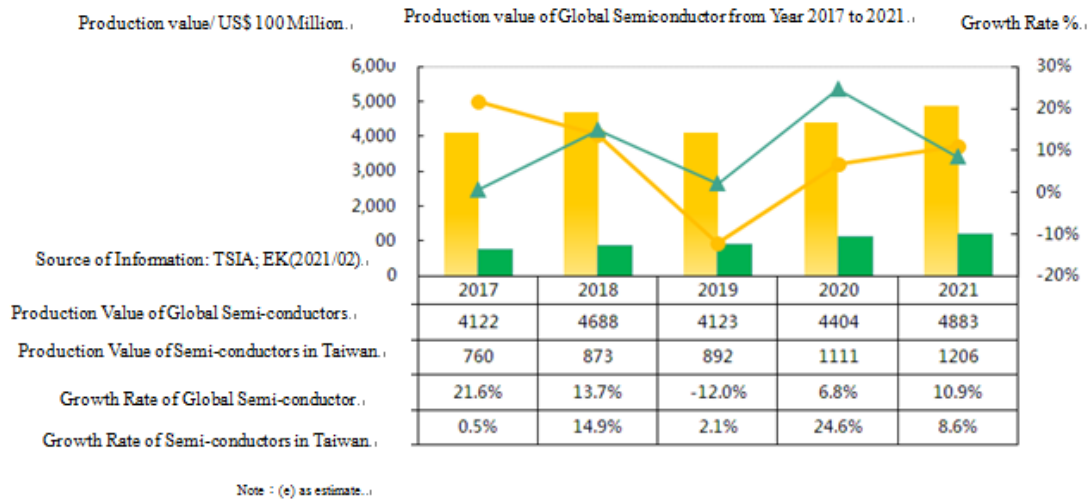
Year \ Item	The production value of IC Packaging and Testing Nationwide (A) (Note 1)	The production value of IC Packaging and Testing of Lingsen Precision(B) (Note 2)	The ratio of Lingsen Precision to the Nationwide production value (B/A)
2020 年	5,490	54.58	0.99%

Note 1 : Source of Information : TSIA, IEK(2021/02)

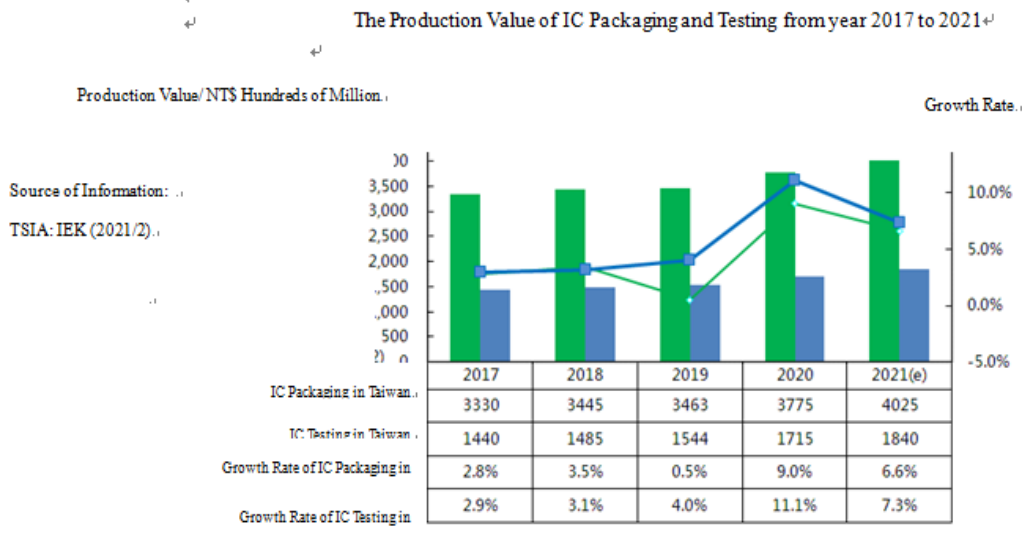
Note 2 : As the consolidated revenue of Lingsen in 2020.

#### C. Supply and Demand of Future Market and the Growth

IEK predicts the production value of global semiconductor will to reach USD 488.3 Billion with annual increase of 10.9%. Production value of Taiwan semiconductor is expected to reach NT\$ 120.6 Billion with 8.6% growth rate compared to 2020.



Prospect the whole year of 2021, production value of IC packaging in Taiwan may reach NT\$402.5 Billion, production value of IC testing in Taiwan may reach NT\$184 Billion. Compared to 2020 with the growth of 6.6% and 7.3% respectively.



#### D. Competitive Niche

- (1) Technical ability and the quality of the product have been recognized by domestic and foreign well-known manufacturer, the company received the IATF16949 Quality Certification and ISO14001/QS9000 International Environmental Protection Certification.
- (2) Actively arranging competitiveness and niche products.
- (3) Put in effort for the Industry upgrade innovative research project by the Ministry of Economic Affairs.
- (4) Stable human resources.
- (5) Flexible production ability.
- (6) Continuous innovative development in new technics and new products.
- (7) Receive verification and cooperate with famous foreign customers.

### E. Favorable and Unfavorable Factors in the Long Term

- (1) Favorable Factors: Solid products and technics, stable management team and sufficient human resources and plants.
- (2) Unfavorable Factors: Increase in cost of raw material and the suppliers' production capacity is tight.
- (3) Measures of responding: Price adjustment in the terminal customers and priorities the arrangement in the purchase schedule for raw material.

### 5.2.2 Production Procedures of Main Products

Major Products and Their Main Usages

Name of the Product	Usage	Manufacturing Process
Small Outline Plastic Dimension IC(S O P )	1. Consumer Electronics	Grinding
Thin Small Outline Plastic Dimension IC( T S O P )	2. Automotive electronic component	↓ Dicing
Small-Outline Transistor( S O T 、 T O )	3. Memory	↓ Loading
Microelectromechanical Systems ( MEMS )	4. Communication Component	↓ Wire Bond
Extra Thin Planar Structure Plastic Grain Carriers ( T Q F P )	5. Power Management	↓ Molding
Thin Planar Structure Plastic Grain Carriers ( L Q F P )	6. Mobile Device	↓ Marking
Quad Flat No-Lead Package ( Q F N )	7. Optical Sensor	↓ Plating
Photoelectric ( CLCC 、 DMA )		↓ Forming
		↓ OQA
		↓ Testing
		↓ Packaging
		↓ Export

### 5.2.3 Supply Status of Main Materials

The main raw materials of the package are Lead Frame, Substrate, Au /Cu Wire , Film/Epoxy and Compound, which are currently produced and represented by domestic and foreign suppliers.

The company and its subsidiaries maintain long-term cooperation and good relation with two or more well-known domestic and foreign suppliers to ensure sufficient raw materials for production.

Major Raw Material	Main Supply Region	Status of Supply	Procurement Strategy
Lead Frame	Taiwan, Singapore	Stable	1. Developing long-term relations to ensure the stability of obtaining production materials 2. The company is increasing in purchase from local suppliers in the recent years to reduce the risk and costs of international transportation.
Substrate	Taiwan, Japan	Stable	
Au /Cu Wire	Taiwan, Korea, Singapore	Stable	
Compound	Taiwan, Japan	Stable	
Die Attach Film/ Epoxy	Taiwan, Japan	Stable	

**5.2.4 Major Suppliers and Clients**  
**A. Major Suppliers in the Last Two Years**

Unit: NT\$ thousands

Item	2019				2020				2021 as until first quarter			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	Company B	224,010	16	Non-related Parties	Company B	384,677	22	Non-related Parties	(Note)			
2	Company A	212,768	15	Non-related Parties	Company A	281,027	16	Non-related Parties				
3	Company C	134,010	10	Non-related Parties	Company C	154,536	9	Non-related Parties				
	Other	817,786	59		Other	916,692	53					
	Net Total Supplies	1,388,574	100		Net Total Supplies	1,736,932	100					

Note1: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

Description on the change in increase or decrease:  
Amount of purchase depends on the product combination sales of the year.

## B. Major Clients in the Last Two Years

Unit: NT\$ thousands

Item	2019				2020				As until Quarter 1 of 2021			
	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer	Name	Amount	%	Relation with Issuer
1	Client A	732,205	16	Not related parties	Client A	862,649	16	Not related parties	(Note 1)			
	Other	3,987,185	84		Other	4,594,937	84					
	Net sales	4,719,390	100		Net sales	5,457,586	100					

Note1 : As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

Reasons for the change:

The change on sales amount and percentage depends on the change of clients' market share, inventory adjustment and outsourcing strategy .

## 5.2.5 Production in the Last Two Years

Unit: amount in NT\$ Thousands; Quantity in thousands

Output Main Products	Year	Year 2019			Year 2020		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
IC Packaging and Testing	Note	4,939,069	4,665,276	Note	5,974,523	5,013,808	
Other	Note		156,947	Note		121,993	
Total	Note	4,939,069	4,822,223	Note	5,974,523	5,135,801	

Note: The number of the main production equipment in use : .

As until the end of 2019. 1,350 Package-Wire Bonders and 451 Testing-Testing Machines.

As until the end of 2020. 1,356 Package-Wire Bonders and 445 Testing-Testing Machines.

## 5.2.6 Sales in the Last Two Years

Unit: amount in NT\$ Thousands; Quantity in thousands

Value of units sold Main Products	Year	Year 2019				Year 2020			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
IC Packaging and Testing		3,935,147	3,585,864	1,003,433	1,065,114	4,855,118	4,198,956	1,119,030	1,206,929
Other			55,711		12,701		47,870		3,831
Total		3,935,147	3,641,575	1,003,433	1,077,815	4,855,118	4,246,826	1,119,030	1,210,760

### 5.3 Human Resources Information in the Last Two Years and as until the annual report is published and printed

Year		2019	2020	As until March 31, 2021
Number of Employees	Technical Personnel	823	844	839
	Managerial Personnel	323	329	331
	Operation Personnel	1,710	1,816	1,879
	Total	2,856	2,989	3,049
Average Age		38.45	38.07	38.26
Average Years of Service		10.40	10.17	10.15
Education	Ph.D.	0%	0.03%	0.03%
	Masters	4.77%	4.89%	5.15%
	Bachelor's Degrees	61.48%	62.07%	62.36%
	Senior High School	26.23%	25.49%	25.51%
	Below Senior High School	7.52%	7.52%	6.95%

Note: The above information including the employees of the company and its subsidiaries.

### 5.4 Environmental Protection Expenditure

#### 5.4.1 Summary of the company's effort on environmental protection

After the company has achieved good results in the pollution control of the environmental system. The company move further to the maintaining in good standard in activities, products or services, and saving resources, continuous improvement and optimization. Based on the corporate culture of returning back the society, the general manager lead the company with declaring the company's environmental policies, as follows:

- Production of green energy, environmental-friendly products.
- Complies to the related laws and regulations.
- Energy saving, waste reduction and pollution prevention.
- Continuing to improve on sustainable management.

In order to consider the environmental protection and to achieve the sustainable development goals of the company, the company promoting green production, continuous promoting environmental improvement plans, timely review on the environmental protection systems actively to taking the responsibility of global citizens. The descriptions on the actual measures, as follows:

#### A. Establishing dedicated Environmental Protection Committee

In charge of pollution prevention, management of energy resources, examination on greenhouse emission, environmental protection system and etc.

#### B. Establishing a suitable environmental management system in accordance of the industrial characteristic.

The company obtained and passed the "ISO 14001 Environmental Protection System", "ISO14064 Examination on Carbon Emission" and other international environmental protection certification. The company's environmental protection business is under the qualification of environmental protection related laws and regulations and the requirement of the customers.



**C.Improvement on the utilization efficiency of various sources and reduce the negative impacts of energy consumption on the production to the environment.**

The company proposes environmental management plans to improve and enhance the utilization of various resources, such as waste water; recycle and reuse of heat and waste from the air compressor(such as: parts and packaging materials and etc.); recycle and reuse of waste resin; reduce the amount of hazardous sludge waste and etc. The company continuously review on the replacement and improvement of the energy consumption of various equipment, for example, improvement on the reduction energy of the loading machines, purchasing diversified energy-saving equipment. The newly built plant of the company used large number of energy-saving equipment and successfully obtained the silver certification from the LEED Greed Building Association.

**D.Enact Policies for energy conservation, carbon reduction, greenhouse gas reduction, and water use or other waste management for the response of climate change**

Response to the international greenhouse gas reduction management, the company actively participated in the greenhouse gas evaluation operation. The Lingsen Company has passed the greenhouse gas examination and verification every year. Through the examination, the reduction measures may be enacted and appropriate improvement measures can be implemented, for example disseminating the reduction on use of electricity, the lighting of the factory replaced with LED florescent lamp, adjusting in room temperature according to the climate and use of low-energy air conditioner to reduce carbon emission. Carbon Emission for the Past two years

Year	Category 1	Category 2	Total Carbon Emission (tons)
2019	1,535.5322	65,222.60	66,758.14

Note: As until the publication and printed of the annual report, the company haven't completed the external verification on the accounting of carbon emission in 2020.

a. Water usage for the past two years

Year	Total Water Usage (Ton)	Quantity of recycling water (Ton)	Water Recovery Rate
2019	771,765	476,454	60~80%
2020	861,942	521,079	60~80%

b. Total waste for the past two years

Year	Total Weight of Waste (Ton)	Recovery Treatment (Ton)
2019	988.523	479.283
2020	772.600	514.090

**E. Improvement of various pollution prevention equipment and measures of promoting environmental protection measures**

The company continuously improving on the environmental protection engineering process; maintenance and inspection of equipment; outsource waste cleaning and inspection; promoting environmental protection educational training; and etc.

**5.4.2 Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incident and disclosing an estimate possible expenses that could be incurred currently and, in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.**

- A. The company control the environmental protection in according to the laws and regulations, and continuously investing items on environmental protection expenditure every year, including:  
Expenses on replacement, update and upgrade of existing polluted equipment; expenses on operating pollution prevention equipment; expenses on handling waste; and expenses on invigilating environment. As until the recent year and the date of the annual report is published and printed, the company has no major pollution accidents.
- B. An estimate possible expenses that could be incurred currently and, in the future, and measures being or to be taken: None.

**5.5 Labour Relationship**

The Company deeply believed that the company's biggest asset is our personnel. The company facing the competitive environment of the peers domestically and internationally, and in order to achieve the operating goals rely on the harmony employer-employee relationship. The business operator provide the win-win policy, with its effort and put in practice as the bridge of communication between the company and the employees. The company did not occur any significant conflicts between the employers and the employees.

**5.5.1 Current employees' welfare measures, advanced studies, training, retirement systems and its implementation of the company.**

**A. The Employees welfare measures**

The company seems our employees as our significant assets and with the beliefs of sharing profits with our employees. The current Employees welfare measures as follows:

- (1) All-rounded employees' insurance system: Labour Insurance, Health Insurance, free group insurance for employees and Overseas Travel Insurance for employees going for business trip.
- (2) Implementation of annual employees' compensation and bonuses systems to reward our staff with their contribution.
- (3) Establishing of Employees' Welfare Committee to allocating the employees' welfare and holding of various operations for the benefits of our employees. For example, planning of various annual employees' incentive tour options, founding of various clubs, hosting athletic competition, hosting of family day and etc. To let our

- employees to can taking care both of their work and family.
- (4) Promoting contract store services and providing our employees' discount while consuming.
  - (5) Vouchers for Birthday and festive; wedding gifts and funeral solariums and condolences.
  - (6) Regularly organising employees' health examination.
  - (7) Requiring of Nurses in factory, contracted doctors for consultant in the factory and contract hospital.
  - (8) Complete measures of Unpaid Parental Leave.

## **B. Employees training and further training**

The company has a complete set of educational training system and providing the employees with various professional training courses, Including:

- (1) Job Orientation  
The company with a completed the job orientation, including New Personnel Pre-Job training and the basic training for new personnel to assisting them understand the enterprise culture, core value of the Company, working environment and related matters of Corporate Social Responsibility.
- (2) On Job Training (OJT)  
Assisting our employees in the production line to learn the required knowledge, skills and attitude with the certification required for the job training for operating the machines.
- (3) Job Training inside the factory  
Courses including quality, manufacturing process, problem analysis and solving. The purpose is to develop the leadership of the management and building up technical languages inside the factory.
- (4) Outside Factory Educational Training  
Encourage employees to learning new knowledges about technology outside of the factory and the company often appointing our employees to technical conference and lecture speech holding by various international institutes

## **C. Employee Pension System and Implementation Status**

According to the Labour Pension Act, the company deposits 6% of employees' salary into their labour retirement reverse fund account at the Bureau of Labour Insurance for the employees select the new systems.

For employees select old pension system and select new system but retained the service year of the old system, the company established the Pension Fund Invigilating Committee in accordance to the Labour Standard Act and the company deposits the pension fund in to employees' account at Central Trust of China. As until end of 2020, the remaining balance in the pension account as NT\$ 583,145,000. As long as the employees meet the retirement criteria, the employees may claim their pensions to ensure the right and interest of our employees , so that the employees may put their effort to work without any concerns.

#### **D. Code of Conducts or Ethics**

With regards to the Employees' code of conduct or ethics, the company enacted the Employees' Working Guideline for them to obey.

#### **E. Trusted on the employees' shareholding**

To increase the participation of our employees to the company, the company allows our employees to hold the shares of the company and sharing the result of operation together. The company established the employees' shareholding association on October 28, 2003 to start the operation on employees' shareholding, in hope that the employees will be more cohesiveness to the company and stable development of the company.

#### **5.5.2 Status of labour-management agreements and measures for preserving employees' rights and interests**

- A. Regular and Irregular hosting of labour-management communication meetings.
- B. Promoting various policies and measures related to the prevention of sexual harassment according to the law, and to promote a workplace of gender equality in employment.

#### **5.5.3 Any Loss suffered by the company in the most recent 2 years and up to the annual report publication date due to labour disputes and disclosing an estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided**

- A. The company was penalized by the competent authority in one case with a fine of NT\$30,000, which was due to the violation of Subparagraph 1, Paragraph 1 of Article 35 of the Labour Union Act Date of Administrative Act: February 13, 2020 Number of the Administrative Act: No. Labour-Relation-one 1090125207 Violation of Laws and Regulations: Violation of Subparagraph 1, Paragraph 1 of Article 35 of the Labour Union Act Content of the violated laws and regulations: Refusing to hire, dismiss, demote, reduce wage of, or render other unfair treatment to an employee who organizes or joins a labour union, participates in activities held by a labour union, or assumes the office of a labour union.
- B. An estimate of possible expenses that could be incurred currently and, in the future, and measures being or to be taken: None.

#### **5.5.4 Implementing of Corporate Social Responsibility**

##### **A. The company enacted relevant management policies and procedures in accordance with relevant laws and International Bill of Human Rights**

The company complies with relevant laws and respects International Bill of Human Rights, protects employees' legal rights and

employment policies without discrimination, and established appropriate management methods and procedures.

**B. The company has established employees reporting system and channels, and handling with the appropriate manner**

The company obey the related labour laws and regulations to protect the legal rights and interests of the employees. The company conducted disseminating of the company's policies and the understanding of employees' opinion in an open, two-way communication manner.

**C. The company provides employees with a safe and healthy workplace and the condition of regularly implementing safety and health education**

The company has passed the ISO45001 Occupational Health and Safety Certification. The company to provide a safety workplace by focus on the improvement of engineering and equipment with possible risks; establishing safe operation procedures; provided protective measures; regularly hosting dissemination and drills on environmental protection, safety and health; and others. The company providing group insurance to the employees at the same time and regularly hosting employees' health examination and various lectures.

**D. The condition of the company establishes a regular communication system with our employees and informs our employees about the significant impacts on changes of operating in a reasonable manner**

The company established the mailbox for employees' opinions and informs our employees about the significant impacts on changes of operating by publishing announcements.

**E. The company established and effective career ability development training plan for the employees**

- (1) The senior supervisor of the company are the members of "Educational Training Committee", the company provides standard courses to our employees in according to functions and rank.
- (2) With regards to the employees' career development, the company encourage our employees to attending employee development training and provide them with trainings , such as assisting employees of the production line to obtain the machinery operating permit and assisting engineers to obtain various levels technical certifications.

**F. Protection Measures to ensure the safety of our employees, the occupational environment and the implementation**

- (1) To enhance the communication between employees, the company established "Safety and Health Committee" with the General Manager as the convener. The meeting with cadres, relevant technical personnel and the corporate union convened once every three months to discuss the issues of the company's occupational health and safety, and the tracking results for operation.
- (2) To ensure the safety and health in the workplace, the company enacted the Monitoring Plan for the Workplace and monitored once every six months.

- (3) Prevention of occupational diseases, conduct health management to the employees and arranging regular health examination according to the age of employees, and special health examination once per year for employees executing special operations.
- (4) For emergency response management, the company enacted the “Operational Procedure for Responding Emergency Situation”, when serious event occurred the general manager will convene a first-level supervisors to set up an emergency response center to take necessary response measures. For the regular emergency response training, each class will conduct an emergency response drills every six months and with annual entire company comprehensive drills. The company will conduct firefighting lectures and drills once per year and with twice in 2020.
- (5) The company introduced ISO45001 Occupational Health and Safety Management Standard with annual follow-up to maintain the validity of the certification.

## 5.6 Important Contracts

March 31, 2021

Agreement	Counterparty	Period	Main Content	Restriction Clause
Lease	Technology Industrial Park Management Office, Taichung Office	From April 11, 2017 to April 10, 2027	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From November 1, 2014 to October 31, 2024	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From April 16, 2013 to April 15, 2023	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From January 10, 2017 to January 9, 2027	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From April 1, 2016 to March 31, 2026	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From January 1, 2016 to December 31, 2025	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From January 15, 2016 to January 14, 2026	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From February 1, 2018 to January 31, 2028	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From July 1, 2018 to June 30, 2028	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From October 1, 2015 to September 30, 2025	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From March 1, 2019 to February 28, 2029	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From January 1, 2020 to December 31, 2022	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From December 1, 2013 to November 30, 2023	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From October 22, 2011 to October 12, 2021	Land Leasing	None
Lease	Technology Industrial Park Management Office, Taichung Office	From April 26, 2013 to April 25, 2023	Land Leasing	None
Long-term Loan	Mega Bank, Tantze	From March 28, 2014 to December 15, 2022	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	Mega Bank, Tantze	From July 5, 2019 to July 4, 2021	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios

Long-term Loan	China Trust Commercial Bank, Taichung	From November 25, 2014 to November 25, 2021	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	China Trust Commercial Bank, Taichung	From March 5, 2021 to March 4, 2026	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	O-Bank, Taichung	From March 5, 2021 to March 4, 2026	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	KGI Commercial Bank, Shizheng	From March 7, 2019 to April 30, 2022	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	Taipei Fubon Commercial Bank, Taichung Port	From April 11, 2019 to April 10, 2022	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Long-term Loan	Bank SinoPac, Banqiao	From June 15, 2017 to August 15, 2025	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Shanghai Commercial Bank, Hsinchu	From January 12, 2018 to February 12, 2025	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Shanghai Commercial Bank, Hsinchu	From March 8, 2019 to December 15, 2025	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Shanghai Commercial Bank, Hsinchu	From August 6, 2019 to May 15, 2024	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Shanghai Commercial Bank, Hsinchu	From March 30, 2020 to March 30, 2027	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Shinkong Commercial Bank, Hsinchu	From April 9, 2019 to April 9, 2022	Mid-, long-term Credit Agreement with the bank	None
Long-term Loan	Mega Bank, Northern Hsinchu	From February 11, 2020 to July 16, 2027	Mid-, long-term Credit Agreement with the bank	Maintained certain financial ratios
Sales Agent	LINGSEN AMERICA INC.	From January 1, 2021 to December 31, 2021	Broker Agent for the sales between US and Taiwan	None
Sales Agent	AZIMUTH INDUSTRIAL,INC.	From July 24, 2016 to July 23, 2021	Broker Agent for the sales between US and Taiwan	None
Engineering Contract for Generating Electricity by solar photovoltaic energy	Chang Wah Electromaterials INC.	From August 28, 2014 to November 6, 2034	Engineering for Generating Electricity by solar photovoltaic energy	None
Contract of Purchase and Sell of Electricity	Taiwan Power Company	From November 7, 2014 to November 6, 2034	Wholesale of Electricity	None
Building and Leasing of Solar Photovoltaic Energy System	Cheng Yang Energy Co., Ltd.	From March 24, 2020 to March 23, 2030	Building and Leasing of Solar Photovoltaic Energy System	None

## VI. Financial Profile

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Consolidated Balance Sheet – Based on IFRS

Unit: NT\$ Thousands

Year		Financial information for the last five years (Note 1)					Current year to March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current Asset		4,588,074	4,360,749	3,483,807	3,806,195	3,688,140	
Property, Plant and Equipment		4,856,970	4,797,985	4,445,686	4,074,626	3,491,550	
Intangible Assets		-	-	-	-	-	
Other Assets		236,291	171,496	220,043	367,713	465,570	
Total Assets		9,681,335	9,330,230	8,149,536	8,248,534	7,645,260	
Current Liabilities	Before Distribution	1,650,411	1,773,860	1,305,803	1,787,767	1,724,686	
	After Distribution	1,840,462	1,963,911	1,381,803	1,787,767	(Note 2)	
Non-current Liabilities		1,699,569	1,291,869	904,030	1,149,540	787,059	
Total Liabilities	Before Distribution	3,349,980	3,065,729	2,209,833	2,937,307	2,511,745	
	After Distribution	3,540,031	3,255,780	2,285,833	2,937,307	(Note 2)	
Equity attributable to shareholders of the parent		6,169,026	6,092,592	5,755,066	5,126,710	4,946,908	(Note 3)
Capital		3,801,023	3,801,023	3,801,023	3,801,023	3,801,023	
Capital Surplus	Before Distribution	1,520,618	1,523,508	1,526,473	1,451,696	1,384,604	
	After Distribution	1,520,618	1,523,508	1,450,473	1,384,540	(Note 2)	
Retained Earnings	Before Distribution	1,036,930	980,915	705,413	124,864	25,753	
	After Distribution	846,879	790,864	705,413	192,020	(Note 2)	
Other equity interest		(13,130)	(36,439)	(101,428)	(74,458)	(64,644)	
Treasury Stock		(176,415)	(176,415)	(176,415)	(176,415)	(199,828)	
Non-Controlling Interests		162,329	171,909	184,637	184,517	186,607	
Total Equity	Before Distribution	6,331,355	6,264,501	5,939,703	5,311,227	5,133,515	
	After Distribution	6,141,304	6,074,450	5,863,703	5,311,227	(Note 2)	

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: Pending resolution in 2021 Annual Meeting of Shareholders.

Note 3: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.



## 6.1.2 Condensed Consolidated Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ Thousands (except for earnings per share: NT\$)

Item	Year	Financial information for the last five years (Note 1)					Current year to March 31, 2021
		2016	2017	2018	2019	2020	
Operating Revenue		5,622,375	6,063,665	5,242,959	4,719,390	5,457,586	(Note 2)
Gross profit(Loss)		662,491	665,640	239,396	(63,619)	299,084	
Net Operating income		122,851	127,985	(275,441)	(579,568)	(163,530)	
Non-Operating Income and Expenses		84,470	71,727	43,224	30,652	17,114	
Income(Loss) from continuing operations before income tax		207,321	199,712	(232,217)	(548,916)	(146,416)	
Net income(Loss) from continuing operations		230,985	140,875	(195,314)	(552,131)	(163,140)	
Loss from Discontinued Operations		-	-	-	-	-	
Net Income (Loss)		230,985	140,875	(195,314)	(552,131)	(163,140)	
Other comprehensive income, net of tax		(32,661)	(20,568)	21,277	(1,568)	8,777	
Total Comprehensive Income		198,324	120,307	(174,037)	(553,699)	(154,363)	
Net Income(Loss) is attributed to owners of the Company		233,140	130,985	(207,272)	(552,011)	(164,343)	
Net Income(Loss) is attributed to non-controlling interests.		(2,155)	9,890	11,958	(120)	1,203	
The total comprehensive income is attributed to owners of the Company		200,637	110,727	(186,084)	(553,579)	(155,566)	
The total comprehensive income is attributed to non-controlling interests.		(2,313)	9,580	12,047	(120)	1,203	
Earnings(Loss) Per Share		0.62	0.35	(0.55)	(1.47)	(0.44)	

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

### 6.1.3 Condensed Balance sheet of the parent company – Based on IFRS

Unit: NT\$ Thousands

Year		Financial information for the last five years ( Note 1 )					Current year to March 31, 2021
		2016	2017	2018	2019	2020	
Items							
Current Assets		4,006,273	3,704,953	2,823,718	3,167,742	3,010,761	( Note 3 )
Property, plant and facilities		3,943,514	3,933,924	3,616,351	3,220,683	2,661,865	
Intangible Assets		-	-	-	-	-	
Other Assets		1,173,005	1,000,891	1,098,935	1,060,150	1,176,731	
Total Assets		9,122,792	8,639,768	7,539,004	7,448,575	6,849,357	
Current Liabilities	Before Distribution	1,346,699	1,359,381	999,258	1,343,992	1,379,446	
	After Distribution	1,536,750	1,549,432	1,075,258	1,343,992	(Note 2)	
Non-current Liabilities		1,607,067	1,187,795	784,680	977,873	523,003	
Total Liabilities	Before Distribution	2,953,766	2,547,176	1,783,938	2,321,865	1,902,449	
	After Distribution	3,143,817	2,737,227	1,859,938	2,321,865	(Note 2)	
Equity attributable to shareholders of the parent		6,169,026	6,092,592	5,755,066	5,126,710	4,946,908	
Capital		3,801,023	3,801,023	3,801,023	3,801,023	3,801,023	
Capital Surplus	Before Distribution	1,520,618	1,523,508	1,526,473	1,451,696	1,384,604	
	After Distribution	1,520,618	1,523,508	1,450,473	1,384,540	(Note 2)	
Retained Earnings	Before Distribution	1,036,930	980,915	705,413	124,864	25,753	
	After Distribution	846,879	790,864	705,413	192,020	(Note 2)	
Other equity interest		(13,130)	(36,439)	(101,428)	(74,458)	(64,644)	
Treasury Stock		(176,415)	(176,415)	(176,415)	(176,415)	(199,828)	
Non-controlling interests		-	-	-	-	-	
Total Equity	Before Distribution	6,169,026	6,092,592	5,755,066	5,126,710	4,946,908	
	After Distribution	5,978,975	5,902,541	5,679,066	5,126,710	(Note 2)	

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: Pending resolution in 2021 Annual Meeting of Shareholders.

Note 3: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

### 6.1.4 Condensed Statement of Comprehensive Income of the parent company – Based on IFRS

Unit: NT\$ Thousands (except for earnings per share: NT\$)

Year Items	Financial information for the last five years (Note 1)					Current year to March 31, 2021
	2016	2017	2018	2019	2020	
Operating Revenue	4,900,757	5,238,070	4,374,123	3,871,836	4,628,930	( Note 2 )
Gross profit(Loss)	702,971	665,227	213,751	(27,005)	368,155	
Net Operating income	301,707	269,663	(146,384)	(383,505)	35,855	
Non-Operating Income and Expenses	(100,888)	(82,180)	(107,864)	(164,982)	(184,685)	
Income(Loss) from continuing operations before income tax	200,819	187,483	(254,248)	(548,487)	(148,830)	
Net income(Loss) from continuing operations	233,140	130,985	(207,272)	(552,011)	(164,343)	
Loss from discontinued Business	-	-	-	-	-	
Net Income(Loss)	233,140	130,985	(207,272)	(552,011)	(164,343)	
Other comprehensive income, net of tax	(32,503)	(20,258)	21,188	(1,568)	8,777	
Total Comprehensive Income	200,637	110,727	(186,084)	(553,579)	(155,566)	
Net Income(Loss) is attributed to owners of the Company	-	-	-	-	-	
Net Income(Loss) is attributed to non-controlling interests.	-	-	-	-	-	
The total comprehensive income is attributed to owners of the Company	-	-	-	-	-	
The total comprehensive income is attributed to non-controlling interests.	-	-	-	-	-	
Earnings(Loss) per share	0.62	0.35	(0.55)	(1.47)	(0.44)	

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

### 6.1.5 Auditors' Opinions for the most recent five years

Year	CPAs Firm	Name of the CPAs	Audit Opinion
2016	Deloitte & Touche Taiwan	Li-Dong Wu; Xian-Fang Yan	An Unmodified Opinion (Note)
2017	Deloitte & Touche Taiwan	Li-Dong Wu; Xian-Fang Yan	An Unmodified Opinion (Note)
2018	Deloitte & Touche Taiwan	Li-Dong Wu; Xian-Fang Yan	An Unmodified Opinion (Note)
2019	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An Unmodified Opinion (Note)
2020	Deloitte & Touche Taiwan	Shu-Jing Chiang; Ding-Jian Su	An Unmodified Opinion (Note)

Note: Starting in 2016, the new auditing standard of the Republic of China requires “An Unqualified Opinion” be replaced by “An Unmodified Opinion”.

## 6.2. Financial Analysis for the most recent five years

### 6.2.1 Consolidated Financial Analysis –Based on IFRS

Items		Year	Financial Analysis for the Last Five Years (Note 1)					Current year to March 31, 2021
			2016	2017	2018	2019	2020	
Financial Structure (%)	Debt ratio		34.60	32.85	27.11	35.61	32.85	(Note 2)
	Ratio of Long-term capital to property, plant and equipment		165.34	157.49	153.94	158.56	169.56	
Solvency %	Current Ratio		277.99	245.83	266.79	212.90	213.84	
	Quick Ratio		236.94	204.61	225.05	183.25	181.31	
	Interest earned ratio (times)		10.52	10.80	-11.44	-27.04	-6.88	
Operating Capacity	Accounts receivable turnover		4.42	4.60	4.32	4.25	4.45	
	Average collection period		82.57	79.34	84.49	85.88	82.02	
	Inventory turnover (times)		10.22	10.04	10.16	11.32	11.73	
	Accounts payable turnover (times)		18.60	18.94	20.57	19.44	16.73	
	Average days in sales		35.71	36.35	35.92	32.24	31.11	
	Property, plant and equipment turnover (times)		1.07	1.25	1.13	1.11	1.44	
	Total assets turnover (times)		0.58	0.64	0.64	0.57	0.71	
Profitability	Return on total assets (%)		2.57	1.65	-2.04	-6.54	-1.85	
	Return on stockholders' equity (%)		3.67	2.23	-3.20	-9.81	-3.12	
	Pre-tax income to paid-in capital (%)		5.45	5.25	-6.10	-14.44	-3.85	
	Profit ratio (%)		4.11	2.32	-3.73	-11.70	-2.98	
	Earnings Per Share (NT\$)		0.62	0.35	-0.55	-1.47	-0.44	
Cash Flow	Cash flow ratio (%)		40.92	75.88	63.94	34.18	31.44	
	Cash flow adequacy ratio (%)		150.01	135.03	128.32	117.75	118.52	
	Cash reinvestment ratio (%)		4.09	8.86	5.38	4.82	5.11	
Leverage	Operating Leverage		9.21	8.62	-2.49	-0.56	-4.04	
	Financial Leverage		1.21	1.17	0.93	0.97	0.89	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) :

Analysis of Solvency, Operating Capacity, Profitability and Leverage:

- Accompanied by increasing orders and higher utilization of production equipment, reduction in fixed unit costs became visible, the company's operating performance has increased significantly.
- Paying back the debts , result in the decrease of interest expenses.

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

## 6.2.2 Parent Only Financial Analysis- – Based on IFRS

Items		Year	Financial Analysis for the Last Five Years (Note 1)					Current year to March 31, 2021
			2016	2017	2018	2019	2020	
Financial Structure (%)	Debt ratio		32.37	29.48	23.66	31.17	27.77	(Note 2)
	Ratio of Long-term capital to property, plant and equipment		197.18	185.06	180.83	189.54	205.49	
Solvency %	Current Ratio		297.48	272.54	282.58	235.69	218.25	
	Quick Ratio		258.07	230.61	245.48	207.99	183.78	
	Interest earned ratio (times)		15.22	15.36	-21.64	-50.95	-14.69	
Operating Capacity	Accounts receivable turnover (times)		4.57	4.75	4.54	4.46	4.65	
	Average collection period		79.86	76.84	80.40	81.79	78.49	
	Inventory turnover (times)		12.78	12.47	13.38	17.81	16.72	
	Accounts payable turnover (times)		17.82	17.74	19.35	17.68	14.81	
	Average days in sales		28.56	29.27	27.28	20.49	21.83	
	Property, plant and equipment turnover (times)		1.15	1.32	1.16	1.13	1.57	
	Total assets turnover (times)		0.53	0.60	0.58	0.52	0.67	
Profitability	Return on total assets (%)		2.71	1.59	-2.45	-7.25	-2.19	
	Return on stockholders' equity (%)		3.81	2.13	-3.49	-10.14	-3.26	
	Pre-tax income to paid-in capital (%)		5.28	4.93	-6.68	-14.42	-3.91	
	Profit ratio (%)		4.75	2.50	-4.73	-14.25	-3.55	
	Earnings Per Share (NT\$)		0.62	0.35	-0.55	-1.47	-0.44	
Cash Flow	Cash flow ratio (%)		51.74	101.19	83.66	45.77	38.50	
	Cash flow adequacy ratio (%)		169.34	149.48	148.89	142.32	149.17	
	Cash reinvestment ratio (%)		4.93	10.33	6.16	5.65	6.01	
Leverage	Operating Leverage		3.76	4.00	-4.47	-0.93	19.63	
	Financial Leverage		1.04	1.05	0.93	0.97	1.35	

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%) :

Analysis of Solvency, Operating Capacity, Profitability and Leverage:

- Accompanied by increasing orders and higher utilization of production equipment, reduction in fixed unit costs became visible, the company's operating performance has increased significantly.
- Paying back the debts , result in the decrease of interest expenses.

Note 1: Financial information for the last five years has been audited by CPAs.

Note 2: As of the printing date of this Annual Report, the Financial information has not been reviewed by CPAs.

Note 3 The calculation formulas of the Analysis are as below:

### 1. Financial Structure

- (1) Debt to ratio =  $\frac{\text{Total Liabilities}}{\text{Total Assets}}$ .
- (2) Ratio of Long-term capital to property, plant and equipment =  $\frac{(\text{Total Equity} + \text{Non-current Liabilities})}{\text{Net property, plant and equipment}}$ .

### 2. Solvency

- (1) Current ratio =  $\frac{\text{Current assets}}{\text{Current liabilities}}$ .
- (2) Quick Ratio =  $\frac{(\text{Current Assets} - \text{Inventories} - \text{Prepaid expenses})}{\text{Current liabilities}}$ .
- (3) Interest earned ratio (times) =  $\frac{\text{Net income before Income tax and the interest expense}}{\text{Interest expense over this period}}$ .

### 3. Operating Capacity

- (1) Accounts receivable (including account receivable and notes receivable due to business operations) turnover (times) =  $\frac{\text{Net Sale}}{\text{Balance of Average accounts receivable (including account receivable and notes receivable due to operation)}}$ .
- (2) Average collection period =  $\frac{365}{\text{Accounts Receivable turnover rate}}$
- (3) Inventory turnover (times) =  $\frac{\text{Cost of goods sold}}{\text{Average inventories}}$ .
- (4) Accounts payable turnover (times) =  $\frac{\text{Cost of goods sold}}{\text{Balance of Average accounts payable (including accounts payable and notes payable due to operation)}}$ .
- (5) Average days in sales =  $\frac{365}{\text{Inventory turnover rate}}$ .
- (6) Property, plant and equipment turnover (times) =  $\frac{\text{Net sale}}{\text{Average net property, plant and facilities}}$ .
- (7) Total assets turnover (times) =  $\frac{\text{Net Sales}}{\text{Average Total Assets}}$ .

### 4. Profitability

- (1) Return on total assets (%) =  $\frac{(\text{Profit or Loss after Tax} + \text{Interest Expenses} \times (1 - \text{tax rate}))}{\text{Average Total Assets}}$ .
- (2) Return on stockholders' equity (%) =  $\frac{\text{Net income after tax}}{\text{Average total equity}}$ .
- (3) Profit ratio (%) =  $\frac{\text{Net income after tax}}{\text{Net sales}}$ .
- (4) Earnings Per Share (NT\$) =  $\frac{(\text{Net income attributable to shareholders of the parent company} - \text{Preferred Stock dividend})}{\text{Weighted average number of shares outstanding}}$ .

### 5. Cash Flow

- (1) Cash flow ratio (%) =  $\frac{\text{Net cash flow from operating}}{\text{Current liability}}$ .
- (2) Cash flow adequacy ratio (%) =  $\frac{\text{Net Cash flow from the operating activities over the recent five years}}{(\text{Capital Expense} + \text{increase in inventory} + \text{cash dividends}) \text{ of the recent five years}}$ .
- (3) Cash reinvestment ratio (%) =  $\frac{(\text{Net Cash Flow from operating activities} - \text{Cash Dividends})}{(\text{Gross property, plant and equipment} + \text{Long-term investments} + \text{Other noncurrent assets} + \text{Working capital})}$ .

### 6. Leverage:

- (1) Operating Leverage =  $\frac{(\text{Net sales} - \text{Variable cost and expense})}{\text{Operating income}}$ .
- (2) Financial Leverage =  $\frac{\text{Operating income}}{(\text{Operating income} - \text{Interest Expense})}$ .

**6.3 Audit Committee's Report for the Most Recent**

Please refer to Page 94.

**6.4 Financial statement for the most recent fiscal year**

Please refer to Page 108~174.

**6.5 A parent company only financial statement for the most recent fiscal year,**

Please refer to Page 175~235.

**6.6 Any financial difficulties experienced by the Company and its affiliate businesses during the most recent year up to the date of this Annual Report need to be stated as well as the impact on the Company's financial position need to be outlined: None.**



## **Audit Committee's Review Report**

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

**Lingsen Precision Industries, Ltd.**

Chairman of the Audit Committee: Feng-Hsien Shih

March 18, 2021

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NTD Thousands

Item \ Year	2019	2020	Difference	
			Amount	%
Current Assets	3,806,195	3,688,140	(118,055)	-3.10
Property, plant and Equipment	4,074,626	3,491,550	(583,076)	-14.31
Other Assets	367,713	465,570	97,857	26.61
<b>Total Assets</b>	<b>8,248,534</b>	<b>7,645,260</b>	<b>(603,274)</b>	<b>-7.31</b>
Current Liabilities	1,787,767	1,724,686	(63,081)	-3.53
Non-Current Liabilities	1,149,540	787,059	(362,481)	-31.53
<b>Total Liabilities</b>	<b>2,937,307</b>	<b>2,511,745</b>	<b>(425,562)</b>	<b>-14.49</b>
Capital	3,801,023	3,801,023	0	0
Capital Surplus	1,451,696	1,384,604	(67,092)	-4.62
Retained Earnings	124,864	25,753	(99,111)	-79.38
Other Equity interest	(74,458)	(64,644)	9,814	-13.18
Non-controlling Interests	184,517	186,607	2,090	1.13
<b>Total Equity</b>	<b>5,311,227</b>	<b>5,133,515</b>	<b>(177,712)</b>	<b>-3.35</b>
Analysis of changes in financial ratios: 1. Analysis of Deviation over 20% (1) Other Assets: The increase was mainly due to increase in advanced technology equipment. (2) Non-current liability: The decrease was mainly due to paying- back the Long -term debts. (3) Retained Earnings: The decrease was mainly due to the operating loss and the special reserve reversal.  2. Future response actions: None.				

## 7.2 Analysis of Financial Performance

### 7.2.1 Main Reasons for changes in operating revenue, net income and Income(Loss) before income tax of the most recent two years.

Unit: NT\$ Thousands

Item	2019	2020	Amount in changes of increase or decrease	Rate of Change%
Operating Revenue	4,719,390	5,457,586	738,196	15.64
Operating Cost	<u>4,783,009</u>	<u>5,158,502</u>	375,493	7.85
Gross Profit(Loss)	(63,619)	299,084	362,703	
Operating Expenses	515,949	462,614	(53,335)	-10.34
Net Operating Loss	(579,568)	(163,530)	416,038	-71.78
Non-operating income and expenses	<u>30,652</u>	<u>17,114</u>	(13,538)	-44.17
Income(Loss) from continuing operations before income tax	(548,916)	(146,416)	402,500	-73.33
Tax Expenses	<u>3,215</u>	<u>16,724</u>	13,509	420.19
Net Income(Loss)	(552,131)	(163,140)	388,991	-70.45

Analysis of changes in financial ratios:

1. Analysis of Deviation over 20%

(1) Gross Profit(Loss), Net Operating Loss, Income(Loss) from continuing operations before income tax and Net Income(Loss): Accompanied by increasing orders and higher utilization of production equipment, reduction in fixed unit costs became visible, the company's operating performance has increased significantly.

(2) Non-operating income and expenses: Mainly due to impairment loss on Inventory, Property, Plant and Equipment from subsidiary.

(3) Tax Expenses: Due to the improvement in operation and increased in the taxable income.

### 7.2.2 Sales Volume Forecast and the effect upon the company's financial operations as well as measures to be taken in response

#### A. Sales Volume Forecast and the basis

Please Refer to Summary of 2021 Business Plan under Chapter I. Letters to the Shareholders (Page 2~3)

#### B. Effect upon the company's financial operations as well as measures to be taken in response

Actual Source of Major Capital Expenditures: Cash flow generated from operations and loans from the bank.

Therefore, no significant effects to the company's finance.

### 7.3 Analysis of Cash Flow

#### 7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ Thousands

Cash and Cash Equivalents, Beginning of Year (A)	Net Cash Flow from Operating Activities (B)	Net Cash Flow from Investing Activities (C)	Net Cash Flow from Financing Activities (D)	Effect of Exchange Rate (E)	Cash Balance (A+B-C-D+E)
\$1,704,790	542,266	434,179	440,513	660	1,373,024

#### A. Analysis of change in cash flow in the current year

- (1) Operating Activities: Mainly due to Cash flow generated from operations activities.
- (2) Investing Activities: Primarily for capital expenditures.
- (3) Financing Activities: Primarily for repayment of bank loan.

#### B. Remedial Actions for Liquidity Shortfall :not required

#### 7.3.2 Liquidity Analysis for the coming year

Unit:NT\$ Thousands

Estimated Cash and Cash Equivalents, Beginning of Year (A)	Estimated Net Cash Flow from Operating Activities (B)	Estimated Net Cash Flow from Investing Activities (C)	Estimated Net Cash Flow from Financing Activities (D)	Cash Surplus (Deficit) (A+B-C+D)	Remedy for Cash shortfall	
					Investment Plans	Financing Plans
\$1,373,024	1,000,000	1,200,000	250,000	1,423,024	None	None

#### A. Analysis of change in cash flow in the future year

- (1) Operating Activities: Mainly expecting the net cash inflow from operating activities.
- (2) Investment and Financing Activities: Mainly expecting the capital expenditures and increase bank loans .

#### 7.4 The effect upon financial operations of any major capital expenditures during the most recent fiscal year.

Plan	Actual or Planned Source of Capital	Actual Use of Capital	Impacts to the finance and operation
Production Equipment	Our fund or Bank fund	NT\$431,403,000	Based on capital expenditures listed above, Lingsen's production capacity increased,with positive effect to the finance and operation of the company.

## **7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year**

- A. The company's Investment Policy is that investment for the need of business development and future growth of the company. The organizational structure, investment purpose, market condition, business development, shareholding percentage and other items of the investment enterprise shall be assessed carefully, so as the reference for the decision-making company organizations to make decisions. The company invigilating and managing the subsidiaries in accordance of internal control system and with the execution of enacted "Operational Procedure of monitoring Subsidiaries".
- B. The company's investing company were related to the main business scope as semi-conductor industry, the summary of income and loss as follows:
- (1) The company investing Li Yuan Technology (Mainland China) Co.,Ltd. through Lingsen Holding(Samoa) Inc.: Due to the orders has not met its economic scale, the subsidiary made the loss of NT\$65,992,000 in 2020.
  - (2) Panther Technology Co.: Panther as professional testing factory with stable source of clients, the subsidiary made the income of NT\$6,032,000.
  - (3) Sooner Power Semiconductor: Mainly manage the business of Schottky Diode Wafer, the order has not met its economic scale. Some of the products were underperformed in sales on the market and the inventory cost reduced to net realizable value therefore recognized as inventory obsolescence and valuation loss at the end of 2020. Evaluating the economic benefits on its equipment and recognised as assets impairment loss, the subsidiary made the loss of NT\$187,094,000 in 2020.
- C. The company will assess carefully with the new investment and will be deciding the investment plan of the next coming year in according to the operation conditions.

## **7.6 Analysis of Risk Management**

### **7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures**

#### **A. Interest Rate Fluctuations:**

The funds allocation of the company and its subsidiaries based the principal of conservativeness and stability, the use of funds focused on liquidity, safety and profitability. The company acquired the loans for operation with low interest rate to efficiently reduce the operational cost. The company will continue to pay attention to the trend of interest rates to avoid the impact of interest rate fluctuation.

#### **B. Exchange Rate Fluctuation**

The main foreign currency transactions were made in US Dollars and Japanese Yen. The company take natural hedging strategy as basis, to reduce the impact of fluctuation in exchange rate. The company will closely be observing the change of foreign

currency and made the adjustment of the position in foreign currency to avoid the risk of exchange rate.

**C. Inflation:**

The economic growth rate announced by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan as approximately 3.11%. Consumer Price Index turned negative and decreased 0.23% per year due to the downturn in International Oil Price. The recent (January and February, 2021) increase in raw material was due to the short-term imbalance of supply and demand. Due to the lifted of lockdown by various countries, the demand recovered faster than its supply. There shall be no concern of inflation in short term and has not significant impact to the operational results of the company.

The company and its subsidiaries will continue to pay close attention to the change in the relevant economic environment and market conditions, actively seeking for multiple source of suppliers, maintain good interaction with suppliers and clients. By improving operating efficiency, reduce costs, and actively innovating developing technologies and other ways to reduce the impact of industrial and economic changes.

**7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions**

The company has no high-risk investments , highly leveraged investments, loans to other parties and derivatives transactions in 2020. The company only made endorsement and guarantee for the subsidiaries for their need of operation capital. The endorsement and Guarantees were handled under the Company's "Procedures for Endorsement Guarantee".

**7.6.3 Future Research & Development Projects and Corresponding Budget**

**A. Future Research & Development Projects**

Please refer to Page 66 D. New Product(service) Development under Chapter V. Operational Highlight.

**B. Further expenditures expected for research and development work**

The company input 1% ~ 2 % of the revenue for the further expenditures expected for research and development.

**7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales**

As the internal or external managerial environment of the company, the company shall closely pay attention to the change of domestic and foreign policies and laws that may affect the company's finance and business, and taking measures to response to it. Related change in policies and laws and regulations that may affect the company's finance and business, as follows:

A.The TWSE requested that Capital exceed NT\$ 2 Billions shall declare English Language shareholders' meeting handbook, annual report

and annual financial statement from the year 2021. The company handled in according to the rules.

- B. The minimum wage adjusted from NT\$23,800 to NT\$24,000 with the increase of 0.84%. Health care premium insurance rate was increased from 4.69% to 5.17% and the current supplementary premium increase from 1.91% to 2.11%. The Company made the adjustment in according to laws and regulations.

#### **7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales**

- A. The technology of semiconductor industry improving rapidly. The company handled the need of the clients by collecting and analyzing market information, actively innovating and developing technology, strengthen our packaging and testing capabilities, avoid the impact of change in technology to the company's operation. Due to the company's product differentiate the market with other major package and testing companies, we insist on providing clients our excellent services and improve the operational efficiency and reduce costs for the projects to maintain the market competitiveness.

- B. Evaluation and Analysis of Risk on Information Safety

The company ensure the confidentiality, availability and integrity of the company's information and assets by establishing the related information system processing procedures and policies and implementing it according to it. With the annual continuous assessment, review and improvement to reduce the operational risk from the information safety accidents and more descriptions as follows:

- (1) Assessment on Information Infrastructure

Currently, the company built the internal systems in virtual network and the extranet will be blocked and unable to connected the intranet of the company. The company takes multiple internet safeguard system. The front-end of the company's internal network is a new generation 7<sup>th</sup> layer firewall with the automatic back up mechanism, advanced continuous penetration attack protection, intrusion and threat prevention system and website evaluation system and etc. At the same time, in response to the increase in threats of phishing email attack each year, the company also established a front-end email anti-virus filter system and automatically excluding the emails with threats.

The internal hosts and endpoints of the company are automatically dispatched latest virus protection codes and malicious program featured comparison code from the centre control anti-virus system to block the virus, Trojan Horses, Ransomware, malicious programs attached in documents to effectively reduce the risk of hacking attacks. For Microsoft Windows Operating System, we plotted multiple WSUS hosts are deployed the latest revision files from the Microsoft to prevent hackers from attacking and intruding through operating system vulnerabilities.

To raise the awareness of information safety to our employees, we established educational website for our employees, enacted the emergency response procedures for hackers attack and drilled, summarized and revised every year.

- (2) System account and data usage level control
  - (a) The access to the company's internal control systems and the authorization of data usage shall reviewed and approved by the each individual dedicated supervisors and use and changed afterwards.
  - (b) Setting up the password to the account, required complicated review by the rule of the system and changed regularly.
  - (c) When the user left the position or resigned, the company will remove his or her authority to assess and cancel his or her account immediately to prevent any unauthorized usage.
- (3) Data Access Record Storage
 

Filing and Storage of information like track record of the system files and document access and the correspondence mails.

All computers that have been completed with the scrap, its hard drive shall be dismantled and destroyed in order to fulfill the management system by law and the related information safety policy.
- (4) Continuous operation of the information system
  - (a) In order to ensure the continued feasibility of the information system. System files are stored daily and weekly with local back up and remote back up to reduce risk of loss by the unpredictable natural disasters and man-made disaster.
  - (b) The company enacted the information system emergency event handling procedures and guideline with drill and amendment every year to make sure when the information system facing emergency events like significant information safety accident, natural disasters or man-made disasters be able to recover the availability of the information system.

Information Department in responsible of executing the information policy and procedures enacted by the company and implementing with times to make sure the confidentiality, integrity and continuous feasibility of the company's information and assets. The result of risk assessment was good therefore there were no unpleasant impact to the company and the related operational risk by the accident of information safety for the recent few years and as until the annual report is published and printed.

#### **7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures**

The company bearing the core faith of innovative, proactive, integrity, down-to-earth, and sharing excellence for over forty years. The company with good corporate image, there is no significant change affecting on the company's crisis management in the most recent year or as until the date of the annual report is published and printed.

#### **7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The company has no plans of merger and acquisitions as until the date of the annual report printed.



**7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans**

The new plant of the company put into operation, the overall performance gradually expanding and improving, which is what the company expected.

**7.6.9 R Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration**

The company with the policy of disperse the source of suppliers. The company set the scheduled evaluation and selects new suppliers and alternative materials that meet the criteria of the company's quality and environmental management system. For main raw materials, we establishing more than 2 alternative suppliers to ensure the supply of raw materials for mass production and to reduce the risk of purchasing with singular source simultaneously. In addition, we build up the geographic location data of the source of suppliers and quickly grasp and reduce the impact of regional natural disasters in the supply of raw materials in the future.

The revenue of the company dispersed in the industries of memory, NB, communication, consumer electronics and other industries. The proportion of clients' revenue is dispersed, and without the risk of concentration in sales. However, the condition of sales will be affected by factors of the market trend, clients' policy of outsourcing manufacturing, time of reconciling inventory. The company will keep monitoring the change in market and making corrections.

**7.6.10 Effects of, Risks Relating to and Response to Large Share Transfers Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%**

A.The company has no shareholder holding greater than a 10% percent stake in the company.

B.The shareholdings of the Company's directors have been stable during the last few years, and there have been no major transfers or swaps of shares..

**7.6.11 Effects of, Risks Relating to and Response to the Changes in Management Rights**

No such condition.

**7.6.12 Litigation or Non-litigation Matters: None.**

**7.6.13 Other Major Risks: None.**

**7.7 Other Important Matters: None.**

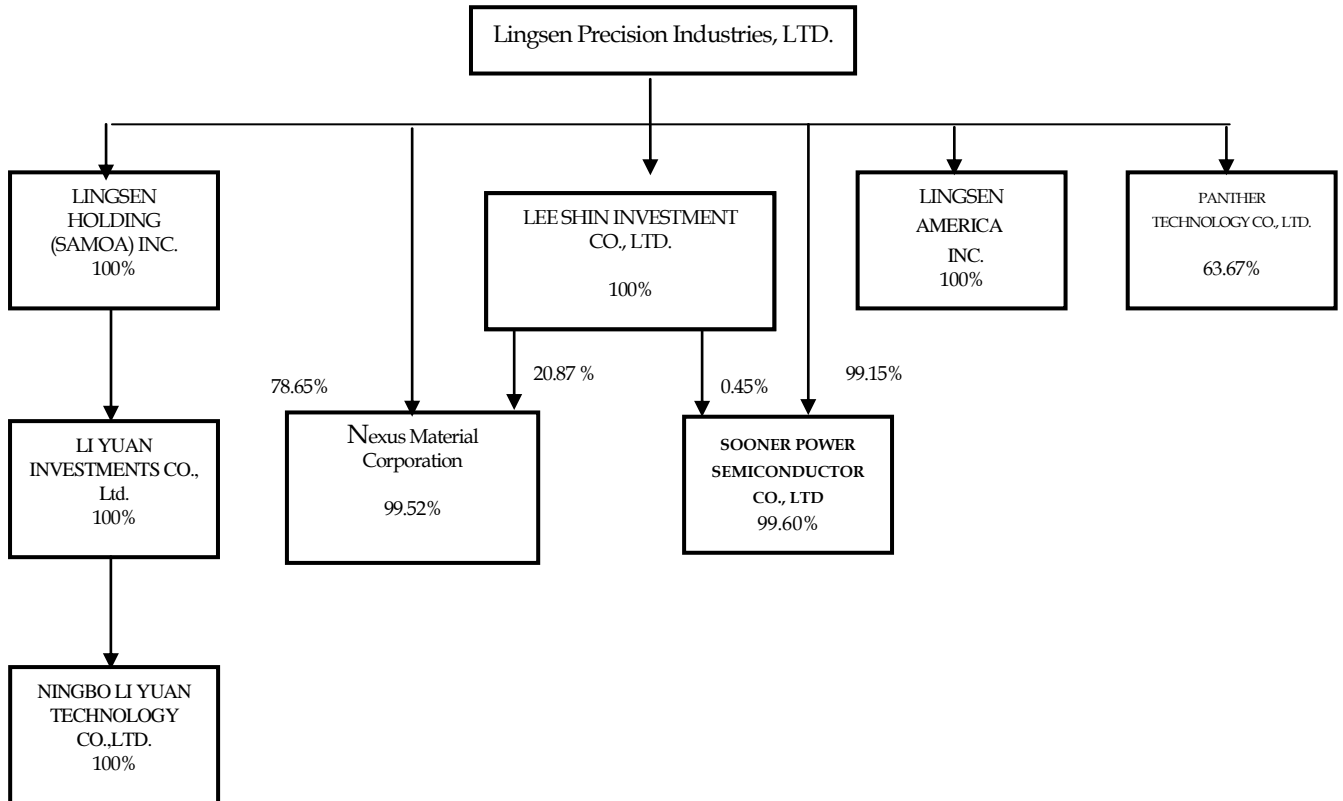
# VIII. Special Disclosure

## 8.1 Summary of Affiliated Companies

### 8.1.1 Business Report of Affiliated Companies

#### A. Summary of Affiliated Companies

##### (1) Affiliated Companies Chart



Note:1. Shareholding %  
2. Shareholding : As of 12/31/2020

## (2) Basic Information of Affiliated Company

Unit: Thousands

Company	Date of Incorporation	Location	Paid-in Capital	Major Business Activities
Lingsen America Inc.	March, 1998	1525 McCarthy Blvd Ste 1000, Milpitas, CA 95035	NTD32,311 (USD1,000)	Intermediaries Business
Lee Shin Investment Co., Ltd.	September, 1998	No. 5-1, S.2 <sup>nd</sup> Rd., Tanzi Dist., Taichung City, Taiwan	NTD300,000	Investment Activities
Nexus Material Corporation	March, 2001	5F, No.32-1, Guangfu Rd, Hukou Township, Hsinchu County	NTD68,000	Electronic Material Wholesale and Parts and Components Manufacturing
Lingsen Holding(Samoa) Inc.	August, 2001	Portcullis Chambers, P.O. Box 1225, Apia, Samoa	NTD1,660,738 (USD52,000)	Investment Activities
Li Yuan Investments Co., Ltd.	May, 2001	4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.	NTD1,660,738 (USD52,000)	Investment Activities
Ningbo Li Yuan Technology Co.,Ltd	June, 2001	No. 30, Gangdong Boulevard East Dist. Duty Free Zone, Ningbo, Zhejiang	NTD1,660,738 (USD52,000)	Package, Testing of Various Integrated Circuit and Optoelectronic Products
Panther Technology Co., Ltd.	May, 1997	5F, No.32-1, Guangfu Rd, Hsinchu Industrial Park, Hukou Township, Hsinchu County	NTD360,000	Testing of Integrated Circuit
Sooner Power Semiconductor Co., Ltd.	November, 2007	5F, No.32-1, Guangfu Rd, Hukou Township, Hsinchu County	NTD609,389	Electronic Parts and Components Manufacturing

Note: As until December 31, 2020

### (3) Information about common shareholders of entities presumed to have a controlling subordinate relationship in accordance of Article 369-3 of the Company Act:

None.

### (4) Overall Description of the Industries in which Affiliated Companies (Including Subsidiaries and Other Invested Companies) operate:

Including Semiconductor (Providing IC packaging and testing service), Electronic Wholesale and Manufacturing, Investment and etc.

## (5) Information of Director, Supervisors, and President of Affiliated Companies

As of December 31, 2020  
Unit of shareholding: Share

Company	Title	Name or Representative	Shareholding	
			Share	%
Lingsen America Inc.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	1,000,000	100.00%
Lee Shin Investment Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	30,000,000	100.00%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	MING-DE DU (Representatives of Lingsen Precision Industries, Ltd.)		
	Supervisor	MING-WEI LAI (Representatives of Lingsen Precision Industries, Ltd.)		
Nexus Material Corporation	Chairman	SHU-CHYUAN YEH	3,820	0.06%
	Director	TSE-SUNG TSAI (Representatives of Lingsen Precision Industries, Ltd.)	5,348,315	78.65%
	Director	SHU-HSUN YEH	0	0.00%
	Supervisor	MING-WEI LAI (Representatives of Chi Gune Investment Co., Ltd.)	19,101	0.28%
Lingsen Holding(Samoa) Inc.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	52,000,000	100.00%
Li Yuan Investments Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Holding(Samoa) Inc.)	52,000,000	100.00%
Ningbo Li Yuan Technology Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Li Yuan Investments Co. Ltd.)	(Note 1)	100.00%
	Supervisor	MING-WEI LA (Representatives of Li Yuan Investments Co. Ltd.)		
	President	BANG-JIE YEN	0	0.00%
Panther Technology Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	22,922,899	63.67%
	Director	DONG-ZHEN GU (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	SHU-HSUN YEH (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	WEN-ZHENG CAI (Representatives of ELAN Microelectronics Corp.)	340,183	0.94%
	Director (President)	MING-KUI LI	22,000	0.06%
	Supervisor	JIN-HE WU	447,889	1.24%
	Supervisor	YIN-SHU LI	0	0.00%
Sooner Power Semiconductor Co., Ltd.	Chairman	SHU-CHYUAN YEH (Representatives of Lingsen Precision Industries, Ltd.)	60,422,257	99.15%
	Director	DONG-ZHEN GU (Representatives of Lingsen Precision Industries, Ltd.)		
	Director	SHU-HSUN YEH (Representatives of Lingsen Precision Industries, Ltd.)		
	Supervisor	JIN-HE WU	0	0.00%
	President	SHU-CHYUAN YEH	25,117	0.04%

Note 1: The Company as limited company with the capital of USD52,000,000.

## B. Operational Highlights of Affiliated Companies

As of December 31, 2020  
Unit: NT\$ thousands, except EPS (NT\$)

Company	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Net operating income(loss)	Net Income	EPS(NT\$) (After Tax)
Lingsen America Inc.	32,311	60,919	726	60,193	5,793	(454)	122	0.12
Lee Shin Investment Co., Ltd.	300,000	139,501	62	139,439	0	(210)	(959)	(0.03)
Nexus Material Corporation	68,000	26,562	54	26,508	0	(179)	(65)	(0.01)
Lingsen Holding(Samoa) Inc.	1,660,738	175,821	0	175,821	0	0	(65,992)	(1.27)
Li Yuan Investments Co., Ltd.	1,660,738	175,820	0	175,820	0	0	(65,992)	(1.27)
Ningbo Li Yuan Technology Co., Ltd.	1,660,738	339,470	163,645	175,825	223,454	(70,125)	(65,992)	N/A
Panther Technology Co., Ltd.	360,000	950,205	438,982	511,223	569,793	(596)	6,032	0.17
Sooner Power Semiconductor Co., Ltd.	609,389	211,564	21,172	190,392	61,291	(137,005)	(187,094)	(3.07)

Note : If an affiliate is a foreign company, related numbers shall be express in NTD with the exchange rate of the date: December 31, 2020

### 8.1.2 Consolidated Financial Statements of Affiliated Companies

#### Declaration of Consolidated Financial Statements of the Affiliated Company

We hereby declare that we have confirmed the companies which shall be included in the consolidated financial statements of the affiliates and the ones which shall be included in the consolidated financial statements in accordance with IFRS 10 are identical; the related information has been disclosed in consolidated financial statements and will hence not be included in consolidated financial statements of the affiliates for the year ended in 2020, in accordance with "Criteria Governing Preparation of Affiliation Reports" and "Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises."

Hereby declared

Company name: Lingsen Precision Industries, Ltd.

Chairman: Shu-Chyuan Yeh

March 18, 2021

**8.1.3 Affiliation Report: None****8.2 Private Placement Securities in the Most Recent Years: None****8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years**

Name of Subsidiary	Stock Capital Collected	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition 1	Shares and Amount Acquired	Shares and Amount Disposed of	Investment Gain/Loss	Shareholdings and Amount in Most Recent Year	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
LEE SHIN INVESTMENT CO., LTD	NTD 300Million	Equity Funds	100%	2020	None	None	None	5,658,911 shares	None	None	None
				As of the publication date of the annual report	None	None		Book Value NTD90,826,000 (Note)	None	None	None
								Amount transferred to treasury stock: NTD176,415,000			

Note: The amount is calculated by the closing price of common stock on March 31, 2021 as NTD 16.05 per share.

**8.4 Special Notes: None.**

**IX. Any Events in the most recent year and as of the Date of this Annual Report that Had Material Impacts on Shareholders' Interest or Securities Prices as Stated in Subparagraph 2, Paragraph 3 of the Article 36 of the Securities and Exchange Act of Taiwan: None.**

## **Independent Auditors' Report**

To Lingsen Precision Industries, LTD.

### **Opinion**

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

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

### **Basis for Opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

### Revenue Recognition

The group's main revenue is from service income of wafer fabrication as well as packaging and final testing of the integrated circuit (IC), which is an index of business performance for the management. The authenticity of recognition is of most significance to the financial statements, for the authenticity of revenue recognition is a key audit matter. Refer to note 4 and 21 in the consolidated financial statements to see accounting policies related to revenue recognition.

Our audit procedures on the matters mentioned above mainly include:

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

### **Other Matters**

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

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

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

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

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



overseeing the financial reporting process.

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

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

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

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

presentation.

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

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

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

From the matters communicated with those charged with governance, we determine the key audit matters of the consolidated financial statements of 2020. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Auditor Shu-Chin, Chiang

Auditor Ting-Chien, Su

Auditing and Attestation No  
FSC No. 1000028068

Auditing and Attestation No  
FSC No. 1070323246

March 18, 2021

**---Notice to Readers---**

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

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

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

Amounts expressed in thousands of New Taiwan Dollars

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

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

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

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

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

(Continued)

(Continued)

Code		2020		2019	
		Amount	%	Amount	%
7900	Loss from continuing operations before income tax	(\$ 146,416)	( 3)	(\$ 548,916)	( 12)
7950	Total tax expense (Note 4 and 23)	( 16,724)	-	( 3,215)	-
8200	Net loss	( 163,140)	( 3)	( 552,131)	( 12)
	Other comprehensive income and loss (Note 4)				
8310	Items that will not be reclassified to profit or loss				
8311	Remeasurements of the defined benefit plan (Note 19)	1,828	-	12,139	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	7,454	-	( 3,373)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	( 366)	-	( 2,428)	-
		8,916	-	6,338	-
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation	( 139)	-	( 7,906)	-
8300	Other comprehensive income, net	8,777	-	( 1,568)	-
8500	Total comprehensive income	(\$ 154,363)	( 3)	(\$ 553,699)	( 12)
	Net income (loss) is attributed to:				
8610	Owners of the Company	(\$ 164,343)	( 3)	(\$ 552,011)	( 12)
8620	Non-controlling interests	1,203	-	( 120)	-
8600		( \$ 163,140)	( 3)	( \$ 552,131)	( 12)
	The total comprehensive income is attributed to:				
8710	Owners of the Company	(\$ 155,566)	( 3)	(\$ 553,579)	( 12)
8720	Non-controlling interests	1,203	-	( 120)	-
8700		( \$ 154,363)	( 3)	( \$ 553,699)	( 12)

(Continued)

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<u>C o d e</u>		2020		2019	
		<u>A m o u n t</u>	<u>%</u>	<u>A m o u n t</u>	<u>%</u>
	Loss per share (Note 24)				
9750	Basic earnings per share	(\$ 0.44)		(\$ 1.47)	
9850	Diluted earnings per share	(\$ 0.44)		(\$ 1.47)	

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

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

Amounts expressed in thousands of New Taiwan Dollars

		Attributed to the owners of the Company					Other equity (Note 4)					
		Retained earnings (Note 20)		Unappropriated earnings			Transaction difference on translation of financial statements of foreign operation	Unrealized gains or losses of financial assets through other comprehensive income At fair value	Treasury stocks (Note 20)	Total Equity	Non-controlling interests (Note 20)	Total equity
Code		Common Stock (Note 20)	Capital surplus (Note 20)	Legal reserve	Appropriated retained earnings	(Unappropriated retained earnings) (Note 4 and 7)						
A1	Balance as of January 1, 2019	\$ 3,801,023	\$ 1,526,473	\$ 359,085	\$ 127,687	\$ 218,641	(\$ 14,127)	(\$ 87,301)	(\$ 176,415)	\$ 5,755,066	\$ 184,637	\$ 5,939,703
	Appropriation and distribution of retained earnings											
B3	Appropriated retained earnings	-	-	-	99,169	( 99,169 )	-	-	-	-	-	-
	Other changes of capital surplus											
C3	Donation from shareholders	-	92	-	-	-	-	-	-	92	-	92
C15	Cash dividends from capital surplus	-	( 76,000 )	-	-	-	-	-	-	( 76,000 )	-	( 76,000 )
M1	Adjustment of capital surplus dividends to subsidiaries	-	1,131	-	-	-	-	-	-	1,131	-	1,131
D1	Net loss in 2019	-	-	-	-	( 552,011 )	-	-	-	( 552,011 )	( 120 )	( 552,131 )
D3	Other comprehensive income in 2019	-	-	-	-	9,711	( 7,906 )	( 3,373 )	-	( 1,568 )	-	( 1,568 )
D5	Total comprehensive income in 2019	-	-	-	-	( 542,300 )	( 7,906 )	( 3,373 )	-	( 553,579 )	( 120 )	( 553,699 )
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 38,249 )	-	38,249	-	-	-	-
Z1	Balance as of December 31, 2019	3,801,023	1,451,696	359,085	226,856	( 461,077 )	( 22,033 )	( 52,425 )	( 176,415 )	5,126,710	184,517	5,311,227
	Appropriation and distribution of retained earnings											
B1	Legal reserve	-	-	( 359,085 )	-	359,085	-	-	-	-	-	-
B3	Appropriated retained earnings	-	-	-	( 34,836 )	34,836	-	-	-	-	-	-
B5	Cash dividends of shareholders	-	-	-	-	-	-	-	-	-	-	-
	Other changes of capital surplus											
C3	Donation from shareholders	-	64	-	-	-	-	-	-	64	-	64
C11	Capital surplus used to cover accumulated deficits	-	( 67,156 )	-	-	67,156	-	-	-	-	-	-
D1	Net profit(loss) at 2020	-	-	-	-	( 164,343 )	-	-	-	( 164,343 )	1,203	( 163,140 )
D3	Other comprehensive income after taxes in 2020	-	-	-	-	1,462	( 139 )	7,454	-	8,777	-	8,777
D5	Total comprehensive income in 2020	-	-	-	-	( 162,881 )	( 139 )	7,454	-	( 155,566 )	1,203	( 154,363 )
L1	Treasury Stock Acquired (Note 20)	-	-	-	-	-	-	-	( 23,413 )	( 23,413 )	-	( 23,413 )
M7	Changes in ownership interests in subsidiaries	-	-	-	-	( 887 )	-	-	-	( 887 )	887	-
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	( 2,499 )	-	2,499	-	-	-	-
Z1	Balance as of December 31, 2020	\$ 3,801,023	\$ 1,384,604	\$ -	\$ 192,020	( \$ 166,267 )	( \$ 22,172 )	( \$ 42,472 )	( \$ 199,828 )	\$ 4,946,908	\$ 186,607	\$ 5,133,515

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

Lingsen Precision Industries, LTD. and its subsidiaries

Consolidated of Statements of Cash Flows

For the years ended December 31, 2020 and 2019

Amounts expressed in thousands of New Taiwan Dollars

<u>C o d e</u>		<u>2020</u>	<u>2019</u>
	Cash flows from operating activities		
A10000	Net loss before tax	(\$ 146,416)	(\$ 548,916)
	Adjustment items		
A20100	Depreciation expenses	824,680	902,324
A20300	Expected credit losses	49	12,556
A20900	Interest expenses	18,563	19,578
A21200	Interest revenue	( 6,821)	( 10,178)
A21300	Dividend Income	( 1,165)	( 4,731)
A22500	Disposal of loss of property, plant, and equipment	( 484)	47
A23700	Inventory falling price loss	44,673	1,799
A23700	Loss of property, plant, and equipment	47,456	-
A24100	Net unrealized foreign exchange loss	( 7,850)	1,508
A29900	Amortization of prepayments	4,941	4,401
A32200	Provision	7,072	292
A30000	Net changes in operating assets and liabilities		
A31125	Contract Assets	( 35,593)	( 2,992)
A31130	Notes receivable	( 2,377)	3,928
A31150	Accounts receivable	( 229,426)	( 11,182)
A31180	Other receivables	64,099	139,762
A31200	Inventories	( 35,065)	( 40)
A31240	Other current assets	( 40,177)	11,534
A32150	Accounts payable	53,064	79,137
A32180	Other payables	55,985	2,525
A32230	Other current liabilities	( 56,518)	79,555
A32240	Net defined benefit liabilities	( <u>21,287</u> )	( <u>46,163</u> )
A33000	Cash generated from operations	537,403	634,744
A33100	Interest received	7,388	10,305
A33300	Interest paid	( 17,919)	( 18,515)
A33500	Income tax paid	<u>15,394</u>	<u>( 15,310)</u>
AAAA	Net cash provided by (used in) operating activities	<u>542,266</u>	<u>611,224</u>

(Continued)



(Continued)

<u>C o d e</u>		<u>2020</u>	<u>2019</u>
	Cash flows from investing activities		
B00020	Disposal of financial assets at fair value through other comprehensive income	\$ -	\$ 11,751
B02700	Acquisition of property, plant, and equipment	( 307,696)	( 462,324)
B02800	Disposal of property, plant, and equipment	5,901	10
B03700	Increases in refundable deposits	( 7)	-
B03800	Decreases in refundable deposits	-	1,047
B06700	Increases in other non-current assets	( 9,835)	( 4,347)
B07100	Increase in prepayments for business facilities	( 123,707)	( 17,840)
B07600	Dividends received	<u>1,165</u>	<u>4,731</u>
BBBB	Net cash provided by (used in) investing activities	( <u>434,179</u> )	( <u>466,972</u> )
	Cash flow from financing activities		
C00100	Increases in short-term loans	1,561,937	1,115,005
C00200	Decreases in short-term loans	( 1,734,745)	( 831,244)
C01600	Long-term borrowings	169,500	548,000
C01700	Repayments of long-term debt	( 407,934)	( 405,882)
C03000	Increases in guarantee deposits received	909	-
C03100	Decreases in guarantee deposits received	-	( 11)
C04020	Payments of lease liabilities	( 6,831)	( 8,156)
C04500	Cash dividends paid	-	( 74,869)
C04900	Treasury stocks acquired	( 23,413)	-
C09900	Unclaimed dividend	<u>64</u>	<u>92</u>
CCCC	Net cash provided by (used in) financing activities	( <u>440,513</u> )	<u>342,935</u>
DDDD	Effect of Exchange Rate Changes on Cash and Cash Equivalents	<u>660</u>	( <u>1,841</u> )
EEEE	Net increase (decrease) in cash and cash equivalents	( 331,766)	485,346
E00100	Cash and cash equivalents at beginning of period	<u>1,704,790</u>	<u>1,219,444</u>
E00200	Cash and cash equivalents at end of period	<u>\$1,373,024</u>	<u>\$1,704,790</u>

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

Lingsen Precision Industries, LTD. and its subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company History

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

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

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

(2) Approval Date and Procedures of the Consolidated Financial Statements

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

(3) Application of New Standards, Amendments and Interpretations

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

Application of aforementioned amendments will not have a significant effect on the Company and controlled entities (the Group)'s accounting policies.

- b. IFRSs endorsed by FSC applicable in 2021

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

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

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

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

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

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

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

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

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

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

1) Amendments to IAS 1 'Disclosure of Accounting Policies'

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

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

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

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

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

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

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

(4) Summary of Significant Accounting Policies

a. Compliance statement

The preparation of the consolidated financial statements is based on the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IFRSs accepted and effectively published by Financial Supervisory Commission.

b. Basis of preparation

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

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

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

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

Current assets include:

1. the asset primarily for the purpose of trading,
2. the asset expected to be realized within twelve months after the date of statement of financial position, and
3. cash and cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the date of statement of financial position.

Current liabilities include:

1. the liability primarily for the purpose of trading,
2. liabilities expected to be settled within twelve months after the maturity of the debt, even if the liability at the date of statement of financial position to complete the long-term refinancing prior to the financial statements or reschedule payment agreement, and

3. liabilities not having an unconditional right to defer settlement for at least twelve months after the date of statement of financial position.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation. Subsidiaries' total amount of comprehensive income are attributed to the Company's owner interests and non-controlling interests, even the non-controlling interests are made as loss in balance.

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

See Note 11 and Table 4 and 5 for details of subsidiaries, percentage of ownership and business.

e. Foreign currency

In preparing the financial statements, transactions in currencies (foreign currencies) other than the Entities' 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 consolidated financial statements, assets and liabilities from foreign operations, 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 and attributed to the owner and non-controlling interests, respectively.

If the Group disposes all equity in foreign operations, parts of equity in foreign operations' subsidiaries but loses its control, or retained equity in foreign operations' associates are financial assets and treated under accounting policies relating to financial instruments, all accumulated exchange differences attributed to the Company' owner and associated with foreign operations are reclassified to profit or loss.

If a partial disposal of foreign operations' subsidiaries do not result in a loss of control, accumulated exchange differences are reclassified to the subsidiary's controlling interests and not recognized as profit or loss. Under any disposal of foreign operations, accumulated exchange differences are reclassified to profit or loss in disposal proportion.

f. Inventories

Inventories include raw materials, work in process, finished good Inventory and products. 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.

g. Investments in associates

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

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

Under the equity method, an investment is initially recognized in the statements of financial positional cost and adjusted thereafter to recognize the Group'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 Entities discontinue recognizing its share of further losses if its share of losses of the associate equals or exceeds its interest in the associate. The Entities recognizes the additional losses and liabilities which occur in the scope of legal obligation, constructive obligation or payment on behalf of the associates only.

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

h. Property, plant, and equipment

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

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

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

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

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

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

Recoverable amount is the higher one of which the fair value less costs to sell



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

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

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

j. Financial instruments

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

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

Financial assets

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

1) Classification of measurement

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

(1) Financial assets measured at amortized cost

The Entities' financial assets are measured at amortized cost if both of the following conditions are met:

- a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost include cash and cash equivalent, contract assets, note receivables, account receivables, other receivables, other current assets and refundable deposits. When the recognition commences, effective interest method is used to determine the carrying amount less any 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.

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

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

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

The dividend from investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss upon the Group'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 Group reviews expected credit losses to estimate the impairment loss of financial assets, including notes receivable, and contract assets measured at amortized cost.

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

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

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

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

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

3) Derecognition of financial assets

The Entities derecognize the financial assets only when the contractual

rights to the cash flows from the financial assets expire, or when they transfer 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.

##### k. Provision

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

##### l. Revenue recognition

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

m. Lease

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

a. The Entities as lessor

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

The sublease of right-of-use assets is classified by reference to right-of-use assets, instead of underlying assets. However, if the main lease is short-term lease applicable to recognition exemption, such sublease is 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.

b. The Entities as lessee

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

Right-of-use assets are initially measured at cost, which comprises the

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

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

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

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

n. **Borrowing Costs**

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

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

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

o. **Government grants**

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

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

p. Employee benefits

a. 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.

b. Pensions

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the 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.

q. Income tax

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

a. Current tax

The Group has determined the current income (losses) and calculated taxes payable (receivable) in accordance with regulations established by the jurisdiction for tax return.

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

annual meeting.

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

b. 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 Group 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 Group expects, at the date of balance sheet, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except the



current and deferred tax that relates to items recognized in other comprehensive income or directly in equity are recognized respectively in other comprehensive income or directly in equity.

(5) Significant Accounting Assumptions and Judgement, And Major Sources of Estimation Uncertainty

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

Major source of estimates and assumption uncertainty

a. Loss of property, plant, and equipment

Equipment relevant to semiconductor manufacturing is evaluated in accordance with the recoverable amount of such equipment (equal to the fair value of such asset less cost to sell and the higher amount of its use value). Market value or future changes in cash flow will affect the recoverable amount, resulting in the Group recognizing addition impairment losses or reversing impairment losses recognized.

b. Income tax

Upon the end of 2020, the balance of unused loss carryforwards is NT\$2,132,209,000. The carrying amount of deferred tax assets related to unused tax losses is NT\$55,999,000 and the carrying amount of deferred tax assets related to temporary differences is NT\$35,306,000. The realization of the deferred tax asset depends mainly on its future profitability or the taxable temporary difference. A significant reversal of deferred tax assets will be recognized as gain or loss if the real profits in the future are less than expected.

(6) Cash and cash equivalent

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on Hand and Petty Cash	\$ 541	\$ 550
Check and Demand deposit	722,557	788,736
Cash equivalent		

Time deposits	499,000	764,996
Short-Term Notes and Bills	<u>150,926</u>	<u>150,508</u>
	<u>\$ 1,373,024</u>	<u>\$ 1,704,790</u>
<u>Annual percentage rate(%)</u>		
Cash in Banks	0.001-0.05	0.001-0.38
Time deposits	0.34-2.1	0.22-2.1
Short-Term Notes and Bills	0.23	0.45

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Listed and OTC stocks</u>		
ETREND Hightech Corp.	\$ 6,795	\$ 5,232
<u>Emerging stocks</u>		
Enrich Tech Co., Ltd.	25,994	20,297
Amtek Semiconductors Co., Ltd.	6,192	5,362
Anwell Semiconductor Co., Ltd.	-	636
Perfect Source Technology Corp.	-	-
Xpert Semiconductor Inc.	-	-
	<u>\$ 38,981</u>	<u>\$ 31,527</u>

The Group invests the aforementioned common stocks in accordance with long-term strategic objectives and expects to profit from long-term investments. The management of the Group considers 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.

Anwell Semiconductor Co., Ltd. had discontinued business in October 2020.

Perfect Source Technology Corp. had been liquidated and cancelled the registration in May 2020. The Group had received liquidating distribution of NT\$2,000 in October 2020 and will dispose financial assets measured at fair value through other comprehensive income. The realized loss of NT\$2,499,000 will be transferred to the retained earnings.

(8) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Amortized cost</u>		
Total carrying amount	\$ 1,330,691	\$ 1,103,474
Less: Allowance for bad debts	( <u>19,668</u> )	( <u>19,605</u> )
	<u>\$ 1,311,023</u>	<u>\$ 1,083,869</u>

The average collection period for selling products and rendering service is 60 to 90

days, excluding accounts receivable. Credit of key customers is rated by using other public available financial information and historic transaction records. The Group 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 Group has designated functional working group responsible for decision on line of credit, credit approval and other supervision to ensure proper action has been taken to collect overdue accounts receivable. In addition, the collectible amount of accounts receivable shall be reviewed individually at the date of balance sheet to ensure the uncollectible accounts receivable has been listed to appropriate impairment loss. According these, the management considers the Group's credit risk has significantly decreased.

The loss allowance for accounts receivable is measured at an amount equal to useful lives expected credit losses. For the useful lives expected credit losses, customers' default on records and present financial position, economic trends, as well as GDP expectation and industry outlook are considered. The experience on the Group'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 Group will directly offset the relevant accounts receivable but keep track of the receivables. The recovered amount is recognized in profit or loss.

The loss allowance for accounts receivable is measured as follows:

	0-90 days	Aging 91-180 days	Aging 181-365 days	Aging over 365 days	Total
<u>December 31, 2020</u>					
Expected credit loss(%)	0.1-0.2	2-3.1	10-15.5	100	
Total carrying amount	\$ 1,283,491	\$ 29,242	\$ -	\$ 17,958	\$ 1,330,691
Allowance for loss	( 1,175 )	( 535 )	-	( 17,958 )	( 19,668 )
Amortized cost	<u>\$ 1,282,316</u>	<u>\$ 28,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,023</u>
<u>December 31, 2019</u>					
Expected credit loss(%)	0.1-0.2	2-3.1	10-15.5	100	
Total carrying amount	\$ 1,061,046	\$ 23,289	\$ 1,031	\$ 18,108	\$ 1,103,474
Allowance for loss	( 975 )	( 427 )	( 95 )	( 18,108 )	( 19,605 )
Amortized cost	<u>\$ 1,060,071</u>	<u>\$ 22,862</u>	<u>\$ 936</u>	<u>\$ -</u>	<u>\$ 1,083,869</u>

Changes on allowance for accounts receivable loss are as below:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 19,605	\$ 7,096
Current impairment losses	49	12,556
Exchange differences on translation	<u>14</u>	<u>( 47 )</u>
Balance at the end of the year	<u>\$ 19,668</u>	<u>\$ 19,605</u>

(9) Other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposits with an initial maturity of more than three months	\$ 280,679	\$ 355,228
Tax Refund Receivable	13,586	10,901
Others	<u>9,928</u>	<u>5,158</u>
	<u>\$ 304,193</u>	<u>\$ 371,287</u>
Annual percentage rate of time deposits with an initial maturity of more than three months (%)	0.3-0.815	0.45-1.07

(10) Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw materials	\$ 312,582	\$ 299,116
Finished good Inventory	18,649	38,115
Work in process	4,883	6,401
Products	<u>-</u>	<u>1,745</u>
	<u>\$ 336,114</u>	<u>\$ 345,377</u>

Inventory-related operating costs as of 2020 and 2019 are respectively NT\$5,158,502,000 and NT\$4,783,009,000.

Operating costs include the following items:

	<u>2020</u>	<u>2019</u>
Unamortized fixed production overheads	\$ 347	\$ 6,107
Revenue from sale of scraps	( 35,485 )	( 30,588 )
Inventory Valuation Losses	44,673	1,799

(11) Subsidiaries

a. Subsidiaries incorporated in the consolidated financial statements

The basis for the consolidated financial statements is as follows:

Investor	Company Name	Equity holding (%)	
		2020 December 31	2019 December 31
Parent Company	Lingsen Holding (Samoa) Inc.	100	100
	Panther Technology Co., Ltd.	64	64
	Sooner Power Semiconductor Co., Ltd.	99	99

Investor	Company Name	Equity holding (%)	
		2020 December 31	2019 December 31
Parent Company	Lee Shin Investment Co., Ltd.	100	100
	Lingsen America Inc.	100	100
	Nexus Material Corporation	78	78
Lee Shin Investment Co., Ltd.	Sooner Power Semiconductor Co., Ltd.	1	1
	Nexus Material Corporation	21	21
Lingsen Holding (Samoa) Inc.	Li Yuan Investments Co., Ltd.	100	100
Li Yuan Investments Co., Ltd.	Ningbo Liyuan Technology Co., Ltd.	100	100

See Table 4 and 5 for the location and business of aforementioned subsidiaries

b. Significant information on subsidiaries of non-controlling interests

Company Name	Percentage of Ownership (%)	
	December 31, 2020	December 31, 2019
Panther Technology Co., Ltd.	36	36

The following summary of financial information of Panther Technology Co., Ltd. is prepared in accordance with the amount prior to elimination of intragroup transactions:

	December 31, 2020	December 31, 2019
Current assets	\$ 279,424	\$ 235,594

Non-current assets	670,781	591,649
Current liabilities	( 172,596)	( 148,054)
Non-current liabilities	( 266,386)	( 173,998)
Equity	<u>\$ 511,223</u>	<u>\$ 505,191</u>
Interests attributed to:		
Owners of the Company	\$ 325,496	\$ 321,655
non-controlling interests of Panther Technology Co., Ltd.	<u>185,727</u>	<u>183,536</u>
	<u>\$ 511,223</u>	<u>\$ 505,191</u>
	2020	2019
Operating income	<u>\$ 569,793</u>	<u>\$ 567,302</u>
Current net profit	\$ 6,032	\$ 2,068
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 6,032</u>	<u>\$ 2,068</u>
Net income is attributed to:		
Owners of the Company	\$ 3,840	\$ 1,317
Non-controlling interests of Panther Technology Co., Ltd.	<u>2,192</u>	<u>751</u>
	<u>\$ 6,032</u>	<u>\$ 2,068</u>
The total comprehensive income is attributed to:		
Owners of the Company	\$ 3,840	\$ 1,317
Non-controlling interests of Panther Technology Co., Ltd.	<u>2,192</u>	<u>751</u>
	<u>\$ 6,032</u>	<u>\$ 2,068</u>
Cash flow		
From operating activities	\$ 106,161	\$ 133,947
From investing activities	( 190,301)	( 184,601)
From financing activities	<u>105,893</u>	<u>67,163</u>
New cash inflow	<u>\$ 21,753</u>	<u>\$ 16,509</u>

(12) Investments accounted for using the equity method

Investees	December 31, 2020		December 31, 2019	
	Amount	Shares	Amount	Shares
<u>Common stock that has never been listed on the TWSE or TPEX</u>				
Qi Feng Technology Co., Ltd.	\$ 11,417	30%	\$ 11,417	30%
Less: accumulated impairment	( 11,417)		( 11,417)	
	<u>\$ -</u>		<u>\$ -</u>	

Investments accounted for using the equity method as well as the Group's share of profit or loss and other comprehensive income are not calculated in accordance with

auditors' reports. However, the management of the Group determines that it shall have little influence if financial statements of Qi Feng Technology Co., Ltd. are not audited.

(13) Property, Plant and Equipment

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Assets used by the Company	\$ 3,291,413	\$ 3,874,167
Assets subject to operating leases	<u>200,137</u>	<u>200,459</u>
	<u>\$ 3,491,550</u>	<u>\$ 4,074,626</u>

a. Assets used by the Company

2020	Balance at the beginning of the year	Increase	Decrease	Reclassificati o n	Exchange difference	Balance at the end of the year
<u>Cost</u>						
Land	\$ 127,534	\$ -	\$ -	\$ -	\$ -	\$ 127,534
Buildings	3,147,941	6,840	85,309	-	7,013	3,076,485
Machinery and equipment	5,368,285	208,384	754,934	( 9,033)	1,223	4,813,925
Transportation equipment	23,191	2,271	2,382	-	( 51)	23,029
Office equipment	75,982	4,603	4,289	-	11	76,307
Other facilities	314,612	56,398	64,659	-	584	306,935
Total costs	<u>9,057,545</u>	<u>\$ 278,496</u>	<u>\$ 911,573</u>	<u>(\$ 9,033)</u>	<u>\$ 8,780</u>	<u>8,424,215</u>
<u>Accumulated depreciation</u>						
Buildings	1,240,194	\$ 127,211	\$ 85,309	\$ -	\$ 5,224	1,287,320
Machinery and equipment	3,571,423	614,805	749,523	( 11,464)	771	3,426,012
Transportation equipment	19,889	1,609	2,382	-	( 21)	19,095
Office equipment	45,660	11,658	4,289	-	4	53,033
Other facilities	188,471	58,076	64,653	-	251	182,145
Total accumulated depreciation	<u>5,065,637</u>	<u>\$ 813,359</u>	<u>\$ 906,156</u>	<u>(\$ 11,464)</u>	<u>\$ 6,229</u>	<u>4,967,605</u>
<u>Accumulated impairment</u>						
Land	59,787	\$ -	\$ -	\$ -	\$ -	59,787
Buildings	57,954	2,851	-	-	-	60,805
Machinery and equipment	-	40,943	-	-	-	40,943
Office equipment	-	708	-	-	-	708
Other facilities	-	2,954	-	-	-	2,954
Accumulated impairment loss	<u>117,741</u>	<u>\$ 47,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>165,197</u>
	<u>\$ 3,874,167</u>					<u>\$ 3,291,413</u>

2019	Balance at the beginning of the year	Effects of retrospectivel y applying I F R S 1 6	Balance at the beginning of the year (restated)	Increase	Decrease	Reclassificati o n	Exchange difference	Balance at the end of the year
<u>Cost</u>								
Land	\$ 127,534	\$ -	\$ 127,534	\$ -	\$ -	\$ -	\$ -	\$ 127,534
Buildings	3,570,455	( 277,992)	3,292,463	7,277	140,899	7,623	( 18,523)	3,147,941
Machinery and equipment	5,705,696	( 1,300)	5,704,396	434,240	796,304	28,758	( 2,805)	5,368,285
Transportation equipment	24,997	-	24,997	-	1,782	-	( 24)	23,191
Office equipment	72,801	-	72,801	5,604	2,384	-	( 39)	75,982
Other facilities	288,567	-	288,567	50,115	25,954	3,165	( 1,281)	314,612
Unfinished construction	6,140	-	6,140	670	-	( 6,810)	-	-
Total costs	<u>9,796,190</u>	<u>(\$ 279,292)</u>	<u>9,516,898</u>	<u>\$ 497,906</u>	<u>\$ 967,323</u>	<u>\$ 32,736</u>	<u>(\$ 22,672)</u>	<u>9,057,545</u>
<u>Accumulated depreciation</u>								
Buildings	1,327,064	(\$ 74,292)	1,252,772	\$ 141,274	\$ 140,899	(\$ 89)	(\$ 12,864)	1,240,194

2019	Balance at the beginning of the year	Effects of retrospectively applying IFRS 16	Balance at the beginning of the year (restated)	Increase	Decrease	Reclassification	Exchange difference	Balance at the end of the year
Machinery and equipment	3,698,082	( 139)	3,697,943	671,213	796,247	186	( 1,672)	3,571,423
Transportation equipment	19,786	-	19,786	1,892	1,782	-	( 7)	19,889
Office equipment	36,695	-	36,695	11,367	2,384	-	( 18)	45,660
Other facilities	151,136	-	151,136	63,877	25,954	-	( 588)	188,471
Total accumulated depreciation	5,232,763	(\$ 74,431)	5,158,332	\$ 889,623	\$ 967,266	\$ 97	(\$ 15,149)	5,065,637
<u>Accumulated impairment</u>								
Land	59,787	\$ -	59,787	\$ -	\$ -	\$ -	\$ -	59,787
Buildings	57,954	-	57,954	-	-	-	-	57,954
Accumulated impairment loss	117,741	\$ -	117,741	\$ -	\$ -	\$ -	\$ -	117,741
	<u>\$4,445,686</u>		<u>\$4,240,825</u>					<u>\$3,874,167</u>

For the slow sales for parts of the Group's product, the Group expects that economical benefit on such machinery equipment has decreased, resulting in the recoverable amount is less than carrying amount. The impairment loss of NT\$47,456,000 was recognized in 2020, which has been listed in consolidated statement of comprehensive income.

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

Buildings	
Plant building	45-50 year
Hydropower air-conditioning engineering	3-20 years
Machinery and equipment	3-10 year
Transportation equipment	4-7 years
Office equipment	3-7 years
Other facilities	3-7 years

See note 28 for the amount of property, plant, and equipment used by the Company pledged as collaterals.

b. Assets subject to operating leases

2020	Balance at the beginning of the year	Increase	Reclassification	Balance at the end of the year
<u>Cost</u>				
Buildings	\$ 279,629	\$ -	\$ -	\$ 279,629
Machinery and equipment	-	-	15,933	15,933
	<u>279,629</u>	<u>\$ -</u>	<u>\$ 15,933</u>	<u>295,562</u>
<u>Accumulated depreciation</u>				
Buildings	79,170	\$ 4,791	\$ -	83,961



Machinery and equipment	-	-	11,464	11,464
Interest expenses	<u>79,170</u>	<u>\$ 4,791</u>	<u>\$ 11,464</u>	<u>95,425</u>
	<u>\$ 200,459</u>			<u>\$ 200,137</u>

2019	Balance at the beginning of the year	Effects of retrospective applying IFRS 16	Balance at the beginning of the year (restated)	Increase	Reclassification	Balance at the end of the year
<u>Cost</u>						
Buildings	\$ -	\$ 277,992	\$ 277,992	\$ -	\$ 1,637	\$ 279,629
Machinery and equipment	-	<u>1,300</u>	<u>1,300</u>	-	(1,300)	-
	-	<u>\$ 279,292</u>	<u>\$ 279,292</u>	-	<u>\$ 337</u>	<u>279,629</u>
<u>Accumulated depreciation</u>						
Buildings	-	\$ 74,292	\$ 74,292	\$ 4,789	\$ 89	79,170
Machinery and equipment	-	<u>139</u>	<u>139</u>	<u>47</u>	(186)	-
	-	<u>\$ 74,431</u>	<u>\$ 74,431</u>	<u>\$ 4,836</u>	<u>(\$ 97)</u>	<u>79,170</u>
	<u>-</u>					<u>\$ 200,459</u>

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 12,255	\$ 9,579
Year 2	9,690	9,121
Year 3	4,530	9,121
Year 4	4,530	3,961
Year 5	4,530	3,961
Over 5 Years	<u>20,888</u>	<u>16,505</u>
	<u>\$ 56,423</u>	<u>\$ 52,248</u>

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

Buildings	45-50 year
Machinery and equipment	5-7 years

(14) Lease agreements

a. Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of right-of-use assets		
Land	\$ 161,942	\$ 177,883
Buildings	<u>2,859</u>	<u>2,550</u>
	<u>\$ 164,801</u>	<u>\$ 180,433</u>
	<u>2020</u>	<u>2019</u>
Addition to right-of-use assets	<u>\$ 2,211</u>	<u>\$ 5,032</u>
Depreciation expense of right-of-use assets		
Land	\$ 4,628	\$ 5,136
Buildings	1,902	2,243
Machinery and equipment	-	39
Transportation equipment	<u>-</u>	<u>447</u>
	<u>\$ 6,530</u>	<u>\$ 7,865</u>
Sublease income of right-of-use assets (Rent Income from sublease)	( <u>\$ 1,464</u> )	( <u>\$ 1,464</u> )

b. Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	<u>\$ 5,494</u>	<u>\$ 5,510</u>
Non-current	<u>\$ 152,251</u>	<u>\$ 167,111</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	0.67%-0.91%	0.67%
Buildings	0.67%-1.65%	0.67%-1.65%
Machinery and equipment	-	1.54%
Transportation equipment	-	0.67%

c. Material leases and terms

The Group leases several transportation for the use of business with a lease term of 1 to 3 years. Upon the termination of the contract, such contract does not contain a bargain purchase option for the Group.

The Group leases several lands and buildings for the use of plants, office buildings and employee dormitories with a lease term of 1 to 10 years. Upon the termination of the contract, the lands and buildings do not contain a bargain purchase option for the Group.

d. Sublease

The Group subleases right-of-use of land as operating lease, with a lease term of 20 years. The lessee shall adjust the lease payment according to market rent when a right of renewal is exercised

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Year 1	\$ 1,464	\$ 1,464
Year 2	1,464	1,464
Year 3	1,464	1,464
Year 4	1,464	1,464
Year 5	1,464	1,464
Over 5 Years	<u>16,470</u>	<u>17,934</u>
	<u>\$ 23,790</u>	<u>\$ 25,254</u>

e. Information on other lease

See Note 13 for agreements that the Group sells property, plant and equipment used by the Group under operating leases.

	<u>2020</u>	<u>2019</u>
Expenses relating to short-term leases	<u>\$ 54,387</u>	<u>\$ 66,405</u>
Total cash outflow for leases	<u>(\$ 62,398)</u>	<u>(\$ 75,754)</u>

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

(15) Other assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Supply inventory	\$ 105,225	\$ 69,131
Time Deposit Pledge (Note 28)	71,888	71,884
Tax Overpaid Retained for Offsetting the Future Tax Payable	25,305	22,789
Prepayments	13,993	14,889
Payments on behalf of others	5,086	3,902
Input Tax	2,733	1,246
Others	604	739
	<u>\$ 224,834</u>	<u>\$ 184,580</u>
<u>Non-current</u>		
Prepayments for business facilities	\$ 157,529	\$ 40,490
Others	12,019	7,111
	<u>\$ 169,548</u>	<u>\$ 47,601</u>

(16) Borrowings

a. Short-term bank loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Credit loan	\$ 163,920	\$ 389,921
Import and export financing	84,759	38,068
	<u>\$ 248,679</u>	<u>\$ 427,989</u>
<u>Annual percentage rate(%)</u>		
Credit loan	0.8-4.98	0.96-4.98
Import and export financing	0.90-1.32	2.48-2.8

b. Long-term bank loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Collateralized borrowings	\$ 965,876	\$ 1,158,310
Credit loan	98,000	144,000
	1,063,876	1,302,310
Less: amount falling due in one year	( 486,287 )	( 399,043 )
Amount falling due after one year	<u>\$ 577,589</u>	<u>\$ 903,267</u>
<u>Annual percentage rate(%)</u>		
Collateralized borrowings	0.42-1.54	0.67-1.80
Credit loan	0.42-1.6	0.67-1.83

Maturity

Collateralized borrowings	2021.11-2027.03	2020.03-2025.12
Credit loan	2021.11-2022.04	2021.11-2022.04

(17) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Wages payable	\$ 208,859	\$ 195,713
Accounts payable, factory supplies	178,822	144,532
Vacation pay payable	56,561	54,864
Accounts payable, equipment	23,488	52,749
Employees' compensation and remuneration of directors payable	1,062	91
Others	<u>114,081</u>	<u>108,621</u>
	<u>\$ 582,873</u>	<u>\$ 556,570</u>

(18) Provisions - Current

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

Changes on provisions are as below:

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

(19) Retirement benefits Plan

a. Defined contribution plans

The labor pension system under Labor Pension Act applicable to the Company, Panther Technology Co., Ltd., Nexus Material Corporation, and Sooner Power Semiconductor Co., Ltd. is defined contribution retirement benefit plans managed by the government. The employer shall contribute labor pension funds equal to six percent of an employee's monthly salary to individual labor pension accounts at the Bureau of Labor Insurance (the Bureau) for employees.

Ningbo Liyuan Technology Co., Ltd. participated in social insurance plan managed and planned by government of China, which is a defined contribution plan. The endowment insurance paid for the government is recognized as current expense upon withdrawal.

The retirement procedure and system has not established for Lingsen America Inc.

As investment companies or no employees hired, there is no retirement procedure or

system established for Lee Shin Investment Co., Ltd., Lingsen Holding (Samoa) Inc., Li Yuan Investments Co., Ltd.

b. Defined benefit plans

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

The amount of defined benefit plans recognized in the consolidated balance sheets is as follows:

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

Movements the net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liabilities</u>
Balance as of January 1, 2019	<u>\$ 803,059</u>	<u>( \$ 667,401 )</u>	<u>\$ 135,658</u>
Service cost			
Current service cost	8,564	-	8,564
Interest expense	<u>7,848</u>	<u>( 6,541 )</u>	<u>1,307</u>
Defined benefit costs			
recognized in profit or loss	<u>16,412</u>	<u>( 6,541 )</u>	<u>9,871</u>
Remeasurement of the net defined benefit liability/asset			
Return on plan assets (excluding amounts	-	<u>( 36,134 )</u>	<u>( 36,134 )</u>

	included in net interest expense)		
Actuarial loss			
- changes in demographic assumptions	238	-	238
- changes in financial assumptions	21,079	-	21,079
- experience adjustments	<u>2,678</u>	<u>-</u>	<u>2,678</u>
Defined benefit costs recognized in other comprehensive income	<u>23,995</u>	<u>( 36,134)</u>	<u>( 12,139)</u>
Contributions from employer	-	( 30,000)	( 30,000)
Benefits paid	<u>( 56,960)</u>	<u>30,926</u>	<u>( 26,034)</u>
Balance as of December 31, 2019	<u>786,506</u>	<u>( 709,150)</u>	<u>77,356</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
Service cost			
Current service cost	\$ 8,246	\$ -	\$ 8,246
Interest expense	<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			
- 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>
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 R.O.C. Labor Standards Law, the Group is exposed to the following risks:

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

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

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

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

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

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



	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Contributions expected in one year	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Average maturity of defined benefit obligation	10 years	10 years

(20) Equity

a. Common Stock

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

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

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

meeting to determine the allocation of dividends and bonus. See Note 22 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 regulates to set aside and reverse special capital reserve in compliance with FSC No. 1010012865, FSC No. 1010047490 and 'Common Questions on Special Capital Reserve Appropriation in Adoption of International Financial Reporting Standards (IFRSs).'

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

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

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

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

d. Non-controlling interests

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

The aforementioned transaction which does not change the Group's controlling the subsidiary are accounted for as equity transactions

e. 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 to NT\$13; however, when the stock price is lower

than the floor price, the Company can continue the repurchase with the ceiling of total amount of repurchase of NT\$26,000,000. Upon December 31, 2020, the Company has repurchased 2,000,000 shares and NT\$23,413,000 respectively.

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

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

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

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

## (21) Revenue

	<u>2020</u>	<u>2019</u>	
Revenue from Contracts with Customers			
Service Income	\$ 5,405,885	\$ 4,650,979	
Sales revenue	<u>51,701</u>	<u>68,411</u>	
	<u>\$ 5,457,586</u>	<u>\$ 4,719,390</u>	
a. Contract balances			
	December 31, <u>2020</u>	December 31, <u>2019</u>	January 1, 2019
Contract assets - current	\$ 126,485	\$ 90,702	\$ 88,130
Notes receivable	9,386	6,968	10,896
Accounts receivable	<u>1,311,023</u>	<u>1,083,869</u>	<u>1,092,065</u>
	<u>\$ 1,446,894</u>	<u>\$ 1,181,539</u>	<u>\$ 1,191,091</u>
b. Details of revenue from contracts with customers			
See Note 32 for the information on details of revenue from contracts with customers			
c. Timing of revenue recognition			
	<u>2020</u>	<u>2019</u>	
Performance obligation satisfied over time	\$ 5,405,885	\$ 4,650,979	
Performance obligation satisfied at a point in time	<u>51,701</u>	<u>68,411</u>	
	<u>\$ 5,457,586</u>	<u>\$ 4,719,390</u>	

(22) Labor cost and depreciation

<u>C l a s s i f i c a t i o n</u>	<u>Classified as</u> <u>operating costs</u>	<u>Classified as</u> <u>o p e r a t i n g</u> <u>e x p e n s e s</u>	<u>T o t a l</u>
<u>2020</u>			
Employee labor cost			
Short-term employee			
benefits	\$ 1,272,351	\$ 246,325	\$ 1,518,676
Pensions			
Defined contribution			
plans	41,743	8,816	50,559
Defined benefit plans	7,525	1,188	8,713
Other labor cost	104,409	18,217	122,626
Depreciation expenses	759,937	64,743	824,680
<u>2019</u>			
Employee labor cost			
Short-term employee			
benefits	1,110,963	249,777	1,360,740
Pensions			
Defined contribution			
plans	43,224	10,307	53,531
Defined benefit plans	8,399	1,472	9,871
Other labor cost	204,535	35,027	239,562
Depreciation expenses	831,369	70,955	902,324

Under the Company's Articles of Incorporation, the Company shall accrue employees' compensation and remuneration of directors at the rates of no less than 10% and no higher than 2% respectively, of net profit before income tax, of employees' compensation, and remuneration of directors. Due to a deficit in 2020 and 2019, the employees' compensation and remuneration of directors have not been estimated yet.

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

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

(23) Income Tax

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

	<u>2020</u>	<u>2019</u>
Current tax		
Income tax expense generated in the current year	\$ 954	\$ 309
Adjustment on prior years	( 43)	<u>3,851</u>
	911	4,160
Deferred tax		
Income tax expense generated in the current year	15,703	( 945)
Adjustment on prior years	<u>110</u>	<u>          </u>
Income tax expense recognized in profit or loss	<u>\$ 16,724</u>	<u>\$ 3,215</u>

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

	<u>2020</u>	<u>2019</u>
Tax benefit at the statutory rate	(\$ 29,283)	(\$ 109,783)
Permanent differences	45,193	30,390
Temporary differences	18,191	3,174
Current loss carryforward	( 17,598)	-
Unrecognized loss carryforward	20,682	121,111
Effect of Exchange Rate Changes applicable to the consolidated entities	( 36,231)	( 44,583)
Deferred tax		
Income tax expense generated in the current year	15,703	( 945)
Adjustment on prior years	110	-
Adjustment on prior years	( 43)	<u>3,851</u>
Income tax expense recognized in profit or loss	<u>\$ 16,724</u>	<u>\$ 3,215</u>

The President of R.O.C. has announced the amendments to 'Statute for Industrial Innovation' in July 2019, which stating that the undistributed earnings to construct or purchase a certain asset or technology as of or after 2018 may be deducted from the undistributed earnings in calculation. The Group only deducts the amount of capital expenditure which has actually been processed in calculation of undistributed surplus earnings.

b. Deferred tax assets and liabilities

2020	Balance at the beginning of the year	D e f i n e d benefit costs recognized in profit or l o s s	D e f i n e d benefit costs recognized in other comprehens ive income	transaction differences	Balance at the end of the year
<u>Deferred tax income assets</u>					
Temporary differences					
Defined benefit retirement plans	\$ 15,084	\$ -	(\$ 366)	\$ -	\$ 14,718
Inventory falling price reserves	5,154	331	-	-	5,485
Vacation pay payable	10,723	338	-	-	11,061
Provision	2,476	1,414	-	-	3,890
Right-of-use assets	110	( 110)	-	-	-
Others	558	( 399)	-	( 7)	152
	<u>34,105</u>	<u>1,574</u>	<u>( 366)</u>	<u>( 7)</u>	<u>35,306</u>
Loss carryforwards	<u>73,123</u>	<u>( 17,124)</u>	<u>-</u>	<u>-</u>	<u>55,999</u>
	<u>\$ 107,228</u>	<u>( \$ 15,550)</u>	<u>( \$ 366)</u>	<u>( \$ 7)</u>	<u>\$ 91,305</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Difference on depreciation methods	\$ 633	(\$ 185)	\$ -	\$ -	\$ 448
Others	260	448	-	-	708
	<u>\$ 893</u>	<u>\$ 263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156</u>
<u>2019</u>					
<u>Deferred tax income assets</u>					
Temporary differences					
Defined benefit retirement plans	\$ 17,512	\$ -	(\$ 2,428)	\$ -	\$ 15,084
Inventory falling price reserves	4,971	183	-	-	5,154
Vacation pay payable	9,450	1,273	-	-	10,723
Provision	2,417	59	-	-	2,476
Right-of-use assets	-	110	-	-	110
Others	600	( 41)	-	( 1)	558
	<u>34,950</u>	<u>1,584</u>	<u>( 2,428)</u>	<u>( 1)</u>	<u>34,105</u>
Loss carryforwards	<u>73,767</u>	<u>( 644)</u>	<u>-</u>	<u>-</u>	<u>73,123</u>
	<u>\$ 108,717</u>	<u>\$ 940</u>	<u>( \$ 2,428)</u>	<u>( \$ 1)</u>	<u>\$ 107,228</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Difference on depreciation methods	\$ 807	(\$ 174)	\$ -	\$ -	\$ 633
Others	91	169	-	-	260
	<u>\$ 898</u>	<u>( \$ 5)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 893</u>

- c. Amount of unused loss carryforwards of deferred income tax assets which was not recognized in the consolidated balance sheet

<u>Y e a r</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
2020	\$ -	\$ 264,930
2021	228,296	228,296
2022	208,391	208,391
2023	136,913	136,913
2024	143,636	143,636
2025	127,855	127,855
2026	119,192	119,192
2027	122,573	122,573
<u>Y e a r</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
2028	\$ 104,397	\$ 104,397
2029	507,703	507,584
2030	103,475	-
	<u>\$ 1,802,431</u>	<u>\$ 1,963,767</u>

- d. Relevant information on unused loss carryforwards

<u>Last tax year</u>	<u>P a r e n t C o m p a n y</u>	<u>Sooner Power Semiconduct or Co., Ltd.</u>	<u>N e x u s M a t e r i a l Corporation</u>	<u>N i n g b o L i y u a n Technology Co., Ltd.</u>
2021	\$ -	\$ 134,711	\$ 24,810	\$ 68,775
2022	-	105,558	26,386	76,447
2023	-	116,449	20,464	-
2024	-	112,206	31,430	-
2025	-	127,847	8	-
2026	-	119,180	12	-
2027	-	122,548	25	-
2028	329,778	104,373	24	-
2029	389,680	117,998	25	-
2030	-	103,410	65	-
	<u>\$ 719,458</u>	<u>\$1,164,280</u>	<u>\$ 103,249</u>	<u>\$ 145,222</u>

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

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

- f. Income tax examination

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

g. Relevant information on income tax of foreign subsidiaries

The profit-seeking enterprise income tax of Ningbo Liyuan Technology Co., Ltd. is calculated in accordance with the tax law in China. As of the end of 2020, there are accumulated losses and no income tax payable.

As locally registered companies, Lingsen Holding (Samoa) Inc. and Li Yuan Investments Co., Ltd. are, under the regulation of the local law, exempt for income from offshore.

The profit-seeking enterprise income tax of Lingsen America Inc. is calculated in accordance with the tax law in America.

(24) Loss per Share

	N e t   l o s s b e l o n g i n g   t o c o m m o n s t o c k h o l d e r s O w n e r s   o f   t h e C o m p a n y	N u m b e r   o f S h a r e s (D e n o m i n a t o r) (i n   t h o u s a n d)	L o s s   p e r   s h a r e (   N   T   \$   )
	_____	_____	_____
<u>2020</u>			
Basic and diluted loss per share Net loss attributed to the owners of the Company	( \$   164,343 )	373,465	( \$   0.44 )
<u>2019</u>			
Basic and diluted loss per share Net loss attributed to the owners of the Company	( \$   552,011 )	374,443	( \$   1.47 )

It is assumed the Group is able to elect to pay employees' compensation in stocks or cash. Then if the compensation is given in stocks, and the weighted average number of ordinary shares outstanding shall be computed to the dilutive potential ordinary shares to calculate diluted EPS. On the calculation of diluted EPS before the decision on issuing shares in the next year, the consideration on the effect of such dilutive potential ordinary shares will continue.

(25) Capital Management

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

The Group's capital structure is consist of net debt (leases less cash and cash equivalent) and equity attributed to the Company's owner (common stocks, capital



surplus, retained earnings and other equity).

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

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

(26) Financial instruments

a. Information on fair value

1) Financial instruments that are not measured at fair value

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

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

(1) Fair value hierarchy

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>T o t a l</u>
<u>Financial assets</u>				
<u>at fair value</u>				
<u>through other</u>				
<u>comprehensive</u>				
<u>income</u>				
Emerging stocks	\$ -	\$ -	\$ 32,186	\$ 32,186
Listed and OTC				
stocks	<u>6,795</u>	<u>-</u>	<u>-</u>	<u>6,795</u>
	<u>\$ 6,795</u>	<u>\$ -</u>	<u>\$ 32,186</u>	<u>\$ 38,981</u>
<u>December 31, 2019</u>				
<u>Financial assets</u>				
<u>at fair value</u>				
<u>through other</u>				
<u>comprehensive</u>				
<u>income</u>				
Emerging stocks	\$ -	\$ -	\$ 26,295	\$ 26,295
Listed and OTC				
stocks	<u>5,232</u>	<u>-</u>	<u>-</u>	<u>5,232</u>
	<u>\$ 5,232</u>	<u>\$ -</u>	<u>\$ 26,295</u>	<u>\$ 31,527</u>

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

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

<u>Financial assets</u>	<u>Financial assets at fair value through other comprehensive income</u>	
	<u>Equity instruments</u>	
	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	\$ 26,295	\$ 40,801
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	5,891	( 2,755)
Disposal	-	( 11,751)
Balance at the end of the year	<u>\$ 32,186</u>	<u>\$ 26,295</u>

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

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

b. Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost	\$ 3,196,934	\$ 3,330,424
Financial assets at fair value through other comprehensive income	38,981	31,527
<u>Financial Liabilities</u>		
Amortized cost	1,963,148	2,318,114

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

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

c. Financial risk management objectives and policies

The majority of financial instruments include equity instrument investments,

accounts receivable, accounts payable, borrowings and lease liabilities, etc. The financial management department provides service for each unit by organizing and coordinating the market operation nationally and internationally, supervising and reporting the internal risks by analyzing risk exposure according to the extent and breadth of risk, and managing financial risks associated with the Group'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 Group is exposed to the financial market risks, primarily changes in foreign currency exchange rates and interest rates, due to its operation.

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

(1) Foreign currency risk

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

See Note 30 for the carrying amount of monetary assets and liabilities denominated in non-functional currency at the date of balance sheet.

Sensitivity analysis

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

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

<u>C a t e g o r i e s o f c u r r e n c y</u>	<u>The impact of fluctuations in exchange rate on p r o f i t o r l o s s</u>	
	<u>2020</u>	<u>2019</u>
U.S. Dollar	\$ 254	\$ 1,299
Japanese yen	79	197

(2) Interest rate risk

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fair value interest rate risk		
Financial assets	\$ 531,493	\$ 736,616
Financial Liabilities	260,130	392,621
Cash flows Interest rate risk		
Financial assets	1,188,672	1,389,199
Financial Liabilities	1,210,170	1,510,299

Sensitivity analysis

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

For floating-rate financial assets and liabilities, when interest rate is increase by 1% and other conditions remain unchanged, the net loss before tax in 2020 and 2019 are NT\$215,000 and NT\$1,211,000

respectively.

The Group's sensitivity of interest decreases in 2020, arising from an approximation of financial assets and liabilities with cash flow risk.

(3) Other price risk

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

Sensitivity analysis

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

If the equity price changes by 1%, the other comprehensive income in 2020 and 2019 will increase and decrease NT\$68,000 and NT\$52,000 respectively due to changes in fair value of financial assets measured at fair value through profit or loss.

2) Credit risk

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

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

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

3) Liquidity risk management

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

The bank borrowing is a material source of liquidity to the Group. As of

December 31, 2020 and 2019, the undrawn loan amounts are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Undrawn loan amounts	<u>\$ 2,181,311</u>	<u>\$ 1,692,262</u>

Liquidity and interest risks of non-derivative financial liabilities

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

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

<u>December 31, 2020</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>more that 3 years</u>
Non-interest bearing liabilities	\$ 648,771	\$ -	\$ -
Lease liabilities	6,637	10,771	165,944
Floating-rate liabilities	632,581	428,864	148,725
Fixed-rate liabilities	<u>102,385</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,390,374</u>	<u>\$ 439,635</u>	<u>\$ 314,669</u>
<u>December 31, 2019</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>more that 3 years</u>
Non-interest bearing liabilities	\$ 586,902	\$ -	\$ -
Lease liabilities	7,362	12,071	180,340
Floating-rate liabilities	607,032	826,816	76,451
Fixed-rate liabilities	<u>220,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,421,296</u>	<u>\$ 838,887</u>	<u>\$ 256,791</u>

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

	<u>Within 1 y e a r</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>10-15 years</u>	<u>15-20 years</u>	<u>Over 20 y e a r s</u>
<u>December 31, 2020</u>						
Lease liabilities	<u>\$ 6,637</u>	<u>\$ 20,302</u>	<u>\$156,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2019</u>						
Lease liabilities	<u>\$ 7,362</u>	<u>\$ 22,630</u>	<u>\$169,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

(27) Related-party transactions

Transactions, balances, income and expenses between the Company and subsidiaries (related parties of the Company) may be all eliminated in consolidation,

which are thus not disclosed in the note. Except for other notes disclosed, transactions between the Group and other related parties are as follows.

Compensation of key management personnel

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 40,186	\$ 48,318
Pensions	<u>917</u>	<u>1,168</u>
	<u>\$ 41,103</u>	<u>\$ 49,486</u>

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

(28) Pledged Assets

The following assets are provided as collaterals and import duty payable for maximum loan amount:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant, and equipment	\$ 1,823,785	\$ 2,151,999
Pledged time deposits (recognized in other current assets)	<u>71,888</u>	<u>71,884</u>
	<u>\$ 1,895,673</u>	<u>\$ 2,223,883</u>

(29) Significant Contingent Liabilities and Unrecognized Commitments

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

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

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

- b. Unrecognized commitments are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchases of property, plant, and equipment	<u>\$ 429,517</u>	<u>\$ 107,367</u>

(30) 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 Group. 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:

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	N T D	Foreign currency	Exchange rate	N T D
<u>Foreign currency assets</u>						
<u>Monetary items</u>						
U.S. Dollar	\$ 16,668	28.48	\$474,705	\$ 17,131	29.98	\$513,587
Japanese yen	86,438	0.2763	23,883	109,847	0.276	30,318
<u>Foreign currency liabilities</u>						
<u>Monetary items</u>						
U.S. Dollar	17,561	28.48	500,137	12,797	29.98	383,654
Japanese yen	57,930	0.2763	16,006	38,649	0.276	10,667

Significant unrealized exchange gains or losses are as follows:

Foreign currency	2020		2019	
	Exchange rate	Exchange g a i n s (l o s s e s)	Exchange rate	Exchange g a i n s (l o s s e s)
U.S. Dollar	28.48 (USD : NTD)	\$ 2,459	29.98 (USD : NTD)	(\$ 182)
U.S. Dollar	6.5249 (USD : CNY)	( 6,906)	6.9762 (USD : CNY)	2,103
Japanese yen	0.2763 (JPY : NTD)	104	0.276 (JPY : NTD)	( 616)
Japanese yen	0.0634 (JPY : CNY)	-	0.0644 (JPY : CNY)	( 3)
		(\$ 4,343)		\$ 1,302

### (31) Other disclosures

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



of the paid-in capital: None

9) Trading in derivative instruments: None

10) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Table 3

11) Information on investees: Table 4

c. Information on investment in Mainland China

1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Table 5

2) Significant direct or indirect transactions through a third area with the investee in the Mainland Area, and its prices and terms of payment, unrealized gain or loss are as follows:

(1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None

(3) The amount of property transactions and the amount of the resultant gains or losses: None

(4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1

(5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None

(6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 3

d. Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Table 6

(32) Information on department

Information provided the key operating decision maker for resources allocation and performance evaluation of department focuses on each classification of products provided or service rendered. The department which shall be reported is IC packing and testing and others.

a. Departmental Income and Operation Results

	Departmental Income		Departmental Profits or Losses	
	2020	2019	2020	2019
Packaging and final testing of IC	\$ 5,405,885	\$ 4,650,979	(\$ 35,080)	(\$ 460,644)
Others	<u>51,701</u>	<u>68,411</u>	( <u>128,450</u> )	( <u>118,924</u> )
Total amount of continuing operations	<u>\$ 5,457,586</u>	<u>\$ 4,719,390</u>	( 163,530)	( 579,568)
Interest revenue			6,821	10,178
Rent Income			18,906	7,254
Dividend Income			1,165	4,731
Ordinary income and interest			52,855	31,089
Interest expenses			( 18,563)	( 19,578)
Ordinary expense and loss			( 459)	( 1,808)
Disposal of interest (loss) of property, plant, and equipment			484	( 47)
Impairment loss			( 47,456)	-
Exchange Gains or Losses			<u>3,361</u>	( <u>1,167</u> )
Loss from continuing operations before tax			<u>(\$ 146,416)</u>	<u>(\$ 548,916)</u>

The reported departmental income are generated from transactions with external customers. No intragroup sales occurred in 2020 and 2019.

Departmental interest refers to profits made by each department, excluding interest revenue, rental income, dividend income, disposal of income of property, plant and equipment, exchange gain or loss, financial cost and income tax expense. The amount of measurement provided to the key operating decision maker for resource allocation and performance evaluation of departments.

b. Total assets and liabilities of department

The Group did not provide reportable information on departments' asset to the operating decision maker, and thus the measurement of assets is zero.

c. Major income from products and service

The main business of the Group is IC packing and testing as well as optoelectronic devices, both as single category.

d. Information by Regions

The Group is located mainly in Asia, Americas and Europe.

Information on the Group's income from continuing operations by locations of operation and non-current assets by location of assets, from external customers, are as follows:

	Income from external c u s t o m e r s		N o n - c u r r e n t a s s e t s	
	2020	2019	December 31, 2020	December 31, 2019
	Asia	\$ 4,874,706	\$ 4,215,174	\$ 3,826,276
Americas	308,519	350,274	558	800
Europe	274,218	153,942	-	-
Africa	143	-	-	-
	<u>\$ 5,457,586</u>	<u>\$ 4,719,390</u>	<u>\$ 3,826,834</u>	<u>\$ 4,303,584</u>

Non-current assets exclude financial assets and deferred income tax assets.

e. Information on major customers

Income from a single customer which exceed ten percent of total income of the Group is as follows:

C u s t o m e r ' s N a m e	2020		2019	
	A m o u n t	%	A m o u n t	%
A customer	\$ 862,649	16	\$ 732,205	16
B customer	(Note)	-	(Note)	-

Note: The income does not exceed ten percent of the total income of the Group.

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

Table 1

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

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

Note: Limits on endorsement/guarantee amount provided to each guaranteed party shall not exceed 15% of the 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, 2020

Table 2

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

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

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

Note 2: The amount has been written-off in preparation of the consolidated financial statements

Note 3: 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  
The business relationship between the parent and the subsidiaries and significant transactions between them.  
For the year ended December 31, 2020

Table 3

Amounts expressed in thousands of New Taiwan Dollars

N o	. N a m e	T r a n s a c t i o n P a r t y	Relationship with the transaction party ( N o t e 1 )	T r a n s a c t i o n S t a t u s			
				I t e m	A m o u n t ( N o t e 2 )	Transaction Condition	Percentage of total revenue or total assets the consolidation (%)
0	Parent Company	Lingsen America Inc.	1	Commissions Expense	\$ 5,793	60 days	-
				Expense Payable	1,979	60 days	-
		Lee Shin Investment Co., Ltd.	1	Rent Income	36	—	-
		Panther Technology Co., Ltd.	1	Rent Income	1,556	—	-
				Advance Receipts	67	60 days	-
		Sooner Power Semiconductor Co., Ltd.	1	Operating Income		60 days	-
				Rent Income	2,818		-
				Accounts receivable	2,160	60 days	-
				Sales Revenue	32	60 days	-
					58	30 days	-
1	Sooner Power Semiconductor Co., Ltd.	Panther Technology Co., Ltd.	2	Other income	122	30 days	-
				Other income		—	-
				Other receivables	451	—	-
				Refundable Deposits	30	—	-
		Ningbo Liyuan Technology Co., Ltd.	2	Operating Income	2,330	—	-
				Purchase	13,393	60 days	-
2	Panther Technology Co., Ltd.	Nexus Material Corporation	2	Accounts receivable	9,590	60 days	-
				Accounts payable	1,445	60 days	-
				Accounts payable	1,677	60 days	-
				Rent Income	36	60 days	-

Note 1 : (1) Parent company to subsidiary

(2) Subsidiary to parent company

Note 2: The amount has been written-off in preparation of the consolidated financial statements

Lingsen Precision Industries, LTD. and its subsidiaries

Information on investees

For the year ended December 31, 2020

Table 4

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

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

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

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

Note 3: The amount has been written-off in preparation of the consolidated financial statements

Note 4: See Table 5 for relevant information on the investee in mainland China.

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

Table 5

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

Investee in mainland China Company Name	Main Business	Issued capital	Method of investment	Accumulated investment amount of outflow from Taiwan at the beginning of the year	Current inflow and outflow of capital		Accumulated investment amount of outflow from Taiwan at the end of the year	Current income (losses) of the investee	Share of income (losses) of direct or indirect investees Ownership Percentage	Current recognition (Note 2)	Book value of investment at the end of year	Inflow of investment revenue to Taiwan upon the end of the year
					Outflow	Inflow						
Ningbo Liyuan Technology Co., Ltd. (Note 4)	IC packing and testing as well as optoelectronic devices	US\$ 52,000	(Note 1)	\$ 1,602,568 (US\$ 50,000)	\$ 58,170 (US\$ 2,000)	\$ -	\$ 1,660,738 (US\$ 52,000)	(\$ 65,992)	100%	(\$ 65,992)	\$ 175,821	\$ -

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

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

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

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

Note 4: The amount has been written-off in preparation of the consolidated financial statements.



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

Table 6

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

Note 1: This table is based on the information provided by the Taiwan Depository & Clearing Corporation for shareholders holding greater than five percent of the 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 consolidated financial statements and its dematerialized securities arising from the difference in basis of preparation.

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

## **Independent Auditors' Report**

To Lingsen Precision Industries, LTD.

### **Opinion**

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

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

### **Basis for opinion**

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (“ROC GAAS”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

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

## Revenue Recognition

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

Our audit procedures on the matters mentioned above mainly include:

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

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

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

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

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

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

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

expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal controls that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine the key audit matters of the parent company only financial statements of 2020. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Auditor Shu-Chin, Chiang

Auditor Ting-Chien, Su

Auditing and Attestation No  
FSC No. 1000028068

Auditing and Attestation No  
FSC No. 1070323246

March 18, 2021

**---Notice to Readers---**

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

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

## Lingsen Precision Industries, LTD.

## Balanced sheet

2020 and December 31, 2019

Amounts expressed in thousands of New Taiwan Dollars

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

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

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

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

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

(Continued)

(Continued)

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

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



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

Amounts expressed in thousands of New Taiwan Dollars

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

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

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

Amounts expressed in thousands of New Taiwan Dollars

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

(Continued)

(Continued)

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

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

Lingsen Precision Industries, LTD.

Notes to Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

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

1. Company history

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

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

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

2. Approval date and procedures of the consolidated financial statements

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

3. Application of new standards, amendments and interpretations

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

b. IFRSs endorsed by FSC applicable in 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. Summary of significant accounting policies

##### a. Compliance statement

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

##### b. Basis of preparation

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

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

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

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

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

Current assets include:

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

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

Current liabilities include:

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

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

d. Foreign currency

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

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

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

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

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

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



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

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

e. Inventories

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

f. Investment in subsidiaries

Investments in subsidiaries accounted for using the equity method.

Subsidiaries are entities which the Company holds the control of.

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

h. Property, plant, and equipment

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

measured at costs of the amount less accumulated depreciation.

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

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

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

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

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

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

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

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

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

j. Financial instruments

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

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

Financial assets

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

1) Classification of measurement

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

(1) Financial assets measured at amortized cost

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

- A. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

- 2) Impairments of financial assets and contract assets

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

Financial Liabilities

1. Follow-up measurement

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

2. Derecognition of financial liabilities

On the derecognition of financial liabilities, the difference between their

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

k. Provision

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

l. Revenue recognition

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

1) Sales revenue

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

2) Service Income

Service Income comes from packaging and final testing.

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

m. Lease

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

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



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

n . Borrowing Costs

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

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

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

o. Government grants

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Pensions

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

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

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

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

q. Income tax

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

reviewed at the date of balance sheet and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

3) Current and deferred tax for the year

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

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

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

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

Major source of estimates and assumption uncertainty – Income Tax

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

6. Cash and cash equivalent

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

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

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

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

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

8. Accounts receivable

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

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

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

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

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

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

The loss allowance for accounts receivable is measured as follows:

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

Changes on allowance for accounts receivable loss are as below:

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

9. Other receivables

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

10. Inventories

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

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

Operating costs include the following items:

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

11. Investments accounted for using the equity method

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

a. Investment in subsidiaries

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

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

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

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

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

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

b. Investments in associates

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

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

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

## 12. Property, Plant and Equipment

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

### a. Assets used by the Company

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

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



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

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

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

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

b. Assets subject to operating leases

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

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

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

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

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

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

Buildings	45-50 year
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### 13. Lease agreements

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

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

#### b. Lease liabilities

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

Ranges of discount rates for lease liabilities are as follows:

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

#### c. Material leases and terms

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

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

d. Information on other lease

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

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

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

14. Other assets

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

15. Borrowings

a. Short-term bank loans

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

b. Long-term bank loans

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

16. Other payables

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

17. Provisions - Current

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

Changes on provisions are as below:

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

## 18. Retirement benefits Plan

### a. Defined contribution plans

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

### b. Defined benefit plans

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

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

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

Movements the net defined benefit liabilities are as follows:

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

(Continued)

(Continued)			
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	-	( 36,134)	( 36,134)
Actuarial loss - changes in demographic assumptions	238	-	238
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liabilities
	<u>                    </u>	<u>                    </u>	<u>                    </u>
- changes in financial assumptions	\$ 21,079	\$ -	\$ 21,079
Actuarial loss - experience adjustments	<u>2,678</u>	<u>-</u>	<u>2,678</u>
Defined benefit costs recognized in other comprehensive income	<u>23,995</u>	( <u>36,134</u> )	( <u>12,139</u> )
Contributions from employer	-	( 30,000)	( 30,000)
Benefits paid	( <u>56,960</u> )	<u>30,926</u>	( <u>26,034</u> )
Balance as of December 31, 2019	<u>786,506</u>	( <u>709,150</u> )	<u>77,356</u>
Service cost			
Current service cost	8,246	-	8,246
Interest expense	<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			
Return on plan assets (excluding amounts included in net interest expense)	-	( 30,383)	( 30,383)
Actuarial loss - changes in demographic assumptions	1,460	-	1,460
- changes in financial assumptions	36,809	-	36,809
Actuarial gain - 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>
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 R.O.C. Labor Standards Law, the Company is exposed to the following risks:

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

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

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

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

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

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

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

Average maturity period of defined benefit obligation	10 years	10 years
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## 19. Equity

### a. Common Stock

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

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

### b. Capital surplus

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

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

### c. Retained earnings and dividend policy

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



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

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

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

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

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

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

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

d. Treasury stocks

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

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

dividends and to vote.

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

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

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

## 20. Revenue

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

### a. Contract balances

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

### b. Timing of revenue recognition

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

## 21. Labor cost and depreciation

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

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

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

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

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

#### The Company's Compensation Policy

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

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

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

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

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

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

## 22. Income Tax

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

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

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

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

b. Deferred tax assets and liabilities

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

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

c. Relevant information on unused loss carryforwards

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

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

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

e. Income tax examination

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

23. Loss per Share

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

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

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

#### 24. Capital Management

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

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

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

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

#### 25. Financial instruments

##### a. Information on fair value

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

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

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

##### (1) Fair value hierarchy

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

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

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

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

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

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

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

b. Categories of financial instruments

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



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

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

c. Financial risk management objectives and policies

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

1) Market risk

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

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

(1) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

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

(2) Interest rate risk

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

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

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

### Sensitivity analysis

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

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

#### (3) Other price risk

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

### Sensitivity analysis

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

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

#### 2) Credit risk

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

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

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

3) Liquidity risk management

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

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

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

Liquidity and interest risks of non-derivative financial liabilities

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

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

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

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

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

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

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

## 26. Related Party Transaction

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

### a. Related party name and categories

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

### b. Operating Income

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

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

### c. Operating expense - commission expense

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

### d. Non-operating Income - Rent Income

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

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

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

e. Non-operating Income - Other Revenue

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

f. Accounts receivable

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

g. Endorsements/guarantees

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

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

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

h. Compensation of key management personnel

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

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

## 27. Pledged Assets

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

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

## 28. Significant Contingent Liabilities and Unrecognized Commitments

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

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

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

- b. Unrecognized commitments are as follows:

<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>\$ 342,880</u>	<u>\$ 73,950</u>

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

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

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

Significant unrealized exchange gains or losses are as follows:

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

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

### 30. Other disclosures

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

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

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

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



- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 1
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: None
  - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: Table 26
- d. Information on major shareholders: names, numbers of shares held, and shareholding percentages of shareholders who hold 5 percent or more of the equity: Table 5

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

Table 1

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

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

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

Lingsen Precision Industries, LTD. and its subsidiaries

Marketable securities held

December 31, 2020

Table 2

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

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

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

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

Lingsen Precision Industries, LTD. and its subsidiaries

Information on investees

For the year ended December 31, 2020

Table 3

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

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

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

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

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

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

Table 4

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

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

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

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

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

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

Lingsen Precision Industries, LTD.

Information on major shareholders

December 31, 2020

Table 5

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

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

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

LINGSEN PRECISION INDUSTRIES, LTD.

Chairman:SHU-CHYUAN YEH