

Stock code: 4912

***LemTech***

**Lemtech Holdings Co., Limited**

**2020**

**Annual Report**

**Printed: April 30, 2021**

**Company Website: <http://www.lemtech.com>**

**The Annual Report is available at <http://mops.twse.com.tw>**

(This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.)

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V. Name of the Trading Place Where Overseas Securities are Listed for Trading and Methods to Inquire About the Overseas Securities Information: None.

VI. Company Website: <http://www.lemtech.com>

VII. List of Board Members

Title	Name	Nationality	Major academic (work) experience
Chairman	Hsu, Chi-Feng	Republic of China	Vice Manager of Manufacturing Department of Li Yao Industrial Co., Ltd. Vice General Manager of Wei Yao Industrial (Shareholding) Co., Ltd. Changhua Yang-Ming Middle School
Vice Chairman	Chan Kim Seng Maurice	Singaporean	Diploma in Management Studies (Singapore Institute of Management) Manager of Project Department of Amtek Engineering Ltd, CA SBU General Manager of Kunshan Eson Precision Engineering Co., Ltd. National Trade Certificate Grade 1 in Precision Press Tool & Die Making (Precision Engineering Institute of Singapore) Master Craftsman Certificate in Precision Press Tool & Die Making (Economic Development Board of Singapore)
Director	Ye, Hang	Mainland China	Director of Mould Design Department of Amtek Engineering Ltd, CA SBU Manager of Business Department of Kunshan Eson Precision Engineering Co., Ltd. Shanghai Workers College for Mechatronics
Director	Tan, Yong	Mainland China	Head of Mould Department of Shanghai Pioneer Speakers Co., Ltd. Sales Director of Shanghai Chin Jih Metal Products Co., Ltd. Shanghai Machine Tool Electric Appliance Plant Technical School
Independent Director	Yang, Rui-Long	Mainland China	Instructor of Teaching and Research Office of Economics Department of Jiangsu Administration Institute Master of Economics in the Renmin University of China
Independent Director	Yu, Chi-Min	Republic of China	Director General of Taiwan Cure Law Association Director of Electronic Computer Center of Soochow University Vice General Manager of Eastern Multimedia Group Doctor of Southern Methodist in Law and Science of Law
Independent Director	Lee, Wei-Ming	Republic of China	General Manager/Consultant of Kang Chu International Co., Ltd. Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd. Bachelor of School of Business of National Taiwan University

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## Chapter 1 Letter to Shareholders

Dear shareholders,

A whirlwind of uncertainty landed on us in 2020. As the COVID-19 pandemic took a heavy toll on the global economy, it changed people's lifestyles once again. People started to keep away from crowded activities and occasions or rethink and put more emphasis on environmental issues such as coexistence between humans and nature. In the wake of the pandemic, home quarantine, working from home arrangements or remote learning profited most companies in Taiwan's electronics industry. It not only created new industries and supply and demand imbalances but also reshuffled the transportation system. For the Company, the overall changes caused by the COVID-19 pandemic came at a fortunate time. Despite the fact that our revenue plummeted in the first quarter of 2020 as economic activity screeched to a halt, the global market started to recover in the second quarter. With our sports products reporting growth in the second half of 2020, we became more determined to seize this opportunity for diversification and more confident of turning this opportunity into growth or transformation.

Due to the pandemic, the stay-at-home economy emerged in 2020. Indoor sports at home became a trend and was also one of the growth momentums of the Company. In the second half of 2020, the business also returned to normal in the auto industry thanks to the restoration of confidence. On the whole, revenue has shown YoY growth since the second half of 2020. We are confident that we will continue to grow in 2021.

In 2021, the business strategies will focus on diversifying industries and operations in the light of the overall market, the existing product portfolio, and customer needs and investing in the development of new products that are in great demand in the post-pandemic era. The Company followed the strategic goals set last year, including increasing operational flexibility in response to the business changes facing the new ecology of clients, making cross-border investments, recruiting managerial officers, and building diversity in the workplace.

After the settlement done by the accountants, the Company's revenue in 2020 reached NT\$5.47 billion, an 8% increase from NT\$5.04 billion in 2019; with a decrease in operating expenses due to the COVID-19 pandemic, the Company's profit increased sharply by NT\$192 million, or 73%, from the previous year.

## I. 2020 Business Report

### (I) Implementation results of the business plan

Unit: Thousand NTD

Item \ Year	2020	2019	Amount of increase (decrease)	Change by percentage (%)
Net operating revenue	5,471,250	5,042,657	428,593	8.50
Operating costs	4,190,903	4,011,648	179,255	4.47
Gross profit	1,280,347	1,031,009	249,338	24.18
Operating expenses	595,086	637,126	(42,040)	(6.60)
Net operating income	685,261	393,883	291,378	73.98
Non-operating income and expenses	(42,244)	(57,025)	14,781	(25.92)
Net income before tax	643,017	336,858	306,159	90.89
Less: Income tax expenses	188,094	74,519	113,575	152.41
Net income for this period	454,923	262,339	192,584	73.41

Analysis on the change of amount of increase/decrease:

- (1) Increase in operating revenue: Mainly caused by the increasing shipment demands from sports products and stay-at-home.
- (2) Increase in operating costs: As operating revenue increases, costs also increase.
- (3) Increase in gross profit: Mainly caused by selling slow-moving instrument and cellphone material faster so that we have a little increase in margin.
- (4) Decrease in operating expenses: Due to strengthening the handle of over-due accounts receivable and reversal of bad debt to produce profit.
- (5) Increase in net operating income: mainly due to increase in operating revenue and cost management.
- (6) Decrease in non-operating expenses: Due to subsidies in this period is more than those in the previous period.
- (7) Increase in net income before tax: Mainly due to the increase in net operating income.
- (8) Increase in income tax expenses: Mainly due to the additive Lemtech branch hasn't had tax preference, causing the increase in income tax expenses.
- (9) Increase in net income for this period: Mainly due to the increase in operating revenue and good in cost management.

(II) Analysis of financial revenues and expenditures and profitability: We focuses on enhancing the portfolio of products which generate higher gross profit, integrating client resources, strengthening cooperation with well-known enterprises. Our financial operations have been consistent and stable, and revenue and expenditures are in good condition.

Unit: %

Item		Year	2020	2019	Increase (decrease)
Financial structure	Ratio of liabilities to assets		59.44	68.35	-8.91
	Ratio of long-term capital to fixed assets		233.16	160.43	72.73
Debt service ability	Current ratio		153.23	132.80	20.43
	Quick ratio		128.65	105.17	23.48
Profitability	Asset return ratio		7.70	5.37	2.34
	Shareholders' equity return ratio		19.94	13.65	6.29
	Basic earnings per share (NTD)		9.57	5.47	4.10

## II. 2021 Business Plan

### (I) Management guidelines

Regarding operation strategies, with the increase of group product lines and operating spots, we plan to build up technological ability in different manufacturer bases, and build up closer relationship with suppliers, in order to make the manufacturer bases in different regions more flexible and correspond to what customers need and order demand for enhancing backup system.

Sports product revenue not only becomes the biggest highlight this year, it will also be one of the major momentum in the coming years, which the company has planned this product line to be the major product. From observation in recent years, we can see 5G and automotive are the trends that Lemtech can take part in. Therefore, the company will put more efforts into development of related products and increase investment in Taiwan, devoting ourselves to build up completely self-make ability. It is also planned to go into industrial computer-related products to upgrade Lemtech overall technological ability and multi-field development.

### (II) Major production and marketing policy

1. Continue to develop new technologies and enhance industrial competitiveness.
2. Accelerate the company's expansion in new product areas with the commissioning of new equipment.
3. Continuously strive to enhance the cost structure, improve internal management processes, increase production efficiency, reduce production costs, and boost market competitiveness.

## III. Future Development Strategies of the Company

- (I) The company will position itself as an all-round multi-field stamping component supplier, as the development will be centered on the research and development of mold technology, while the products will be diversified in different fields.
- (II) Integrate the supply chain, span to other fields from the stamping production, and try some



related upstream and downstream production to provide the clients with more integrated services.

(III) Increase the application of robots in production, and gradually change the current production method of automated production lines to reduce the dependence on labor, improve production efficiency, and ensure product quality.

(IV) Focus on and master the global technology, market progress and development trends, and increase investment in cloud technology applications.

(V) Actively expand client reach and market share.

(VI) Introduce strategic partners and initiate plans of mergers and acquisitions in a timely manner to accelerate the increase of competitiveness and step into new product areas.

(VII) Continue to strengthen corporate governance to pursue the sustainable development of the company.

(VIII) Implement stable financial plans to reduce the risk of fluctuation in external exchange rates.

#### IV. Impact on the Company due to Competition, Governmental Regulations, and Overall Operation Environment

##### (I) Impact of external competition

1. With the increasingly fierce competition among newcomers in the industry, the pressure on the prices of products is increasing day by day. Under the pressure of fierce market competition, in addition to providing the products that have competitive advantages in prices, the company must still maintain the product quality.
2. In order to respond to the gradually rising wage costs every year, the company must increase operating costs, develop automated equipment, and actively intervene in the clients' product development processes so that we may take these process factors into account during the stage of product design.
3. Actively develop the company's own advantages, recognize the company's market positioning, avoid excessive and unnecessary competition, and maintain differences with competitors.
4. Re-examine and find the best business scale for a single factory, and study new business models and organizational forms to maximize the company's operating efficiency.

##### (II) Impact of governmental regulations

1. The company appoints qualified manufacturers to dispose of the waste generated after production. The company upholds its social responsibility and meets the relevant global environmental quality requirements.
2. Regarding the amendments to the new laws and regulations, the company makes the best preparations and plans for shareholders' equity in advance to minimize the risk of uncertainty.

##### (III) Impact of overall operation environment

1. From the point of view of market-related analysis reports, the global economic situation is still not ideal, and therefore, there is still the risk of uncertainty in operation. The company needs to be more careful to control the budget and reduce inventory, improve

the better financial structure, and maintain close contact with the clients and suppliers. The company shall also maintain a sensitive market sense so as to reduce the risk of operation.

2. In view of the uncertainty of the future budget, the company will strengthen the provision of the correct financial information for the decision-making units to make the soundest judgment, such as the balance point of profit and loss and capacity utilization rate, etc.

Finally, thank you again for your enthusiastic participation. We wish you all good health and good luck in the future.

Lemtech Holdings Co., Limited

Chairman

Hsu, Chi-Feng

General Manager

Hsu, Chi-Feng

Accounting Officer

Lu, Chin-Yu

## Chapter 2 Company Introduction

### I. Date of Incorporation

Lemtech Holdings Co., Limited (hereinafter referred to as "the Company") is mainly engaged in production and selling of precision metal dies and metal stamping. The Company was established in Cayman Island on Sep. 29, 2009 with several production and operating sites in Taiwan, Mainland China, Hongkong, Thailand, Czech and the Philippines in consideration of the Company's development. The Company also set an office in the USA to obtain more shares in the overseas market, strengthen the layout of the overseas business market in the European and American markets, so as to improve the Company's business performance.

Since its establishment, the Company has been focusing on mold manufacturing, process and improvement of heat dissipation devices and timely adjusted its operation and development trend to cope with the continuous change of market demand. By actively introducing advanced equipment, and continuously developing and upgrading its processing technology, the Company has successfully shifted from engineering processing to single-equipment continuous processing and combined equipment continuous processing technology using manipulator. At the same time, to cope with the customer demand, the Company has gradually shifted from single-piece production and manufacturing of products to the assembly and production of components. This has further improved the Company's competitiveness and profitability.

Consequently, the Company has the capability to set foot in automotive components and building materials products from the manufacturing of heat sink. In addition, the Company has also conducted market research and surveys, continuously improving its existing production processes, and developing products with higher value-added.

By virtue of its excellent mold development, design capabilities and precision stamping technology, the Company has built a variety of product lines and customer clusters. Currently, the Company's products can be applied in different industries such as information, communications, consumer electronics, household appliances, automobile industry, and construction industry. The Company serves different customers in different industries instead of focusing on a single product. This has effectively reduced the Company's business risk.

### II. Company Overview

Date	Important event
Feb. 2012	(1) Kunshan Lemtech was awarded with the prize of Best Supplier in 2011 of Autoliv (2) Kunshan Lemtech passed the green product system attestation carried out by PEGATRON Unihan
MAR. 2012	The Hinge Division of Kunshan Lemtech passed the annual supervision and verification of ISO9001:2008 conducted by AFAQ/BestCERT (or Bellcert?) and the verification of Panasonic, and became their qualified supplier
APR. 2012	(1) Kunshan Lemtech passed the annual supervision and verification of ISO/TS16949:2009 conducted by AFAQ/BellCERT as well as the IATF verification (2) Kunshan Lemtech established its Heat Dissipation Module Division (3) Kunshan Lemtech passed the annual supervision and verification of ISO14001:2004 conducted by AFAQ/BellCERT

Date	Important event
	(4) Held a beam-raising ceremony in the new factory of Kunshan Lemtech in Weita Rd., Changp'u (5) Kunshan Lemtech implemented the EasyFlow electronic approval system
MAY 2012	(1) The Module Division of Kunshan Lemtech passed the examination of Wistron and became its qualified supplier (2) Kunshan Lemtech received RMB 700,000 of tax refunds from R&D expenses (3) Kunshan Lemtech was awarded the bonus granted by Kunshan Government of Jiangsu Province, China for excellent enterprise listing in Taiwan. The bonus was RMB 2,500,000 and received
JUN. 2012	Kunshan Lemtech was awarded the prize of Best Overseas Partner of Furukawa Electric
JUL. 2012	Kunshan Lemtech passed the examination of Google and became its qualified supplier
SEP. 2012	Kunshan Lemtech successfully organized a company-wide fire drill
NOV. 2012	(1) Kunshan Lemtech was awarded the prize of Morse TEC Excellent Supplier in 2012 of BORGWARNER (2) Proceeded SEO and successfully raised NT\$ 215 million
DEC. 2012	The new factory of Kunshan Lemtech in Changp'u passed the construction completion approval
JAN. 2013	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2012 of Autoliv
MAR. 2013	Established the company Aapico Lemtech (Thailand) Co., Ltd. jointly with Aapico, a major listed company in Thailand engaging in automobile parts, in order to expand its overseas operating points and add new customers
MAY 2013	Subsidiary company Lemtech USA INC. was established in the USA to expand the overseas market
MAY 2013	The factory of Kunshan Lemtech in Changp'u was formally put into operation
MAY 2013	The new factory of Kunshan Lemtech in Changp'u passed the ISO/TS16949:2009 attestation carried out by AFAQ/BellCERT
JAN. 2014	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2013 of Autoliv
FEB. 2014	Kunshan Lemtech won the Best Quality Award in 2013 of TRW (Shanghai)
MAR. 2014	The new factory of Kunshan Lemtech in Changp'u passed the ISO14001 Environment management system attestation carried out by AFAQ/BellCERT
APR. 2014	Issued its first domestic unsecured convertible corporate bonds in 2014
MAY 2014	Established its subsidiary company Lemtech Technology Limited in Hongkong, to adjust the group's organizational function
SEP. 2014	Awarded the Golden Peak Prize of 16th Session of OEMA
JAN. 2015	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2014 of Autoliv
APR. 2015	(1) Lemtech Technology Limited established Jimao Lemtech Co., Ltd. (Taiwan) jointly with Jimao Precision Co., Ltd., to cope with the technology development of server heat dissipation products, mutually benefiting two parties in revenues and technologies (2) Kunshan Lemtech won the Fujitsu Ten Quality Excellence Award in 2014
MAY 2015	Listed in stock exchange on May 21, 2015
JUN. 2015	Won the Golden Torque Prize of 12th Session of OEMA

Date	Important event
OCT. 2015	Kunshan Lemtech sold 10% of its equities to Friendly Holdings (HK)
NOV. 2015	Cancel the buyback treasury stock; after capital reduction, the Company's paid-up capital was NT\$ 395,410,000
DEC. 2015	(1) Lemtech Technology transferred its equities to Kunshan Lemtech (original shareholder was Super Solution) (2) Lemtech USA transferred its equities to Kunshan Lemtech (original shareholder was Super Solution)
JAN. 2016	Kunshan Lemtech was awarded the prize of Excellent Supplier in 2015 of BORGWARNER
MAR. 2016	Kunshan Lemtech was awarded the prize of Best Service Supplier in 2015 of TRW (Shanghai)
APR. 2016	(1) Established its subsidiary, Lemtech Industrial Services Ltd, in Samoa as its operation management institution (2) Kunshan Lemtech was renamed as "Kunshan LemTech Precision Engineering Co., Ltd."
MAY 2016	(1) Lemtech Global Solution Co. Ltd. established Lemtech AMP Limited (Seychelles) jointly with Ch'engkuan Enterprise (Limited) Company by pooling of capital, for marketing and selling of new type fire extinguishers and highway guardrails made of plastic steel materials (2) Super Solution Co., Ltd. was renamed as "Lemtech Global Solution Co. Ltd."
Jul. 2016	(1) Kunshan Lemtech was renamed as "LemTech Precision Material (China) Co., Ltd." (2) LemTech Precision Material won the Global Excellent Supplier Award in 2015 of BORGWARNER
Aug. 2016	(1) Established its subsidiary "Kunshan Lemtech Slide Technology Co., Ltd." in Mainland China for more product diversification and layout expansion in the field of server (2) Established its subsidiary "New Fortune Global Limited" in Samoa, for considerations of the group's investment architecture and flexibility (3) LemTech Precision Material passed the customer's VDA 6.3 process verification conducted by Thyssenkrupp
Sep. 2016	(1) Established its subsidiary Lemtech Precision Material (Czech) s.r.o. in Czech, in order to strengthen its global layout and tax incentive (2) LemTech Precision Material won the Best Partner Award of Pollmann
Oct. 2016	LemTech Precision Material signed a strategic cooperation agreement with Pollmann
JAN. 2017	(1) LemTech Precision Material launched its ISO14001 environmental management system revision activity (2) LemTech Precision Material won the Quality Excellence Award in 2016 of BORGWARNER
MAR. 2017	LemTech Precision Material passed ISO3834 and ISO14554 international welding attestation
APR. 2017	LemTech Precision Material passed ISO14001:2015 environmental management system revision attestation
OCT. 2017	LemTech Precision Material launched its project for updating ISO/TS16949:2009 to IATF16949:2016
NOV. 2017	(1) LemTech Precision Material completed the decoration of its second-phase plant and formally put it into operation (2) LemTech Czech passed ISO9001:2015 quality management attestation
DEC. 2017	LemTech Precision Material won the Best Partnership Award in 2017 of BORGWARNER

Date	Important event
JAN. 2018	LemTech Precision Material won the General Manager Award in 2017 of TRW (Wuhan)
MAY 2018	LemTech Precision Material passed IATF16949:2016 automobile quality system revision attestation
JUL. 2018	Issued its second domestic unsecured convertible corporate bonds in 2018
OCT. 2018	The group redeemed 10% of equities in LemTech Precision Material
NOV. 2018	(1) Bought the land located in Huaya Section, Guishan District, Taoyuan to build a factory, in order to meet customers' requirements and spread the risks arising from centralized production in one area (2) Lemtech Global Solution Co. Ltd. bought 50% of equities of Jimao Lemtech (Taiwan), to cope with the group's operation plan and future development
JAN. 2019	(1) Taiwan branch is set up to cope with the needs of its business development (2) Invested in an electroplate factory in Mainland China "Zhenjiang Emtron Surface Treatment Limited" in order to ensure the stability of its production and supply chain of automobile parts in Mainland China and improve the gross profits of products
JUN. 2019	Established a subsidiary "Lemtech Cooling System Limited" in Hongkong, for consideration of the group's structure and needs of expansion flexibility in future
JUL. 2019	(1) Established a subsidiary "Lemtech Philippine Thermal System Inc." in the Philippines, for consideration of expanding operation sites and obtaining more business orders in the Philippines (2) "Lemtech Energy Solutions Corporation" completed equity transfer and became a subsidiary of the group
OCT. 2019	Established its subsidiary "Kunshan Lemtech Electronics Technology Co., Ltd." in Mainland China, for consideration of its group structure and plans on heat dissipation business
SEP. 2020	Established a subsidiary "Lande Electronic Technology (Changshu) Co., Ltd." in Mainland China to consider increasing the production capacity of cooling products

Note: In July 2016, Kunshan Lemtech was renamed as Lemtech Precision Material.

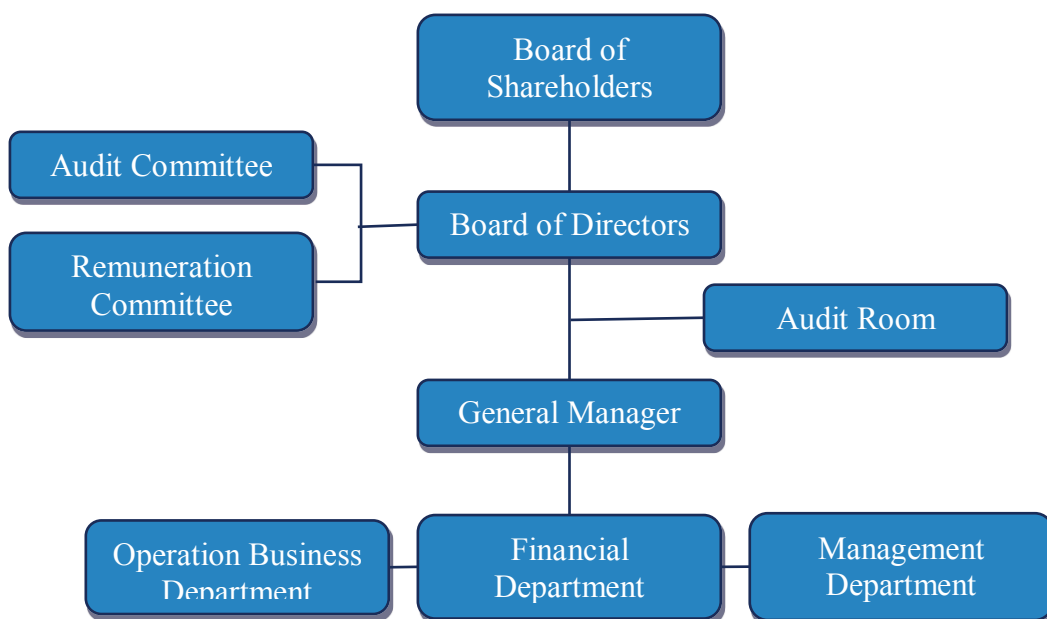
**III. Group Structure: Please refer to #page 108# in this annual report.**

**IV. Risk Matters: Please refer to #pages 103 to 107# in this annual report.**

## Chapter 3 Corporate Governance Report

### I. Organizational System

#### (I) The Company's organization structure



#### (II) Functions of major departments

Department	Functions
Audit Committee	<ol style="list-style-type: none"> <li>(1) Sets or revises the internal control system according to requirements under Article 14-1 of the Securities and Exchange Act.</li> <li>(2) Evaluation of the effectiveness of an internal control system.</li> <li>(3) Adoptions or amendments, 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 capital loans to others, or endorsements or guarantees for others.</li> <li>(4) Matters involving the personal interest of directors.</li> <li>(5) Material asset or derivatives transactions.</li> <li>(6) Material capital loans, endorsements, or provisions of guarantees.</li> <li>(7) The offering, issuance, or private placement of any equity-type marketable securities.</li> <li>(8) The appointment, dismissal, or compensation of CPA.</li> <li>(9) The appointment or dismissal of financial, accounting, or internal audit officers.</li> <li>(10) consolidation of annual and semi-annual financial reports.</li> <li>(11) Other significant matters as required by the Company or the competent authority.</li> </ol>
Remuneration Committee	<ol style="list-style-type: none"> <li>(1) Establishes and periodically reviews compensation policies, system, standards, and structure, as well as the performance evaluation of directors and managers.</li> <li>(2) Periodically evaluates and establishes compensations for directors and managers.</li> </ol>

Department	Functions
General Manager	Decision-making personnel at the highest management level who is responsible for monitoring business operation and implementation, as well as executing the resolutions of the Board of Directors.
Audit Room	Responsible for auditing, maintenance, improvement, and proposing suggestions on internal control system. Assists each unit to solve problems, improve work and enhance working efficiency.
Management Department	Responsible for management of the Company's personnel, general affairs, security, information and customs affairs management, planning for the Board meetings, and management and execution of the convening of the shareholders' meeting and stock affairs (in accordance with the "Rules of Procedure of the Board of Directors").
Financial Department	Responsible for the management of the Company's investment and working capital, processing of production and sales cost accounting matters, preparation of financial statements and administration of tax affairs.
Operation Business Department	Responsible for the executions of the Board of Directors' decisions on investment, branch establishment and operation strategies in Taiwan, China, Hong Kong, Thailand, the Philippines, the U.S., Czech Republic, etc.; the operation and management of companies in Taiwan, China, Hong Kong, Thailand, the Philippines, the U.S., Czech Republic, etc. are carried out by the management teams in corresponding companies.



II. Information on Directors, General Managers, Deputy General Managers, Assistant Managers, and Heads of Departments and Branches

(I) Directors

1. Information on directors

Apr. 30, 2021 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Hsu, Chi-Feng	Male	2018.06.11	3	2009.09.29	6,083	15.38	7,289	13.40	-	-	-	-	Vice Manager of Manufacturing Department of Li Yao Industrial Co., Ltd. Vice General Manager of Wei Yao Industrial (Shareholding) Co., Ltd. Changhua Yang-Ming Middle School	Chairman and General Manager of the Company. Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	Note 1
Vice Chairman	Singaporean	Chan Kim Seng Maurice	Male	2018.06.11	3	2009.09.29	4,329	10.95	5,101	9.38	-	-	-	-	Diploma in Management Studies (Singapore Institute of Management) Manager of Project Department of Amtek Engineering Ltd, CA SBU General Manager of Kunshan Eson Precision Engineering Co., Ltd. National Trade Certificate Grade 1 in Precision Press Tool & Die Making (Precision Engineering Institute of Singapore) Master Craftsman Certificate in Precision Press Tool & Die Making (Economic Development Board of Singapore)	Vice Chairman and Business Director of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	

Title	Nationality	Name	Gender	Date elected	Term (years)	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor current shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors or supervisors who are spouses or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	Mainland China	Ye, Hang	Male	2018.06.11	3	2009.09.29	4,217	10.66	4,990	9.18	-	-	-	-	Director of Mould Design Department of Amtek Engineering Ltd, CA SBU Manager of Business Department of Kunshan Eson Precision Engineering Co., Ltd. Shanghai Workers College for Mechanotronics	Director and Chief Technology Officer (CTO) of the Company Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	
Director	Mainland China	Tan, Yong	Male	2018.06.11	3	2009.11.24	1,744	4.41	2,013	3.70	-	-	-	-	Head of Mould Department of Shanghai Pioneer Speakers Co., Ltd. Sales Director of Shanghai Chin Jih Metal Products Co., Ltd. Shanghai Machine Tool Electric Appliance Plant Technical School	Director of the Company Director and General Manager Special Assistant for Factory Affairs of LemTech Precision Material (China) Co., Ltd.	None	None	None	
Independent Director	Mainland China	Yang, Rui-Long	Male	2018.06.11	3	2009.11.24	-	-	-	-	-	-	-	-	Instructor of Teaching and Research Office of Economics Department of Jiangsu Administration Institute Master of Economics in the Renmin University of China	Independent Director of the Company Professor of School of Economics in Renmin University of China	None	None	None	
Independent Director	Republic of China	Yu, Chi-Min	Male	2018.06.11	3	2010.06.17	-	-	-	-	-	-	-	-	Director General of Taiwan Cure Law Association Director of Electronic Computer Center of Soochow University Vice General Manager of Eastern Multimedia Group Doctor of Southern Methodist in Law and Science of Law	Independent Director of the Company Associate Professor of the Department of Law of Soochow University Secretary-general of Taiwan Technology Industry Legal Officers Association Arbitrator of Chinese Arbitration Association, Taipei Director of EasyCard Corporation Independent Director of Syncomm Technology Corporation	None	None	None	
Independent Director	Republic of China	Lee, Wei-Ming	Male	2018.06.11	3	2010.06.17	-	-	-	-	-	-	-	-	General Manager/Consultant of Kang Chu International Co., Ltd. Consultant/Deputy General Manager and Chief Financial Officer of C-techon International Co., Ltd. Bachelor of School of Business of National Taiwan University	Independent Director of the Company Group Business Administration Consultant of Lightel Technologies, Inc.	None	None	None	

Note 1: If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of independent directors, keeping more than half of the directors not concurrently serving as employees or managers, etc.) and other related information: The Chairman and General Manager of the Company are the same person to facilitate the integration of the group's decision-making and operation. For the purposes of corporate governance and compliance with in accordance with relevant laws and regulations, the Board has resolved on March 31, 2021 to appoint Ricky Eu as the General Manager of the Company and release Chairman Hsu, Chi-Feng from General Manager, effective on July 1, 2021. Additionally, the Company plans to increase the number of independent directors and directors in the reelection of the Board of Directors at the shareholders' meeting, and half of the directors are not served as employees or managers concurrently.

## 2. Professional qualification and independence of directors

Qualification	Meets one of the following professional qualifications, with at least five years of work experience			Status of independence (Note 1)												Number of other public companies where the individual concurrently serves 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 has 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	11	12	
Name																
Hsu, Chi-Feng			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Chan Kim Seng Maurice			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Ye, Hang			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Tan, Yong			✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Yang, Rui-Long	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yu, Chi-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lee, Wei-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Note 1: Please check "V" the corresponding boxes if the directors meet the following conditions during the two years prior to the nomination and 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 or 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 others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not the managers listed in (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor or employee of corporate shareholders who directly hold more than 5% of the total number of issued shares of the Company, rank top five in shareholding, or appoint a representative as a director or supervisor of the Company in accordance with Article 27-1 or 27-2 of the Company Act (Independent Directors of the Company and its parent company, subsidiary company or subsidiary company of the same parent company established in accordance with this Act or local laws shall not be subject to the provisions).
- (6) Not concurrently a supervisor or employee of other companies controlled by the same person who serves as the director or holds more than half of voting shares of the Company (Independent Directors of the Company or its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or local laws shall not be subject to this provision).
- (7) Not a director (member), supervisor or employees of other companies or institutions for a person or spouse serving as the chairman, general manager or equivalent post of the Company (Independent Directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Act or local laws shall not be subject to this provision).
- (8) Not a director (member), supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the Company (however, any specific company or institution holding more than 20% and less than 50% of the total number of issued shares of the Company and the directors concurrently serve as independent directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws shall not be subject to this provision).
- (9) Not a professional, proprietorship, partnership, business owner of a firm or institution, partner, director (member), supervisor, manager and spouse of any of the above who provide commercial, legal, financial, accounting and other related services for the Company or its affiliated enterprises or had obtained no more than NT\$500,000 cumulative remuneration in the past two years. However, members of the Remuneration Committee, public acquisition review committee, or the special committee of merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
- (10) Does not have a marital relationship with, or a relative within the second degree of kinship with, any other director of the Company.
- (11) Does not have a condition defined in Article 30 of the Company Act.
- (12) The one who is elected is not a government agency, juristic person, or its representative as set forth in Article 27 of the Company Act of the R.O.C.

## (II) General managers, deputy general managers, assistant managers, and heads of departments and branches

Apr. 30, 2021 Unit: Thousand shares; %

Title	Nationality	Name	Gender	Date of induction	Shares held		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Managers obtained an employee stock option certificate (shares)	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
General Manager	Republic of China	Hsu, Chi-Feng	Male	2015.12	7,289	13.40	-	-	-	-	Vice Manager of Manufacturing Department of Li Yao Industrial Co., Ltd. Vice General Manager of Wei Yao Industrial (Shareholding) Co., Ltd. Changhua Yang-Ming Middle School	Director of Lemtech Global Solution Co. Ltd. Chairman of LemTech Precision Material (China) Co., Ltd. Chairman and General Manager of LDC Precision Engineering Co., Ltd. Director of Lemtech Technology Limited Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Lemtech USA INC. Director of Lemtech Industrial Services Ltd Chairman of Kunshan Lemtech Slide Technology Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Chairman of Lemtech Energy Solutions Corporation Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	0	Note 1
Business Director	Singaporean	Chan Kim Seng Maurice	Male	2003.10	5,101	9.38	-	-	-	-	Diploma in Management Studies (Singapore Institute of Management) Manager of Project Department of Amtek Engineering Ltd, CA SBU National Trade Certificate Grade 1 in Precision Press Tool & Die Making (Precision Engineering Institute of Singapore) Master Craftsman Certificate in Precision Press Tool & Die Making (Economic Development Board of Singapore)	Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Aapico Lemtech (Thailand) Co., Ltd. Director of Zhenjiang Emtron Surface Treatment Limited Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Supervisor of Lemtech Energy Solutions Corporation Supervisor of Kunshan Lemtech Slide Technology Co., Ltd. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	0	
Chief Technology Officer (CTO)	Mainland China	Ye, Hang	Male	2020.05	4,990	9.18	-	-	-	-	Director of Mould Design Department of Amtek Engineering Ltd, CA SBU Shanghai Workers College for Mechanotronics	Director of Lemtech Global Solution Co. Ltd. Director of LemTech Precision Material (China) Co., Ltd. Director of Lemtech Precision Material (Czech) s.r.o. Director of Lemtech Cooling System Limited Chairman of Lemtech Philippine Thermal System Inc. Director of Lemtech Electronics Technology (Changshu) Co., Ltd.	None	None	None	0	
Marketing Director	Malaysia	Murali Nair	Male	2013.02	-	-	-	-	-	-	Embatech Sdn Bhd (General Manager) Circuit Sales Inc (CSI) (Business Development and Strategy Consultant) Bachelor of Science Degree (Honors), University of Bradford, United Kingdom Diploma in Engineering, German Singapore Institute, Singapore	None	None	None	0		

Title	Nationality	Name	Gender	Date of induction	Shares held		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Managers obtained an employee stock option certificate (shares)	Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Financial and Accounting Manager	Republic of China	Lu, Chin-Yu	Male	2015.12	20	0.04	-	-	-	-	Audit Team Leader of Ernst & Young Business Financial Service Assistant Manager and Business Manager of Standard Chartered Bank Part-time Lecturer of Mackay Medicine, Nursing and Management College Master of International Finance of the University of Essex	None	None	None	None	0	

Note 1: If the chairman of the Company is the same person, spouse or relative of first degree as the general manager or the person holding equivalent position (top manager), he/she shall explain the reasons, rationality, necessity, corresponding measures (such as increasing the number of independent directors, keeping more than half of the directors not concurrently serving as employees or managers, etc.) and other related information: The Chairman and General Manager of the Company are the same person to facilitate the integration of the group's decision-making and operation. For the purposes of corporate governance and compliance with in accordance with relevant laws and regulations, the Board has resolved on March 31, 2021 to appoint Ricky Eu as the General Manager of the Company and release Chairman Hsu, Chi-Feng from General Manager, effective on July 1, 2021. Additionally, the Company plans to increase the number of independent directors and directors in the reelection of the Board of Directors at the shareholders' meeting, and half of the directors are not served as employees or managers concurrently.

### III. Remuneration for Directors, General Managers and Deputy General Managers in Most Recent Year

#### 1. Remuneration to general directors and independent directors

Dec. 31, 2020 Unit: NT\$1,000

Title	Name	Remuneration								Ratio of total remuneration (A+B+C+D) to net income (%) (Note 10)		Relevant remuneration received by directors who are also employees							Ratio of total compensation (A+B+C+D+E+F+G) to net income (%) (Note 10)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 11)	
		Remuneration (A) (Note 2)		Severance pay and pension (B)		Remuneration of directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Retirement pension (F)		Employee rewards (G) (Note 6)						
		The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	The Company	All companies listed in the financial statements (Note 7)	Cash amount	Stock amount	Cash amount	Stock amount	The Company		All companies listed in the financial statements (Note 7)
Director	Hsu, Chi-Feng	0	3,722	0	0	852	852	0	0	0.19%	1.00%	0	3,996	0	0	419	0	419	0	0.28%	1.97%	None
	Chan Kim Seng Maurice	0	3,722	0	0	852	852	0	0	0.19%	1.00%	0	3,660	0	0	419	0	419	0	0.28%	1.90%	None
	Ye, Hang	0	3,861	0	0	852	852	0	0	0.19%	1.03%	0	1,014	0	0	419	0	419	0	0.28%	1.35%	None
	Tan, Yong	0	703	0	0	852	852	0	0	0.19%	0.34%	0	944	0	0	214	0	214	0	0.23%	0.60%	None
Independent Director	Yang, Rui-Long	625	625	0	0	426	426	0	0	0.23%	0.23%	0	0	0	0	0	0	0	0	0.23%	0.23%	None
	Yu, Chi-Min	677	677	0	0	426	426	0	0	0.24%	0.24%	0	0	0	0	0	0	0	0	0.24%	0.24%	None
	Lee, Wei-Ming	677	677	0	0	426	426	0	0	0.24%	0.24%	0	0	0	0	0	0	0	0	0.24%	0.24%	None

1. Please state the policy, system, standard and structure of remuneration for independent directors, and the correlation with the amount according to the responsibilities and duties of the independent directors, risks undertaken, time devoted and other factors:  
The remuneration of independent directors of the Company will be determined on the basis of the director performance evaluation results submitted by the Remuneration Committee by reviewing the degree of participation and contribution of each director in the Company's operation.  
The connection between performance risks and remuneration with the reference of remuneration standards of peers shall be submitted to the Board of Directors for resolution.
2. Other than disclosure in the above table, director remunerations received by providing services (e.g. providing consulting services as a non-employee) to companies in the financial statements in the most recent year: None.

Range of Remuneration

Range of remuneration paid to directors	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial statements (Note 9) H	The Company (Note 8)	All companies included in the financial statements (Note 9) I
Less than NT\$1,000,000	Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang, Tan, Yong	Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming, Tan, Yong	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming	-	Hsu, Chi-Feng, Ye, Hang, Chan Kim Seng Maurice, Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming	Yang, Rui-Long, Yu, Chi-Min, and Lee, Wei-Ming
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	Tan, Yong
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	-	Hsu, Chi-Feng, Chan Kim Seng Maurice, and Ye, Hang
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-	-
More than NT\$100,000,000	-	-	-	-
Total	7 persons	7 persons	7 persons	7 persons

Note 1: The names of directors shall be listed separately (names of institutional shareholders and its representatives shall be listed separately), and general directors and independent directors shall be listed separately. The payment amounts shall be disclosed collectively. If a director concurrently serves as the General Manager or Deputy General Manager, the following table "Remuneration of General Managers and Deputy General Managers" shall be filled in.

Note 2: The amount of the remuneration paid to directors in the most recent year (including director's salaries, job remuneration, severance, bonuses, and incentives etc.).

Note 3: The amount of the remuneration paid to directors in the most recent year as approved by the Board of Directors shall be filled in.

Note 4: Business expenses paid out to directors in the most recent year (including transport, special expenses, various allowances, accommodation, vehicles, and provision of physical goods and services). If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation.

Note 5: Salary, job-related allowances, separation pay, various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by directors who concurrently serve as employees (including as General Manager, Deputy General Manager, other manager and an employee) in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under IFRS 2 "Share-Based Payment", including the warrants obtained by employees, restricted employee stocks and subscription of shares for cash capital increase, shall also be calculated in the remuneration.

Note 6: For directors who concurrently serve as employees (including General Managers, Vice General Managers, other managers, and employees) and receive remuneration of employees (including stock and cash) for the past year, disclose the amount of remuneration distributed to employees after being approved by the Board for the past year. For amounts that are unable to estimate, propose the distribution amount for the year based on the actual distribution made last year, and fill out Table 1-3.

Note 7: Please disclose the aggregate amount of the remuneration to the Company's directors from the companies included in the financial statements (including the Company).

Note 8: When the aggregate amount of the remuneration to the Company's directors is disclosed, the name of the director shall also be disclosed in the relevant interval.

Note 9: When the aggregate amount of the remuneration paid to the Company's directors from all companies in the financial statements (including the Company) is disclosed, the name of the director shall also be disclosed in the relevant interval.

Note 10: Net profit after tax refers to the net profit after tax in the individual or parent company only financial statements in the most recent year.

Note 11: a. This column should disclose the amount of remuneration received by the directors of the Company from other non-subsiary companies reinvested by the Company or parent company (if no, please fill in "None").

b. If the directors of the Company receive remuneration from other non-subsiary companies reinvested by the Company or parent company, the amount of remuneration received by the directors from other non-subsiary companies reinvested by this Company or parent company shall be combined into column I of the "Range of Remuneration" and this column shall be renamed as "Parent Company and All Investment Companies."

c. Remuneration refers to rewards, compensations (including compensation to company employees, directors or supervisors) and allowances from professional practice received by the director from other non-subsiary companies reinvested by the Company or parent company for their services as directors, supervisors, or managers.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation.

2. Remuneration to supervisors: Not applicable (the Company has set up the Audit Committee to replace the supervisors).

3. Remuneration to General Managers and Deputy General Managers

Dec. 31, 2020 Unit: NT\$1,000

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and allowances (C) (Note 3)		Employee's remuneration (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Hsu, Chi-Feng	0	3,121	0	0	0	875	559	0	559	0	0.12%	1.00%	None
Business Director	Chan Kim Seng Maurice	0	3,091	0	0	0	568	559	0	559	0	0.12%	0.93%	None
Chief Technology Officer (CTO)	Ye, Hang	0	643	0	0	0	371	559	0	559	0	0.12%	0.35%	None
Marketing Director	Murali Nair	0	3,836	0	0	0	311	559	0	559	0	0.12%	1.03%	None



## Range of Remuneration

Range of remuneration paid to the General Managers and Deputy General Managers	Name of General Manager and Deputy General Manager	
	The Company (Note 6)	All companies included in the financial statements (Note 7) E
Less than NT\$1,000,000	Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang, and Murali Nair	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	Ye, Hang
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	Murali Nair
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Hsu, Chi-Feng, Chan Kim Seng Maurice
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
More than NT\$100,000,000	-	-
Total	4 persons	4 persons

Note 1: The names of the General Managers and Deputy General Managers shall be listed separately and the amount of remuneration paid to them shall be disclosed collectively. If a director concurrently serves as the General Manager or Deputy General Manager, this table and the following table "Remuneration of General Directors and Independent Directors" shall be filled in.

Note 2: Please specify the salaries, duty allowances and severance paid to the General Managers and Deputy General Managers in the most recent year.

Note 3: Cash and non-cash compensations to the General Managers and Deputy General Managers in the most recent year, including bonus, reward, reimbursement of expenses, special allowances, various subsidies, housing and use of vehicle. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under IFRS 2 "Share-Based Payment", including the warrants obtained by employees, restricted employee stocks and subscription of shares for cash capital increase, shall also be calculated in the remuneration.

Note 4: It refers to compensation paid to the General Managers and Deputy General Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year and the amount shall be listed in Table 1-3.

Note 5: Total remuneration to the General Managers and Deputy General Managers of the Company from all the companies (including the Company) in the consolidated financial statements should be disclosed.

Note 6: Total remuneration paid to General Managers and Deputy General Managers by the Company shall be disclosed and the names of the General Managers and Deputy General Managers shall also be disclosed in the corresponding remuneration interval.

Note 7: Total compensation paid to General Managers and Deputy General Managers of the Company by all companies (including the Company) listed in the consolidated statement shall be disclosed. The names of the General Manager and Deputy General Managers shall also be disclosed in the corresponding compensation interval.

Note 8: Net income after tax refers to net income after tax listed in the individual and parent company only financial statements.

Note 9: a. This column should disclose the amount of remuneration paid to the General Managers and Deputy General Managers of the Company by other non-subsidiary companies reinvested by the Company or parent company (if no, please fill in "None").

b. If the General Managers and Deputy General Managers of the Company receive remuneration from other non-subsidiary companies reinvested by the Company or parent company, the remuneration received by the General Managers and Deputy General Managers of the Company from other non-subsidiary companies reinvested by the Company or parent company shall be included in Column E in the "Range of Remuneration," and the column heading shall be changed to "Parent Company and All Reinvested Companies."

c. Remuneration refers to remuneration, bonuses (including employee, director, or supervisor bonuses), and allowances paid to the General Managers and Deputy General Managers of the Company who serve as the directors, supervisors, or managers of other non-subsidiary companies reinvested by the Company or parent company.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation.

4. Remuneration to top five managerial officers with the highest remuneration (names and remuneration thereof to be disclosed individually)

Title	Name	Salary (A) (Note 2)		Severance pay and pension (B)		Bonus and allowances (C) (Note 3)		Employee's remuneration (D) (Note 4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note 8)		Compensation from other non-subsidiary companies reinvested by the Company's subsidiaries or parent company (Note 9)
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company		All companies included in the financial statements (Note 5)		The Company	All companies included in the financial statements (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Hsu, Chi-Feng	0	3,121	0	0	0	875	559	0	559	0	0.12%	1.00%	None
Business Director	Chan Kim Seng Maurice	0	3,091	0	0	0	568	559	0	559	0	0.12%	0.93%	None
Chief Technology Officer (CTO)	Ye, Hang	0	643	0	0	0	371	559	0	559	0	0.12%	0.35%	None
Marketing Director	Murali Nair	0	3,836	0	0	0	311	559	0	559	0	0.12%	1.03%	None
Financial Accounting Director	Lu, Chin-Yu	1,907	2,500	0	0	0	700	356	0	356	0	0.50%	0.78%	None

Note 1: The "top five managerial officers with the highest remuneration" refer to the Company's managerial officers; the definition of managerial officers are based on the Ministry of Finance Official Letter No. Zheng-San 0920001301 regarding the scope of managerial officers issued by the former Securities and Futures Commission, Ministry of Finance on March 27, 2003. As for the principle of determining the "top five highest remuneration" amounts, it is based on the aggregate amount of the salary, severance pay and pension, and bonus and allowances, as well as the employee's remuneration received by managerial officers of the Company from all companies in the consolidated financial statements (that is, A+B+C+D); after sorted by amount, and the top five remuneration amounts are determined. If a director concurrently serves as the aforesaid managerial officer, this table and the above table under "Remuneration to general directors and independent directors" shall be filled in.

Note 2: Please specify the salary, duty allowance and severance paid to the top five managerial officers with the highest remuneration in the most recent fiscal year.

Note 3: Please specify various bonuses, incentives, transportation allowance, special allowance, various allowances, accommodation allowance and driver allowance received by the top five managerial officers with the highest remuneration in the most recent fiscal year. If housing, vehicle or other means of transportation, or personal expenses are provided, the nature and cost of the asset provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a driver is provided, disclose compensation paid to the driver in a note; however, do not calculate such as part of executive compensation. In addition, any salary listed under IFRS 2 "Share-Based Payment", including the warrants obtained by employees, restricted employee stocks and subscription of shares for cash capital increase, shall also be calculated in the remuneration.

Note 4: Please specify the employee's remuneration (including stock and cash amounts) to be allocated to the top five managerial officers with the highest remuneration as approved by the Board of Directors in the most recent fiscal year. If it is impossible to impute the same, the amount to be allocated this year shall be based on that allocated physically last year.

Note 5: Please disclose the aggregate amount of the remuneration to the Company's top five managerial officers with the highest remuneration from the companies included in the financial statements (including the Company).

Note 6: Net profit after tax refers to the net profit after tax in the individual or parent company only financial statements in the most recent year.

Note 7: a. This column shall disclose the amount of remuneration received by the top five managerial officers with the highest remuneration of the Company from other non-subsidiary companies reinvested by the Company or parent company (if no, please fill in "None").

b. The remuneration shall refer to the remuneration, compensation, employee bonus and professional practicing fees received by the Company's top five managerial officers with the highest remuneration who act as the directors, supervisors or managerial officers of investees other than subsidiaries.

\* The remuneration disclosed in this table is different from the concepts stipulated in the Income Tax Act. The purpose of this table is for information disclosure, not taxation.

5. Employee's remuneration to managers and state of distribution

Dec. 31, 2020 Unit: NT\$1,000

	Title	Name	Stock amount	Cash amount	Total	Ratio of total amount to net income (%)
Manager	General Manager	Hsu, Chi-Feng	0	419	419	0.09%
	Business Director	Chan Kim Seng Maurice	0	419	419	0.09%
	Chief Technology Officer (CTO)	Ye, Hang	0	419	419	0.09%
	Marketing Director	Murali Nair	0	419	419	0.09%
	Financial Accounting Director	Lu, Chin-Yu	0	356	356	0.08%

Note 1: Names and titles shall be disclosed separately but the amount of profit distributed can be disclosed collectively.

Note 2: Refers to compensations paid to the Managers (including stock and cash) approved by the Board of Directors in the most recent year; If such compensations cannot be estimated, an estimation for this year shall be calculated in proportion of the compensations paid last year. Net profit after income tax refers to the one in the most recent year. Where IFRSs are adopted, net profit after tax refers to the net profit after income tax recorded in the entity's or individual or parent company only financial statements.

Note 3: The scope of application for the term "manager" shall follow the approved document with Reference No. Tai Tsai Cheng San Tzu 0920001301 dated Mar. 27, 2003. Its scope of application shall be as follows:

- (1) General Manager and equivalents;
- (2) Deputy General Manager and equivalents;
- (3) Assistant Manager and equivalents;
- (4) Head of Financial Department;
- (5) Head of Accounting Department; or
- (6) Other people in charge of the Company's operational affairs and entitled to sign instruments on behalf of the Company.

Note 4: If a director, General Manager or Deputy General Manager received any employee remuneration (including stock and cash), in addition to attached tables under "Remuneration to general directors and independent directors" and "Remuneration to General Managers and Deputy General Managers," this table shall be filled in additionally.

6. Compare and state separately on the analysis of the post-tax net profit ratio of total remuneration of the Directors, General Manager and Deputy General Managers of the Company and companies in the consolidated financial statements in the last two years to parent company only or individual financial reports; then, state the policies and standards for payment of remuneration, process of combining and deciding on the amount of remuneration, and correlation with business performance and future risks:

(1) Ratio of total remuneration paid to the Company's directors, General Managers and Deputy General Managers in the most recent two years to the net profit after tax:

Unit: %

Title	Total amount to net profit after tax (%)			
	2019		2020	
	The Company	All companies in consolidated financial statements	The Company	All companies in consolidated financial statements
Director	2.21%	11.79%	1.78%	6.53%
General Manager and Deputy General Managers	4.53%	13.00%	0.49%	3.30%

(2) The policies, standards, and portfolios for compensation, the procedures for determining compensation, and the correlation with risks and business performance:

The remuneration to directors of the Company shall be handled reasonably in accordance with the Articles of Association of the Company and given in consideration of the Company's operating results and their contribution to the Company's performance; the remuneration paid to the General Manager and Deputy General Managers of the Company is based on the correlation between the positions they held, the responsibilities they assumed, the operating performance and future risks they undertaken with the reference of the level of peers on similar positions. The procedure for determining remuneration is set up by referring to the "Measures for Distribution of Director Salary and Remuneration" on the basis of the results of director performance evaluation. The overall operating performance of the Company, future operating risks and development trends of the industry shall also be considered to offer reasonable compensation.

#### IV. Implementation of Corporate Governance

##### (I) Information on operation of Board of Directors

The Board held 7 meetings in 2020. The table below shows the attendance of directors and supervisors:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Chairman	Hsu, Chi-Feng	7	0	100.00	Reappointed on Jun. 11, 2018
Vice Chairman	Chan Kim Seng Maurice	7	0	100.00	Reappointed on Jun. 11, 2018
Director	Ye, Hang	7	0	100.00	Reappointed on Jun. 11, 2018
Director	Tan, Yong	6	1	85.71	Reappointed on Jun. 11, 2018
Independent Director	Yang, Rui-Long	7	0	100.00	Reappointed on Jun. 11, 2018
Independent Director	Yu, Chi-Min	7	0	100.00	Reappointed on Jun. 11, 2018
Independent Director	Lee, Wei-Ming	7	0	100.00	Reappointed on Jun. 11, 2018

Other matters:

- The date of the Board meeting, the term, the content of the proposals, opinion of all independent directors, and the Company's handling of the opinion of independent directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

##### (1) Matters referred to in Article 14-3 of the Securities and Exchange Act

Date and session of meeting	Proposals	Independent directors' opinions	The Company's handling of the opinions of the independent director
2020.03.25 15th meeting of the 4th session	<ol style="list-style-type: none"> <li>The 2019 "Statement of Internal Control System"</li> <li>Amendment to Internal Control Measures</li> <li>The purchase and retirement of the Company's shares for the second time in accordance with the law for the Company's credibility and shareholders' rights and interests</li> <li>The Company's proposal to issue the third domestic unsecured convertible corporate bond</li> <li>The Company's change to the source of the debt repayment funds in the second domestic unsecured convertible corporate bond</li> </ol>	None	None
2020.05.13 16th meeting of the 4th session	<ol style="list-style-type: none"> <li>The base date for the second reduction of capital for stock repurchase</li> <li>The Company's provision of guarantee</li> </ol>	None	None
2020.08.14 17th meeting of the 4th session	<ol style="list-style-type: none"> <li>The Company's provision of guarantee</li> <li>Amendment to the Internal Control System</li> <li>The Company's proposal to set up a plant in Changshu, China</li> <li>The release of managers from non-compete restrictions</li> <li>The release of directors from non-compete restrictions</li> </ol>	None	None

Date and session of meeting	Proposals	Independent directors' opinions	The Company's handling of the opinions of the independent director
2020.09.09 18th meeting of the 4th session	1. The Company's disposal of land	None	None
2020.11.12 19th meeting of the 4th session	1. The Company's proposal to stipulate or revise the internal control system 2. The Company's provision of guarantee	None	None
2020.11.20 20th meeting of the 4th session	1. The Company's proposal to sell Lemtech Philippine Thermal System Inc. 2. The Company's provision of guarantee	None	None
2020.12.30 21st meeting of the 4th session	1. 2021 Internal Control Audit Plan 2. The Company's provision of guarantee	None	None
2021.03.31 22nd meeting of the 4th session	1. The issuance of new shares by capital increase from surplus in 2020 2. The 2020 "Statement of Internal Control System" 3. Amendment to Internal Control Measures 4. The release of newly elected directors from non-compete restrictions 5. The Company's provision of guarantee	None	None
2021.04.27 23rd meeting of the 4th session	1. Amendment to the "Articles of Association" 2. The release of managers from non-compete restrictions	None	None

(2) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: No independent directors hold objections or reservations to the resolutions.

2. For director recusals due to conflicts of interests, name of directors, proposal, reason for recusal, and participation in vote or not shall be specified:

Date of meeting	Proposals	Name of recused directors	Reasons for recusals and voting:
Aug. 14, 2020	Release of directors from non-compete restrictions	Hsu, Chi-Feng Chan Kim Seng Maurice Ye, Hang	According to provisions of Article 206 of the Company Act, except Chairman Hsu, Chi-Feng, Vice Chairman Chan Kim Seng Maurice, and Director Ye, Hang who are not allowed to vote, other directors attending the meeting vote for approval.
Aug. 14, 2020	Release of managers from non-compete restrictions	Hsu, Chi-Feng	According to provisions of Article 206 of the Company Act, except Chairman Hsu, Chi-Feng who is not allowed to vote, other directors attending the meeting voted for approval.
Apr. 27, 2021	Release of managers from non-compete restrictions	Chan Kim Seng Maurice Ricky Eu	According to provisions of Article 206 of the Company Act, except Vice Chairman Chan Kim Seng Maurice who is not allowed to vote, other directors attending the meeting voted for approval.

3. TWSE/TPEX Listed Companies shall disclose the information on the evaluation cycle and period, evaluation scope, methods and evaluation contents of Board of Directors' self (or peer) evaluation, and fill in the following table "Implementation of Board of Directors Evaluation":

Implementation of Board of Directors Evaluation

Frequency	Period	Scope	Method	Content
Executed every year	Jan. 1, 2020 ~ Dec. 31, 2020	Directors, Board of Directors and functional committees	Self-evaluation of directors is adopted; the Board of Directors and functional committees will be evaluated by the Board of Directors secretary office.	Please see the following for detailed information.

- (1) Self-evaluation of individual Board members: Knowledge about the Company's objectives and tasks, the understanding of director duties, the participation in the Company's operations, the internal relationship management and communication, the professional training and further study of directors and internal control.
  - (2) Board performance evaluation: Participation in the Company's operations, improvement of the quality of board decisions, board composition and structure, selection and continuing education of directors, and internal control.
  - (3) Performance evaluation of functional committees: Participation in the Company's operation, the understanding of the duties of the functional committee, improvement of the decision-making quality of the functional committee, composition of the functional committee, selection of its members, and internal control.
4. Objectives for strengthening the functions of the Board of Directors in the current year and the most recent year (e.g., setting up an audit committee, improving information transparency, etc.) and evaluation of implementation: In order to improve corporate governance and strengthen the relevant functions of the Board of Directors, the Company has set up the Audit Committee and the Remuneration Committee. For implementation status, please refer to "Corporate governance operation status" and "Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof," and has formulated the "Measures for Performance Evaluation of the Board of Directors and Functional Committees" to establish a good governance system for Board of Directors of the Company, perfect supervision and strengthen functions of the Board of Directors.

## (II) Operations of Audit Committee

A total of 7 meetings of the Audit Committee were held in 2020. The attendance of independent directors is as follows:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Independent Director (Convener)	Yang, Rui-Long	7	0	100.00	Reappointed on Jun. 11, 2018
Independent Director	Yu, Chi-Min	7	0	100.00	Reappointed on Jun. 11, 2018
Independent Director	Lee, Wei-Ming	7	0	100.00	Reappointed on Jun. 11, 2018

Other matters:

1. With regard to the operation of the Audit Committee, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.

(1) Items listed in Article 14-5 of the Securities and Exchange Act

Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
2020.03.25 14th meeting of the 4th session	<ol style="list-style-type: none"><li>1. Business report and consolidated financial statements for 2019</li><li>2. The 2019 "Statement of Internal Control System"</li><li>3. Amendment to Internal Control Measures</li><li>4. The purchase and retirement of the Company's shares for the second time in accordance with the law for the Company's credibility and shareholders' rights and interests</li><li>5. The Company's proposal to issue the third domestic unsecured convertible corporate bond</li><li>6. The Company's change to the source of the debt repayment funds in the second domestic unsecured convertible corporate bond</li></ol>	All audit members approved.	None
2020.05.13 15th meeting of the 4th session	<ol style="list-style-type: none"><li>1. The base date for the second reduction of capital for stock repurchase</li><li>2. The Company's provision of guarantee</li></ol>	All audit members approved.	None
2020.08.14 16th meeting of the 4th session	<ol style="list-style-type: none"><li>1. The Company's provision of guarantee</li><li>2. Amendment to the Internal Control System</li><li>3. The Company's proposal to set up a plant in Changshu, China</li><li>4. The release of managers from non-compete restrictions</li><li>5. The release of directors from non-compete restrictions</li></ol>	All audit members approved.	None
2020.09.09 17th meeting of the 4th session	<ol style="list-style-type: none"><li>1. The Company's disposal of land</li></ol>	All audit members approved.	None
2020.11.12 18th meeting of the 4th session	<ol style="list-style-type: none"><li>1. The Company's proposal to stipulate or revise the internal control system</li><li>2. The Company's provision of guarantee</li></ol>	All audit members approved.	None



Board of Directors	Proposals	Resolution of the Audit Committee	The Company's response to the comments of the Audit Committee
2020.11.20 19th meeting of the 4th session	1. The Company's proposal to sell Lemtech Philippine Thermal System Inc. 2. The Company's provision of guarantee	All audit members approved.	None
2020.12.30 20th meeting of the 4th session	1. 2021 Internal Control Audit Plan 2. The Company's provision of guarantee	All audit members approved.	None
2021.03.31 21st meeting of the 4th session	1. Business report and consolidated financial statements for 2020 2. Distribution of earnings for 2020 3. Distribution of cash dividends to shareholders for the fourth quarter of 2020 4. The issuance of new shares by capital increase from surplus in 2020 5. The 2020 "Statement of Internal Control System" 6. Amendment to Internal Control Measures 7. The Company's application for bank financing 8. The Company's provision of guarantee	All audit members approved.	None
2021.04.27 22nd meeting of the 4th session	Amendment to the "Articles of Association"	All audit members approved.	None

(2) Except for the previous matters, other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: The Company has no matter that had not approved by the Audit Committee but been approved by more than two-thirds of all directors.

2. Regarding recusals of independent directors due to conflicts of interests: The Company does not have any circumstances under which independent directors should withdraw from a proposal due to conflicts of interests.
3. Communication between independent directors and internal audit supervisor and accountants (communication on material matters, methods and results of the Company's financial and business conditions, etc.): The Company's internal audit supervisor regularly conducts audit reports and discussions with the members of the Audit Committee. Members of the Audit Committee and the internal audit supervisor have a good communication. The Company's certified public accountants communicate with the members of the Audit Committee on the results of the audit or review of the financial statements and other matters required by relevant laws and regulations. The members of the Audit Committee of the Company and the certified public accountants have a good communication.

(III) Corporate governance implementation status and deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation items	Operating status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has formulated and disclosed the "Code of Practice on Corporate Governance of the Company" on the Company's website and public information observation station in accordance with the "Code of Practice on Corporate Governance on TWSE/TPEX Listed Companies."	No deviation
<p>II. Shareholding structure &amp; shareholders' rights</p> <p>(I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation, and does the Company implement the procedures in accordance with the procedure?</p> <p>(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?</p> <p>(III) Has the Company established, and does it execute, a risk management and firewall system within its affiliated companies?</p> <p>(IV) Has the Company established internal rules against insiders using undisclosed information to trade with marketable securities?</p>	✓		<p>(I) The Company has appointed a special stock affairs agency to handle stock affairs, and has formulated the "Procedures for Spokesmen and Acting Spokesmen" on spokesmen and acting spokesmen's handling of shareholder proposals.</p> <p>(II) The Company has mastered the list of major shareholders who actually control the Company and the final controllers of the major shareholders, and regularly tracks and understands them when reporting monthly equity changes.</p> <p>(III) In addition to the provisions of the FSC's "Guidelines for the Establishment of Internal Control Systems for Publicly Issued Companies" and "Code of Practice on Corporate Governance for TWSE/TPEX Listed Companies", the Company has also formulated "Supervision and Management of Subsidiaries" and "Related Party Transaction Management" to form a risk control mechanism. Asset management among the related enterprises is independent, and the risk control mechanism and firewall mechanism are implemented accordingly.</p> <p>(IV) The Company has formulated the "Procedures for Management of Internal Material Information Processing and Prevention of Insider Trading" stipulating that no one shall not use the undisclosed information he/she knows to engage in insider trading or disclose it to others, so as to prevent others from using the undisclosed information to engage in insider trading.</p>	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the Board developed, and does it implement, a diversity policy for the composition of its members?</p> <p>(II) In addition to the legally-required Remuneration Committee and Audit Committee, has the Company voluntarily established other functional committees?</p> <p>(III) Has the Company set up any method and form for performance evaluation of Board of Directors, conduct performance evaluation on an annual and regular basis, and report the results of the performance evaluation to the Board of Directors and apply them to the remuneration of individual directors and the reference for nomination for renewal?</p> <p>(IV) Does the Company regularly evaluate the independence of the CPAs?</p>	✓		<p>(I) The Company has formulated the "Code of Practice on Corporate Governance" and disclosed the diversification policy on the Company's website and public information observation station. Directors Hsu, Chi-Feng, Chan Kim Seng Maurice, Ye, Hang and Tan, Yong have experience in operation management and actual operation management. Independent Director Lee, Wei-Ming has the professional knowledge on financial planning and financial report review. Independent Director Yu, Chi-Min has the professional knowledge on e-commerce laws. Yang, Rui-Long, an independent director, has professional knowledge of overall economics.</p> <p>(II) The Company has set up the Remuneration Committee and an Audit Committee, without any other functional committees for the time being, which might be set up as appropriate in the future.</p> <p>(III) The Company has formulated the "Performance Evaluation Measures for the Board of Directors and Functional Committees." The evaluation method adopts the self-evaluation of directors, and the Board of Directors and functional committees are evaluated by the Secretary Office of the Board of Directors. The results of the 2020 performance evaluation of the Board of Directors and functional committees have been submitted to the Board of Directors on Mar. 31, 2021.</p> <p>(IV) The Company passed a resolution of the Board of Directors on Nov. 12, 2020 to set out the "Regulations for the Evaluation of Independence and Competency of Certified Public Accountants." The Company regularly evaluates the independence and competency of certified public accountants. The certified public accountants and certified public accountants elected by the Company have no interest in the Company and strictly observe independence and have not served as directors or independent</p>	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			directors or managers of the Company, who are not shareholders of the Company, and have not paid salaries in the Company. Moreover, the same certified public accountant has not been appointed for seven consecutive years, so the independence of the certified public accountant is in conformity with the law.	
IV. Are TWSE/TPEX Listed Companies provided with competent and appropriate number of corporate governance personnel, has a corporate governance supervisor been appointed to be responsible for corporate governance-related affairs (including but not limited to providing the information required by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling relevant matters of Board of Directors and shareholders' meeting according to law, and making minutes of Board of Directors and shareholders' meeting, etc.)?	✓		The Company designates the management department to be concurrently responsible for corporate governance and corporate governance-related affairs, including providing the information required by directors to carry out business, handling relevant matters of Board of Directors and shareholders' meeting according to law, handling company registration and change registration, making minutes of Board of Directors and shareholders' meetings, etc. Although the Company has not yet reached the mandatory standard for setting up a corporate governance supervisor, the Company has planned to set up a corporate governance supervisor.	No deviation
V. Has the Company established a communication channel with stakeholders (including but not limited to shareholders, employees, customers, and suppliers)? Has a stakeholders' area been established in the Company's website? Are major corporate social responsibility (CSR) topics that the stakeholders are concerned with addressed appropriately by the Company?	✓		The Company has a spokesman system and a "special section for interested parties" on the Company's website. interested parties can contact the Company by telephone, letter, fax and e-mail if necessary.	No deviation
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed CTBC Bank Agency Department to be responsible for handling stock affairs.	No deviation
VII. Information disclosure (I) Has the Company established a website to disclose information on financial operations and corporate governance?	✓		(I) The Company has set up websites in both Chinese and English, which disclose financial, business, and corporate governance information. The website: <a href="http://www.lemtech.com">http://www.lemtech.com</a> , with designated personnel maintaining and updating the website information.	No deviation

Evaluation items	Operating status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?</p> <p>(III) The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.</p>			<p>(II) The Company has established the "Operating Procedures for Spokesmen and Acting Spokesmen", the relevant questions shall be answered by the spokesmen or acting spokesmen, and the relevant business departments shall be responsible for the collection and disclosure of company information; The information of the legal person explanation meeting has been placed on the Company's website for investors' reference; the Company enters the latest financial and business information about the Company on the designated information reporting website in accordance with the laws and regulations.</p> <p>(III) The Company shall report the financial reports for the first, second and third quarters and the operating conditions for each month in accordance with the provisions of "Business Matters to be Carried out by Listed Securities Issuers."</p>	
<p>VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and participation in liability insurance by directors and supervisors)?</p>	✓		<p>1. Employee benefits: The Company is governed by the labor laws of various countries. Please refer to #pages 87 to 89# in this annual report for other employee welfare measures, retirement system, further education and various employee rights and interests.</p> <p>2. Employee Care: In order to facilitate communication with employees, the Company provides diversified communication channels to ensure real-time transmission and transparency of information and to allow employees to fully express their suggestions to the Company as the basis for improvement of various measures.</p> <p>3. Investor relations: The Company attaches great importance to the rights and interests of investors. In addition to announcing the information on the MOPS designated by the competent authority in accordance with relevant regulations, the Company also places relevant information on the Company's website.</p>	No deviation

Evaluation items	Operating status		Description	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
			<p>4. Rights of interested parties: In order to protect the rights of interested parties, the Company has set up spokesmen and deputy spokesmen to respond to investors' questions and handle them properly in good faith and with a responsible attitude.</p> <p>5. Implementation of risk management policies and risk assessment standards: The Company has established various internal regulations and conducted various risk management and assessment in accordance with law and regulations.</p> <p>6. Implementation of customer policies: In order to provide all-round service and protection to customers, the Company communicates with customers in real time to understand their needs in response to customer complaints, so as to facilitate the interaction between the Company and customers, and conduct meeting review and improvement within the Company.</p> <p>7. Directors or supervisors' further education: The status of director and supervisor further education is stated in the following table and has been announced on the MOPS.</p> <p>8. The Company purchases liability insurance for directors and supervisors: The Board of Directors of the Company purchased the insurance for directors and managers on Mar. 31, 2021, with the insured amount of US\$3 million.</p>	
<p>IX. Please provide information on the status of improvement regarding the results of corporate governance evaluation published by the TWSE Corporate Governance Center in the most recent year. For improvements that are yet to be implemented, state the areas and policies the Company has set as a priority for improvement: The evaluation result of the Company in 2020 was 81~100% of the overall evaluation companies. The matters yet to be improved include: implementing the diversification policy of the Board of Directors, setting up the corporate governance director, promoting and implementing concrete plan of corporate social responsibility, and preparing the corporate social responsibility report.</p>				

Schedule: Directors or Supervisors' Further Education

Title	Name	Training date	Organizer	Course	Hours of course
Chairman	Hsu, Chi-Feng	Dec. 14, 2020 and Dec. 16, 2020	Taiwan Corporate Governance Association	Business Combination and Insider Trading and Board Supervision on the Company's Corporate Risk Management and Crisis Management	6
Vice Chairman	Chan Kim Seng Maurice				
Director	Ye, Hang				
Director	Tan, Yong				
Independent Director	Yang, Rui-Long				
Independent Director	Yu, Chi-Min	May 15, 2020	Taiwan Investor Relations Institute	New Rules and Trends in Corporate Governance Essential for Directors and Supervisors in 2020	3
		May 20, 2020	Taiwan Investor Relations Institute	Legal Obligations and Responsibilities in the Capital Market	3
Independent Director	Lee, Wei-Ming	Mar. 20, 2020	Taiwan Corporate Governance Association	Corporate Tax Governance Strategy and Response to Cross-border Exchange of Information	3
		Oct. 16, 2020	Taiwan Corporate Governance Association	Trends of Tax Management for Corporations in the Post-Pandemic Era	3

(IV) If the Company has set up a Remuneration Committee, it shall disclose its composition, responsibilities and operation:

1. Information on the members of Remuneration Committee

Identity	Qualification	Meets one of the following professional qualifications, with at least five years of work experience			Status of independence (Note 1)										Number of other public companies where the individual concurrently serves as a member of Remuneration Committee	Remarks	
	Name	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 has 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	Yang, Rui-Long	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Yu, Chi-Min	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Lee, Wei-Ming			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Please tick for the conditions if a member meets the below-mentioned conditions in two years prior to the nomination and during his/her term of service.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not serving as a director or supervisor of the Company or any related companies (this does not apply in cases where the person is an independent director of the Company, its parent or subsidiary established pursuant to this law or local laws).
- (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 amount of 1% or more of the total number of outstanding shares of the Company or is ranked in the top 10 in shareholdings.
- (4) Not the managers listed in (1) or spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor or employee of corporate shareholders who directly hold more than 5% of the total number of issued shares of the Company, rank top five in shareholding, or appoint a representative as a director or supervisor of the Company in accordance with Article 27-1 or 27-2 of the Company Act (Independent directors of the Company and its parent company, subsidiary company or subsidiary company of the same parent company established in accordance with this Act or local laws shall not be subject to the provisions).



- (6) Not concurrently a supervisor or employee of other companies controlled by the same person who serves as the director or holds more than half of voting shares of the Company (Independent directors of the Company or its parent company, subsidiaries or subsidiaries of the same parent company established in accordance with this Act or local laws shall not be subject to this provision).
  - (7) Not a director (member), supervisor or employees of other companies or institutions for a person or spouse serving as the chairman, general manager or equivalent post of the Company (Independent directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Act or local laws shall not be subject to this provision).
  - (8) Not a director (member), supervisor, manager or shareholder holding more than 5% of the shares of a specific company or institution that has financial or business dealings with the Company (however, any specific company or institution holding more than 20% and less than 50% of the total number of issued shares of the Company and the directors concurrently serve as independent directors set up by the Company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this Law or local laws shall not be subject to this provision).
  - (9) Not a professional, proprietorship, partnership, business owner of a firm or institution, partner, director (member), supervisor, manager and spouse of any of the above who provide commercial, legal, financial, accounting and other related services for the Company or its affiliated enterprises or had obtained no more than NT\$500,000 cumulative remuneration in the past two years. However, members of the Remuneration Committee, public acquisition review committee, or the special committee of merger and acquisition who perform their functions and powers in accordance with the provisions of the Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
  - (10) No condition defined in Article 30 of the Company Act has appeared.
2. Responsibility of the Remuneration Committee
- (1) The Company's Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the Board of Directors:
    - a. Establishes and periodically reviews compensation policies, system, standards, and structure, as well as the performance evaluation of directors and managers.
    - b. Periodically evaluates and establishes compensations and pays for directors and managers.
  - (2) The Company's Remuneration Committee shall perform the duties in preceding paragraph in accordance with the following principles:
    - a. The directors' and manager' performance evaluation and remuneration should refer to the general standards in the sector and take into account the reasonable connection to individual performance, management performance, and future risks.
    - b. Directors and managers shall not be encouraged to engage in risky behaviors unacceptable to the Company for the pursuit of remuneration.
    - c. The proportion of dividends for directors and senior managers for short-term performance and the timing of issuing variable pay shall be determined based on the characteristics of a given sector and the nature of the Company's business.

### 3. Information on the operation of Remuneration Committee

(1) The Company's Remuneration Committee is comprised of three members.

(2) Service term for members of the current committee: From Aug. 9, 2018 to Jun. 10, 2021.

The Remuneration Committee convened 3 meetings in 2020. The following outlines the qualifications of the committee members and attendance:

Title	Name	Attendance in person	Attendance by proxy	Attendance rate (%)	Remarks
Independent Director (Convener)	Yu, Chi-Min	3	0	100.00	Reappointed on Aug. 9, 2018
Independent Director	Lee, Wei-Ming	3	0	100.00	Reappointed on Aug. 9, 2018
Independent Director	Yang, Rui-Long	3	0	100.00	Reappointed on Aug. 9, 2018

#### Other matters:

- I. If the Board of Directors does not adopt or wishes to amend the proposals of the Remuneration Committee, please state the date and session of the Board meeting, proposals, resolutions from the Board of Directors, and handling of the Remuneration Committee's opinions (such as the difference between the salary and remuneration approved by the Board of Directors and those proposed by the Remuneration Committee and the reason): None.
- II. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, contents discussed, opinions from every member, and disposition of the members' opinions shall be described in detail: None.

(V) Implementation of corporate social responsibility and deviations from the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and reasons thereof

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Has the Company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies?	✓		The Company has formulated the "Corporate Social Responsibility Code of Practice" and set up a unit to be concurrently responsible for the proposal and execution of social responsibility, systems and relevant management policies and specific promotion plans; the Company has conducted risk assessment on environmental, social and corporate governance issues related to the Company's operations, and has established an environmental management and safety management system to effectively identify relevant risks and implement control.	No deviation
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting corporate social responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	✓		The Company designated the Management Department to be responsible for promoting corporate social responsibility, and the Board of Directors authorized senior management to deal with it, and reported the situation to the Board of Directors.	No deviation
<p>III. Environmental issues</p> <p>(I) Has the Company established environmental management systems proper to its industry's characteristics?</p> <p>(II) Does the Company endeavor to utilize all resources more efficiently and use renewable materials that have low impact on the environment?</p> <p>(III) Has the Company assessed the potential risks and opportunities arising from climate change at present and in the future and taken related countermeasures?</p> <p>(IV) Has the Company the calculated the greenhouse gas emissions, water consumption, and total weight of waste over the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reductions, water consumption, and waste management?</p>	✓		<p>(I) The Company passed the Environmental Management System Certification (ISO 14001:2015) on Apr. 29, 2014, with a validity period from Jul. 1, 2020 to Apr. 28, 2023. The Company will handle it according to the above environmental management system.</p> <p>(II) The Company has established provisions on conflict material management in the "Conflict Mineral Control Procedures."</p> <p>(III) During the factory construction process, the Company will provide an air compressor heat energy recovery system for heating in workshops in winter and effectively reducing energy consumption. In summer, the Company advocates air conditioning temperature control, so as to make rational use of energy; the Company also advocates water conservation, electricity consumption and paperless operation to achieve the goal of energy conservation and carbon reduction.</p> <p>(IV) The Company has formulated the "Energy Control Procedures" to effectively control the rational use of water, electricity and gas, and to avoid waste reduction. In addition, the Company has also added an air compressor heat energy recovery system to supply heating for some workshops in winter, so as to effectively reduce energy consumption.</p>	No deviation

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>IV. Social issues</p> <p>(I) Has the Company formulated management policies and procedures following relevant regulations and international human rights treaties?</p> <p>(II) Does the Company establish and deliver reasonable employee welfare programs (including salary, compensated absences, and other benefits) and adjust employee compensation in relation to business performance?</p> <p>(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?</p> <p>(IV) Has the Company established effective career development and training plans for its employees?</p> <p>(V) Has the Company followed relevant laws, regulations and international guidelines for the customer health and safety, customer marketing and labeling of its products and services and established related consumer protection policies and grievance procedures?</p> <p>(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational</p>	✓		<p>(I) The group attaches great importance to the rights and interests of all its employees, and abides by the labor laws and regulations of various operating countries, and has established the "Procedures for the Management of Business Conduct and Ethical Standards."</p> <p>(II) The Company has formulated the "Salary Management Rules" and "Employee Handbook" to clarify issues such as salary, performance, various benefits and rewards and punishment systems, and regularly make corresponding adjustments in accordance with relevant laws and market demands. The group provides employees with leave in accordance with local national laws and regulations of each subsidiary, and various gift subsidies. In addition, to enhance understanding and integration among employees, the group organizes various cultural and self-organized activities and other employee welfare measures. If the Company makes profits, it will share the operating results with its employees in accordance with the Company's dividend policy.</p> <p>(III) The Company has provided a safe and healthy working environment for its employees, and has formulated the "Processing Safety Operation Guidelines" and "Safety Management Measures" to track and improve work-related accidents and provide or subsidize health checks for employees.</p> <p>(IV) The Company has established an "Annual Training Plan" to enhance the personal accomplishment and professional ability of employees through systematic training and adopt a rotation system to cultivate certain personnel and explore their personal expertise and make corresponding adjustments to their careers.</p> <p>(V) The Company has established a "Management Procedure for Customer Information" to effectively control customer information and establish a "Customer Complaint and Return Control Procedure" in accordance with customer requirements. As the Company is a component manufacturer whose products are not directly facing consumers, no consumer rights policy for it has been formulated.</p> <p>(VI) The Company has established a "Management Procedure for Relevant Parties" and requires suppliers to provide raw materials free of harmful substances.</p>	No deviation

Evaluation items	Operating status			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
safety and health or labor rights and supervised their privacy, an compliance?			The Company has signed an EICC commitment letter for suppliers, clearly specifying that their internal management should conform to relevant policies and regulations of environmental protection, safety and EICC.	
V. Does the Company, following internationally recognized guidelines, prepare and publish reports such as its corporate social responsibility report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third-party accreditation institution?		✓	At present, the Company does not have any corporate social responsibility reportage.	Related matters are still being planned.
VI. If the Company has established the corporate social responsibility best practice principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe any discrepancy between the Principles and their implementation: The Company has formulated the "Corporate Social Responsibility Code of Practice" and the management team has followed it to implement the operation and promotion of corporate social responsibility. There is no significant deviation.				
VII. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: <ul style="list-style-type: none"> <li>(I) Human rights: The Company attaches great importance to human rights and ensures all individuals enjoy equal rights to work regardless of race, sex and age and provide them with opportunities for free expression and development.</li> <li>(II) Safety and hygiene: With zero disaster as the goal, the Company is committed to the promotion of safety and health policies and continuous improvement of process and operating environment, aiming at the goal of occupational safety and health through joint efforts of all employees.</li> <li>(III) Staff health care: The Company carries out health checks for employees to let them know their health status on a regularly basis, so that they can protect and strengthen their physical and mental health. In order to control the actual working environment of employees and assess the exposure of hazardous factors in the workplace, the Company regularly carries out work environment inspection to improve the workplace environment.</li> </ul>				

(VI) The performance of the ethical corporate management and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof

Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorous and thorough implementation of such policies?</p> <p>(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?</p> <p>(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?</p>	✓		<p>(I) The Company has clearly set out the principles and procedures of honest operation in its "Operating Procedures and Conduct Guidelines for Honest Business." The Board of Directors and management will regard honesty as the Company's operating philosophy.</p> <p>(II) The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" and specifically regulated the handling procedures for how relevant personnel of the Company prevent dishonest behaviors and violations.</p> <p>(III) The Company has clearly defined the operating procedures, guidelines for conduct, disciplinary and complaint systems for any violation against the "Operating Procedures and Conduct Guidelines for Honest Business" and encourages employees to report any violations of laws or ethical codes of conduct. the Company will timely advocate relevant personnel with high risk of dishonest conduct within the business scope to prevent the occurrence of dishonest conduct.</p>	No deviation

Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>II. Fulfillment of ethical corporate management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Has the Company set up a dedicated unit under the Board of Directors to promote ethical corporate management and regularly (at least once every year) report to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?</p> <p>(III) Has the Company established policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(IV) Has the Company established effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(V) Does the Company regularly hold internal and external educational training on ethical corporate management?</p>	✓		<p>(I) The Company evaluates the integrity records of the cooperative manufacturers or customers and specify the relevant contents and precautions of integrity transactions in the commercial contracts.</p> <p>(II) The Company appoints the management department to be concurrently responsible for promoting the integrity of the enterprise, revising and implementing these operating procedures and guidelines, and reporting regularly to the chairman of the Board.</p> <p>(III) The Company has formulated policies to prevent conflicts of interest, provided appropriate reporting channels in the "Operating Procedures and Conduct Guidelines for Honest Business" and has implemented them.</p> <p>(IV) In order to ensure the implementation of ethical corporate management, the Company has established an effective accounting system and internal control system, and internal auditors regularly check the compliance of various systems.</p> <p>(V) The Company conducts education courses on integrity management from time to time.</p>	No deviation

Evaluation items	Operating status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
<p>III. Status of enforcing whistle-blowing systems in the Company</p> <p>(I) Has the Company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused?</p> <p>(II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms?</p> <p>(III) Does the Company take any measures to protect whistleblowers so that they are safe from mishandling?</p>	✓		<p>(I) The Company has incorporated integrity management into its staff performance appraisal and human resources policies, and has established a clear and effective reward and punishment and complaint system. The reporting and accepting units are the Management Department and the Audit Room.</p> <p>(II) The Company has established standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms in the "Operating Procedures and Conduct Guidelines for Honest Business."</p> <p>(III) The Company personnel handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential. the Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.</p>	No deviation
<p>IV. Enhanced disclosure of corporate social responsibility information</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?</p>	✓		<p>The Company has provided relevant information on the ethical corporate management policies on the Company's website and annual report for investors' reference.</p>	No deviation
<p>V. Where the Company has stipulated its own ethical corporate management best practices according to the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies," please describe any differences between the prescribed best practices and the actual activities taken by the Company:</p> <p>The Company has formulated the "Operating Procedures and Conduct Guidelines for Honest Business" in accordance with the ethical corporate management principles There is no significant deviation in its operation and implementation, and the implementation state is normal.</p>				



Evaluation items	Operating status		Description	Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
<p>VI. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies) (if the Company reviews and amends its code of good faith, etc.):</p> <p>In order to establish a good corporate culture, sound development and good business operation mode, the Board of Directors has decided to adopt the "Operating Procedures and Conduct Guidelines for Honest Business," specifying that the directors, managers, employees or anyone with substantial control ability of the Company shall not directly or indirectly offer, promise, demand or accept any improper benefits or do other dishonest behaviors that violate good faith, illegal or fiduciary obligations in the process of engaging in business activities in order to obtain or maintain benefits.</p>				

(VII) If the Company has formulated any corporate governance best practice principles or related bylaws, the inquiry method shall be disclosed:

The Company has formulated relevant regulations such as "Rules of Procedure for Shareholders' Meetings," "Procedures for Selecting Directors," "Rules on the Scope of Duties of Independent Directors," "Code of Ethical Conduct for Directors and Managers," and "Operating Procedures and Conduct Guidelines for Honest Business," as well as other relevant regulations. The Company operates in accordance with the spirit of corporate governance and implements relevant norms of corporate governance. The Company has also promoted the operation of corporate governance by revising relevant management measures, enhancing information transparency and strengthening the functions of the Board of Directors. Relevant regulations have been posted on the Company's website for shareholders' reference.

(VIII) Other important information regarding corporate governance

1. The Company has a "Code of Ethical Conduct for Directors and Managers" to guide the conduct of directors and managers of the Company to conform to ethical standards and to enable the Company's stakeholders to better understand the Company's ethical standards. In addition, the Company also has the "Rules of Procedure of the Board of Directors" which stipulate the recusals of directors to protect the interests of the Company and the investing public.
2. In order to encourage shareholders to participate in the shareholders' meeting, the Company not only accepts shareholders' proposals in the shareholders' meeting every year according to laws and regulations, but also announces that shareholders can exercise voting rights in writing. Please refer to the MOPS for the methods of exercise and implementation.

(IX) Implementation of the internal control system

1. Statement of Internal Control System

**Lemtech Holdings Co., Limited**

Statement of Internal Control System

Date: Mar. 31, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company acknowledges that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and managers, and the Company has established an internal control system. The internal control system is designed to provide reasonable assurance for the effectiveness and efficiency of the operations (including profitability, performance and protection of assets), reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.
- II. The internal control system has innate limitations. No matter how robust and effective the internal control system, it can only provide reasonable assurance of the achievement of the foregoing three goals; in addition, the effectiveness of the internal control system may vary due to changes in the environment and conditions. However, the internal control system of the Company has self-monitoring mechanisms in place, and the Company will take corrective action against any defects identified.
- III. The Company uses the assessment items specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the design and implementation of the internal control system are effective. Based on the process of control, the assessment items specified in the "Regulations" divide the internal control system into five constituent elements: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; and 5. monitoring activities. Each constituent element includes a certain number of items. For more information on such items, refer to the "Regulations."
- IV. The Company has already adopted the aforementioned Regulations to evaluate the effectiveness of its internal control system design and operating effectiveness.
- V. Based on the findings of such evaluation, the Company believes that, as of Dec. 31, 2020, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This statement will constitute the main content of the Company's annual report and the prospectus and will be disclosed to the public. Any falsehood or concealment with regard to the above contents will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

This statement has been approved by the Board of Directors of the Company on Mar. 31, 2021. Among the seven directors present, none of them has any objection. The rest agree with the contents of this statement and make this statement.

Lemtech Holdings Co., Limited

Chairman: Hsu, Chi-Feng

General Manager: Hsu, Chi-Feng

2. Entrust the accountant project to review the internal control system: None.

(X) Penalties imposed upon the Company and its employees in accordance with the law, penalties imposed by the Company upon its employees for the violation of the internal control system policy, principal deficiencies, and improvement status during the most recent fiscal year up to the date of publication of the Annual Report: None.

(XI) Major resolutions of shareholders' meeting and Board meetings during the most recent fiscal year up to the date of publication of the Annual Report:

1. Major resolutions of the 2020 shareholders' meetings and implementation status

Date	Important resolutions	Implementation status
2020.06.15 Annual shareholders' meeting	Approval of 2019 Business Report and Consolidated Financial Statements	Adopted through resolution.
	Approval of the earnings distribution for 2019	Adopted through resolution.
	Adoption of amendment to Articles of Association of the Company	The resolution was passed and Cayman's registration was completed on Jun. 22, 2020.
	Adoption of amendment to the "Rules of Procedure for Shareholders' Meetings"	The resolution is passed and implemented according to the resolution of the shareholders' meeting.
	Adoption of the release of directors from non-compete restrictions	The resolution is passed and implemented according to the resolution of the shareholders' meeting.

2. Important resolutions of the Board of Directors for 2020 and up to the date of publication of the Annual Report

Date	Important resolutions
2020.03.25	<ol style="list-style-type: none"> <li>1. Adoption of the remuneration distribution plan for employees and directors in 2019</li> <li>2. Adoption of 2019 Business Report and Consolidated Financial Statements</li> <li>3. Adoption of the earnings distribution for 2019</li> <li>4. Adoption of the 2019 "Statement of Internal Control System"</li> <li>5. Adoption of the amendment to Internal Control Measures</li> <li>6. Adoption of the Company's application for bank financing</li> <li>7. Adoption of the agenda for the 2020 ordinary meeting of shareholders and the proposal rights of shareholders</li> <li>8. Adoption of the purchase and retirement of the Company's shares for the second time in accordance with the law for the Company's credibility and shareholders' rights and interests</li> <li>9. Adoption of the Company's proposal to issue the third domestic unsecured convertible corporate bond</li> <li>10. Adoption of the Company's change to the source of the debt repayment funds in the second domestic unsecured convertible corporate bond</li> </ol>
2020.05.13	<ol style="list-style-type: none"> <li>1. Adoption of the earnings distribution for Q1, 2020</li> <li>2. Adoption of the base date for the second reduction of capital for stock repurchase</li> <li>3. Adoption of the Company and its Taiwan branch's application for bank financing</li> <li>4. Adoption of the Company's provision of guarantee</li> </ol>
2020.08.14	<ol style="list-style-type: none"> <li>1. Adoption of the earnings distribution for Q2, 2020</li> <li>2. Adoption of the Company and its Taiwan branch's application for bank financing</li> <li>3. Adoption of the Company's provision of guarantee</li> <li>4. Adoption of formulation of and amendment to the Internal Control System</li> <li>5. Adoption of the Company's proposal to set up a plant in Changshu, China</li> <li>6. Adoption of the release of managers from non-compete restrictions</li> <li>7. Adoption of the release of directors from non-compete restrictions</li> </ol>
2020.09.09	Adoption of the Company's disposal of land

Date	Important resolutions
2020.11.12	<ol style="list-style-type: none"> <li>1. Adoption of the earnings distribution for Q3, 2020</li> <li>2. Adoption of formulation of and amendment to the Internal Control System</li> <li>3. Adoption of the Company's provision of guarantee</li> </ol>
2020.11.20	<ol style="list-style-type: none"> <li>1. Adoption of the Company's proposal to sell Lemtech Philippine Thermal System Inc.</li> <li>2. Adoption of the Company's provision of guarantee</li> </ol>
2020.12.30	<ol style="list-style-type: none"> <li>1. Adoption of the 2021 budget</li> <li>2. Adoption of 2021 Internal Control Audit Plan</li> <li>3. Adoption of the Company's provision of guarantee</li> </ol>
2021.03.31	<ol style="list-style-type: none"> <li>1. Adoption of the remuneration distribution plan for employees and directors in 2020</li> <li>2. Adoption of 2020 Business Report and Consolidated Financial Statements</li> <li>3. Adoption of the 2020 Earnings Distribution Plan</li> <li>4. Adoption of the distribution of cash dividends to shareholders for the fourth quarter of 2020</li> <li>5. Adoption of the issuance of new shares by capital increase from surplus in 2020</li> <li>6. Adoption of the appointment of Ricky Eu as General Manager of the Company</li> <li>7. Adoption of the 2020 "Statement of Internal Control System"</li> <li>8. Adoption of the amendment to Internal Control Measures</li> <li>9. Adoption of the election of directors</li> <li>10. Adoption of the list of candidates for directors (including independent directors)</li> <li>11. Adoption of the release of newly elected directors from non-compete restrictions</li> <li>12. Adoption of the agenda for the 2021 ordinary shareholders' meeting and related matters concerning shareholders' proposal rights and nomination of directors (including independent directors)</li> <li>13. Adoption of the Company's application for bank financing</li> <li>14. Adoption of the Company's provision of guarantee</li> <li>15. Adoption of the remuneration for the Company's independent directors</li> </ol>
2021.04.27	<ol style="list-style-type: none"> <li>1. Adoption of the amendment to the "Articles of Association"</li> <li>2. Adoption of the addition to the 2021 shareholders' meeting agenda</li> <li>3. Adoption of the release of managers from non-compete restrictions</li> </ol>

(XII) Any dissenting opinions on record or stated in a written statement made by directors or supervisors regarding key resolutions of the Board meetings in the most recent year up to the publication date of this annual report: None.

(XIII) During the most recent year and up to the publication date of the annual report, the resignation and dismissal of the Company's personnel including Chairman, General Manager, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor: None.

V. Information on CPA Fees

Range of CPA Fees in 2020

CPA firm	Name of CPAs		Audit period	Remarks
Deloitte & Touche	Lee, Li-Huang	Chih, Jui-Chuan	Jan. 1, 2020 to Mar. 31, 2020	
	Lee, Li-Huang	Chih, Jui-Chuan	Apr. 1, 2020 to Jun. 30, 2020	
	Lee, Li-Huang	Chih, Jui-Chuan	Jul. 1, 2020 to Sep. 30, 2020	
	Lee, Li-Huang	Chih, Jui-Chuan	Oct. 1, 2020 to Dec. 31, 2020	

Note: If the Company has replaced the CPAs or accounting firm in the current year, the audit period shall be listed separately, and the reason for replacement shall be stated in the Remarks column.

Unit: NT\$1,000

Range of fees		Category of fees	Audit fees	Non-audit fees	Total
1	Less than NT\$2,000 thousand			✓	
2	NT\$2,000 thousand (inclusive) - NT\$4,000 thousand		✓		✓
3	NT\$4,000 thousand (inclusive) - NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive) - NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive) - NT\$10,000 thousand				
6	More than NT\$10,000 thousand (inclusive)				

Unit: NT\$1,000

CPA Firm	Name of CPAs	Audit fees	Non-audit fees					Audit period	Remarks
			System design	Business registration	Human resources	Others (Note 2)	Subtotal		
Deloitte & Touche	Lee, Li-Huang Chih, Jui-Chuan	3,410	0	0	0	370	370	Jan. 1, 2020 - Dec. 31, 2020	Computer audit & issuance of corporate bonds

Note 1: Where the Company replaces the CPA or accounting firm, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the "Remarks" column accordingly. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Non-audit fees shall be listed separately based on service items. If "Others" in non-audit fees reaches 25% of total non-audit fees, the contents of the non-audit services shall be specified in the "Remarks" column.

(I) When non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: The Company did not meet the

disclosure standard.

(II) Where the Company changed the accounting firm and the audit fees paid for the year of change was less than that of the prior year, the amount of audit fees before and after the change and reasons shall be disclosed: None.

(III) Where the audit fees paid for the current year were 10% less than those of the previous year or more, the sum, proportion, and cause of the reduction shall be disclosed: None.

VI. Information Regarding Replacement of CPAs: None.

VII. The Company's Chairman, General Manager, or Any Manager in Charge of Finance or Accounting Operations who Has, in the Most Recent Year, Held a Position at the Accounting Firm of Its CPA or at a Related Company: None.

VIII. Equity Transfer or Changes to Equity Pledge of Directors or Managers Holding More than Ten Percent (10%) of Company Shares during the Year Prior to the Publication Date of This Report

(I) Change in shareholding by directors, managers, and major shareholders

Title	Name	2020		As of Apr. 30, 2021	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and General Manager	Hsu, Chi-Feng	50,000	400,000 (550,000)	0	0
Vice Chairman and Business Director	Chan Kim Seng Maurice	0	0	(33,000)	0
Director and CTO	Ye, Hang	0	0	(10,000)	0
Director	Tan, Yong	0	0	(80,000)	0
Independent Director	Yang, Rui-Long	0	0	0	0
Independent Director	Yu, Chi-Min	0	0	0	0
Independent Director	Lee, Wei-Ming	0	0	0	0
Marketing Director	Murali Nair	0	0	0	0
Financial and Accounting Manager	Lu, Chin-Yu	17,000	0	1,000	0

(II) Information on the counterpart of equity transfer being a related party of the Company's directors, supervisors, managers and major shareholders: None.

(III) Information on the counterpart of equity pledge being a related party of the Company's directors, supervisors, managers and major shareholders: None.

IX. Relationship Information, if among the Company's Ten Largest Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another

Apr. 30, 2021 Unit: Share, %

Name	Current shareholding		Spouse & minor shareholding		Total shareholding by nominees		Among ten largest shareholders, name and relationship with any one who is a related party or a relative within the second degree of kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Hsu, Chi-Feng	7,288,906	13.40	0	0	0	0	None	None	
Chan Kim Seng Maurice	5,100,708	9.38	0	0	0	0	None	None	
Ye, Hang	4,989,921	9.18	0	0	0	0	None	None	
HSBC in the custody of Morgan Stanley & Co. International Plc	2,436,652	4.48	0	0	0	0	None	None	
Tan, Yong	2,012,599	3.70	0	0	0	0	None	None	
Liao, Mu	1,357,658	2.50	0	0	0	0	None	None	
Liao, Wen-Yen	875,000	1.61	0	0	0	0	None	None	
Business Department of Standard Chartered Bank in the custody of the investment account of LGT Bank	731,890	1.35	0	0	0	0	None	None	
Liao, Wen-Yi	685,000	1.26	0	0	0	0	None	None	
JPMorgan Chase in the custody of the investment account of JP Morgan Securities Inc.	622,534	1.14	0	0	0	0	None	None	

X. Number of Shares Held and Combined Shareholding Ratio in the Same Reinvested Business by the Company, the Company's Directors, Managers, and Companies Directly or Indirectly Controlled by the Company

Dec. 31, 2020 Unit: Share; %

Reinvested company	Investment by the Company		Investment by directors/supervisors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage
Lemtech Global Solution Co. Ltd.	2,500,000	100	0	0	2,500,000	100
LemTech Precision Material (China) Co., Ltd.	126,000	0.19	65,874,000	99.81	66,000,000	100
LDC Precision Engineering Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Lemtech Technology Limited	0	0	(Note 1)	100	(Note 1)	100
Lemtech Precision Material (Czech) s.r.o.	0	0	(Note 1)	100	(Note 1)	100
Lemtech USA Inc.	0	0	(Note 1)	100	(Note 1)	100
Aapico Lemtech (Thailand) Co., Ltd.	0	0	160,000 (Note 2)	40	160,000 (Note 2)	40
Lemtech Industrial Services Ltd	1,425,000	57	0	0	1,425,000	57
Kunshan Lemtech Slide Technology Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Lemtech Cooling System Ltd.	7,000,000	100	0	0	7,000,000	100
Lemtech Energy Solutions Corporation (Former name: Cryomax Lemtech Co., Ltd.)	0	0	3,000,000	100	3,000,000	100
Lemtech Philippine Thermal System Inc.	0	0	11,000,000	100	11,000,000	100
Kunshan Lemtech Slide Technology Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100
Zhenjiang Emtron Surface Treatment Limited	0	83.33	(Note 1)	0	(Note 1)	83.33
Lemtech Electronics Technology (Changshu) Co., Ltd.	0	0	(Note 1)	100	(Note 1)	100

Note 1: As the Company is a limited liability company, there is no stock and nominal amount.

Note 2: Long-term investments made by the Company using the equity method.



## Chapter 4 Capital Overview

### I. Capital and Shares

#### (I) Sources of capital

##### 1. Share capital formation:

Unit: Thousand shares; NT\$1,000

Year/month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
2009.09	10	30,000	300,000	10	100	Capital stock at founding	None	-
2009.11	10	30,000	300,000	25,000	250,000	Conversion of capital 24,990 thousand shares	None	NT\$249,900 thousand are shares swapped with shareholders of Mauritius Super Solution Co., Ltd.
2011.04	36	30,000	300,000	27,800	278,000	Cash capital increase	None	FSC No. 1000009515, Mar. 17, 2011
2012.11	43	45,000	450,000	32,800	328,000	Cash capital increase	None	FSC No. 1010039209, Sep. 12, 2012
2013.07	10	100,000	1,000,000	32,800	328,000	None	None	Adjusted authorized capital
2015.07	56.7	100,000	1,000,000	39,828	398,281	Conversion of corporate bonds 7,028 thousand shares	None	FSC No. 1020054882, Jan. 17, 2014
2015.11	10	100,000	1,000,000	39,541	395,411	Buyback of treasury stock	None	TWSE-II- No. 1040023685, Nov. 20, 2015
2019.03	220	100,000	1,000,000	39,563	395,638	Conversion of corporate bonds 23 thousand shares	None	FSC No. 1070324423, Jul. 13, 2018
2019.09	10	100,000	1,000,000	47,472	474,720	Recapitalization of retained earnings	None	-
2020.05	10	100,000	1,000,000	46,967	469,670	Buyback of treasury stock	None	FSC No. 1090341924, May 7, 2020
2021.04	94.8	100,000	1,000,000	54,377	543,770	Conversion of corporate bonds 7,410 thousand shares	None	FSC No. 1090342822, May 13, 2020

2. Type of shares:

Apr. 30, 2021 Unit: Share

Type of shares	Authorized capital			Remarks
	Issued shares	Unissued shares	Total	
Common shares	54,376,980	45,623,020	100,000,000	Shares of listed company

Note: The above shares are all listed company shares, counted to book closure date on Apr. 30, 2021.

(II) Shareholder structure

Apr. 30, 2021

Shareholder structure	Government agencies	Financial institutions	Other institutional shareholders	Foreign institutions and foreign natural persons	Domestic natural persons	Mainland investment institutions and natural persons	Treasury stock	Total
Volume								
Number of shareholders	0	0	36	39	2,704	4	0	2,783
Shareholding (shares)	0	0	1,177,120	10,675,884	34,572,557	7,951,419	0	54,376,980
Shareholding percentage	0.00%	0.00%	2.16%	19.63%	63.58%	14.62%	0.00%	100.00%

Note: An initial TWSE/TPEX-listed company or an emerging stock company shall disclose the shareholding percentage of the company's shares held by companies in Mainland China; companies in Mainland China refers to companies invested by people, juridical persons, organizations, and other institutions in Mainland China or investments made in third regions by Mainlanders as stipulated in Article 3 of the Rules Governing Permits for People from Mainland China Investing in Taiwan.

(III) Shareholding distribution (face value of NT\$10 per share)

1. Common share distribution:

Apr. 30, 2021 Unit: Share; %

Shareholding range	Number of shareholders	Shareholding (shares)	Shareholding percentage
1 to 999	513	103,613	0.19
1,000 to 5,000	1,610	3,163,755	5.82
5,001 to 10,000	240	1,863,823	3.43
10,001 to 15,000	86	1,092,620	2.01
15,001 to 20,000	69	1,263,480	2.32
20,001 to 30,000	67	1,709,710	3.14
30,001 to 40,000	37	1,305,768	2.40
40,001 to 50,000	27	1,213,858	2.23
50,001 to 100,000	73	5,129,594	9.43
100,001 to 200,000	31	4,267,610	7.85
200,001 to 400,000	13	3,661,991	6.73
400,001 to 600,000	7	3,500,290	6.44
600,001 to 800,000	3	2,039,424	3.75
800,001 to 1,000,000	1	875,000	1.61
1,000,001 or more	6	23,186,444	42.65
Total	2,783	54,376,980	100.00

2. Preferred share distribution: Not applicable.

## (IV) List of major shareholders

Apr. 30, 2021 Unit: Share; %

Shareholder's name	Shareholding (shares)	Percentage (%)
Hsu, Chi-Feng	7,288,906	13.40
Chan Kim Seng Maurice	5,100,708	9.38
Ye, Hang	4,989,921	9.18
HSBC in the custody of Morgan Stanley & Co. International Plc	2,436,652	4.48
Tan, Yong	2,012,599	3.70
Liao, Mu	1,357,658	2.50
Liao, Wen-Yen	875,000	1.61
Business Department of Standard Chartered Bank in the custody of the investment account of LGT Bank	731,890	1.35
Liao, Wen-Yi	685,000	1.26
JPMorgan Chase in the custody of the investment account of JP Morgan Securities Inc.	622,534	1.14

## (V) Market price per share for the past two years, with net worth per share, earnings per share, dividends per share, and related information

Unit: NT\$; Thousand shares

Item	Year		2019	2020	As of March 31, 2021
	Market price per share	Highest	Lowest	173.00	159.00
		Average	105.00	55.00	110.50
			131.81	102.82	161.70
Net worth per share	Before distribution		41.15	50.96	56.17
	After distribution		41.15	(Note 9)	(Note 9)
Earnings per share	Weighted average shares		47,467	47,634	52,559
	Earnings per share	Before retrospective application	5.47	9.57	3.01
		After retrospective application	5.47	(Note 9)	-
Dividends per share	Cash dividends		2.5	3.92915417 (Note 9)	-
	Share dividends	Dividends from retained earnings	-	1.5	-
		Dividends from capital surplus	-	-	-
	Cumulative unpaid dividends		-	-	-
Return on investment	Price/earnings ratio (Note 5)		24.10	10.74	-
	Price/dividend ratio (Note 6)		52.72	26.17	-
	Cash dividend yield (Note 7)		1.90%	3.82%	-

\*If retained earnings or capital reserves were used for capital increase, market prices and cash dividends that were retroactively adjusted based on the number of shares after distribution should be disclosed.

Note 1: The annual highest and lowest market value of common share shall be listed. The annual average market value is calculated based on each year's transaction value and volume.

Note 2: The number of shares issued at the end of the year shall be used as the reference. Please fill in the table according to the distribution amount as resolved by the shareholders' meeting held in the following year.

Note 3: Where retroactive adjustment is necessary due to issuance of share dividends, earnings per share before and after the adjustment shall be listed.

Note 4: If the terms of equity securities issuance allow unpaid dividends of the year to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: Price/earnings ratio = Average closing price for each share in the year / Earnings per share.

Note 6: Price/dividend ratio = Average closing price per share in the year / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividends per share / Current year average closing price per share.

Note 8: The per-share net value and earnings per share should be the values of the quarter nearest to the printing date of the annual report to be audited by accountant; the remaining column should be filled in with the annual data up to the printing date of the annual report.

Note 9: The 2020 annual earnings distribution proposal was approved by the Board meeting on March 31, 2021, but has not yet been approved by the regular shareholders' meeting.

## (VI) Dividend policy and implementation

### 1. Dividend policy:

- (1) If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion. The allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.
  - (a) The employee remuneration shall be no less than 0.5% and may be paid either in cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.
  - (b) The director remuneration is up to 2%.
- (2) The Company shall allocate earnings or cover losses at the end of each quarter in accordance with the listing regulations. The Company's proposal of allocating earnings or covering losses for the first three quarters shall be reviewed, together with the business report and financial statement, by the independent directors of the Audit Committee, and then reported to the Board meeting for approval.

When allocating earnings in accordance with the provisions of the preceding paragraph, the Company shall first estimate and reserve tax payable and cover losses according to law.

When the Company allocates earnings in accordance with the provisions of the first paragraph, all or part of dividends may be allocated by issuing new shares upon special resolution of the shareholders' meeting according to the listing regulations. Issuing cash shall be subject to the resolution of the Board meeting.

Earnings allocation or losses compensation by the Company in accordance with the provisions of the preceding three paragraphs shall be made based on the financial statements audited or reviewed by a certified public accountant.
- (3) If there is any surplus upon the final accounting, the Company shall first pay the tax, cover the previous losses, and withdraw special reserve, if any. If there is still a

remaining surplus, except those reserved by the Board meeting as the undistributed surplus, the remaining amount may be distributed as shareholder dividends and bonuses according to the shareholders' shareholding ratio. The Board of Directors shall then draw up an allocation plan and submit it to shareholders' meeting for resolution.

The Company's dividend policy considers the Company's stable growth, sustainable operation, capital needs, sound financial structure and maintenance of shareholders' rights. The total shareholders' bonus shall not be less than 10% of the distributable surplus. The shareholders' dividend bonus shall be allocated in cash or stock, where the cash dividends shall be no less than 50% of the total shareholders' bonus. If the Company is free of losses, it can, considering its financial, business and operating factors, allocate all or part of the statutory surplus reserve and capital reserve according to laws or competent authority's regulations.

- (4) When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall, in accordance with the listing regulations, allocate all or part of the dividends or bonuses by issuing new shares upon the special resolution of the shareholders' meeting. Amount less than one share shall be allocated in cash.

When allocating dividends or bonuses in accordance with the preceding paragraph, the Company shall allocate all or part of the distributable dividends or bonuses by issuing cash upon resolution consented by a majority of present directors, who shall be over 2/3 of all directors from the Board of Directors, and report to the shareholders' meeting.

## 2. Implementation:

- (a) The Company's proposal to distribute cash dividends of NT\$0.92915417 per share, NT\$46,967,069 in total, for the third quarter of 2020 was approved by the Board meeting on November 12, 2020, with the ex-dividend date set on December 26, 2020. Such cash dividends have been paid to shareholders in January 2021.
- (b) The Company's 2020 earnings distribution proposal was approved by the Board meeting on March 31, 2021, and will be reported to the shareholders' meeting for approval on June 28, 2021. The Board meeting proposed to allocate cash dividends of NT\$1.5 per share, NT\$162,875,916, and stock dividends of NT\$1.5 per share, 8,143,795 shares transferred from earnings in total, to shareholders for the fourth quarter of 2020.

- (VII) Impact on the Company's business performance and earnings per share (EPS) of share dividends proposed by this shareholder's meeting

The Company did not need to prepare the financial forecast information for 2020, therefore it is not applicable.

- (VIII) Remuneration for employees and directors

1. Percentage or range of remuneration for employees and directors as stipulated in the Company's Articles of Association:

If the Company is profitable this year, the employee remuneration and director remuneration shall be allocated in the following proportion, and the allocation plan of employee remuneration and director remuneration shall be reported to the shareholders' meeting. However, the Company shall reserve a portion for the accumulated losses, if any, in advance.

- (a) The employee remuneration shall be no less than 0.5% and may be paid either in cash or stocks. The targets include the subsidiary companies' employees matching certain conditions, which are determined or revised by the Board meeting.

- (b) The director remuneration is up to 2%.

2. Basis for estimating the amount of remuneration to be allocated to employees and directors, basis for calculating the number of shares to be distributed as employee remuneration and

accounting treatment for discrepancies between the actual and estimated amount of remuneration to be distributed for this period:

The Company's employee remuneration in 2020 is estimated based on the amount of pre-tax net profit for the current year with employee remuneration and director's remuneration not deducted in proportion. If there is any change until the date of resolution made by the shareholders' meeting, the estimated amount will be subject to change in accounting estimates, and adjusted and credited in the year of resolution made by the shareholders' meeting.

3. Remuneration approved by the Board of Directors:

- (1) If the employee's remuneration and director's remuneration distributed in cash or stock differs from the annual estimated amount of the recognized expenses, the difference, cause and treatment shall be disclosed:

Upon resolution of the Board meeting, the Company proposed that both the employee remuneration and director remuneration are allocated at the rate of 1% in 2020. The amount of employee remuneration and director remuneration is NT\$4,686,223, respectively, which will be issued in cash.

- (2) The ratio of employee remuneration distributed in share to the sum of net income after tax specified in the parent company only or individual financial statements and total remuneration paid to employees: Not applicable, as there is no employee remuneration distributed in share.

4. If there is any discrepancy between the actual amount of remuneration distributed to employees and directors (including number and amount of shares distributed, as well as share price) and the recognized amount of remuneration to employees and directors in the previous year, the amount, reasons and treatment of such discrepancies shall be stated:

The Company's annual shareholders' meeting on June 15, 2020 passed the resolution of NT\$2,648,306 of employee remuneration and NT\$2,648,306 of director remuneration, which was proposed by the Board meeting on March 25, 2020 and has no difference with the amount actually allocated approved by the shareholders' meeting.

(IX) Share repurchases

1. Share repurchases (completed):

Apr. 30, 2020

Number of repurchase	No. 2
Purpose of repurchase	To maintain the Company's creditability and shareholders' interest
Repurchase period	March 26, 2020 - April 30, 2020
Price range of shares to be repurchased	NT\$50 to NT\$90
Type and amount of shares repurchased	505,000 common shares
Amount of shares repurchased	NT\$38,523,601
Percentage of repurchased amount to the amount to be repurchased (%)	50.5%
Number of retired and transferred shares	505,000 shares
Cumulative number of shares of the Company	505,000 shares
Percentage of accumulated shares held to the total number of shares issued (%)	1.06%

2. Share repurchases (in progress): None.



## II. Corporate Bonds

### (I) Corporate bonds

Type of corporate bond	Third Unsecured Convertible Corporate Bonds within the R.O.C.	
Date of issuance (placement)	August 4, 2020	
Par value	NT\$100,000	
Place of issuance and transaction	Taipei Exchange	
Issue price	Issued at 100% of the Par Value	
Total	NT\$700,000,000	
Interest rate	0%	
Term	Three years, date due: August 4, 2023	
Guarantor	Not applicable	
Trustee	Bank SinoPac	
Underwriter	Capital Securities Co., Ltd.	
Certifying attorney	Zhiding International Law Firm Chen, Yu-Liang, the attorney	
Certified public accountant	Deloitte & Touche Lee, Li-Huang & Chih, Jui-Chuan	
Method of redemption	Except for those redeemed by the Company, repurchased by the bondholder, converted or repurchased and written off by the business office of securities dealer, the Company has made the repayment in a lump sum by cash according to the face amount of bond when the bond expired.	
Unredeemed principal	NT\$0 Date of TPEx trading termination: April 29, 2021	
Articles for redemption or early liquidation	Please refer to the Regulations Governing the Issuance and Conversion of the Third Unsecured Convertible Corporate Bonds within the R.O.C.	
Restrictions	None	
Name of credit rating agency (CRA), rating date, and results of corporate bond ratings	N/A	
Other rights	Amount of converted common shares (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the publication date of this annual report	As of April 29, 2021, a total of 7,409,911 common shares have been converted, amounting to NT\$74,099,110.
	Regulations governing issuance and conversion (swap or subscription)	Please refer to Market Observation Post System-Investment Zone-Credit Standing Zone.
Possible dilution of equity or impact on shareholders' equity caused by regulations governing the issuance, conversion, swap or subscription to stocks	TPEx trading terminates on April 29, 2021, so there is no possible dilution of equity or impact on shareholders' equity.	
Name of the commissioned custodian of exchangeable underlying	None.	

(II) Information on convertible corporate bonds

Type of corporate bond		Third Unsecured Convertible Corporate Bonds within the R.O.C.	
Year		2020	As of April 30, 2021
Item			
Market price of the convertible corporate bond	Highest	147.15	210.00
	Lowest	110.00	119.00
	Average	128.42	150.93
Conversion price		94.80	94.10
Issuance(placement) date and conversion price on the date of issuance		Date: August 4, 2020 Conversion price: NT\$94.8	
Methods of fulfilling conversion obligations		Issuance of new shares	Issuance of new shares

III. Preferred Shares: None.

IV. Overseas Depository Receipt: None.

V. Status of Employee Stock Option: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies: None.

VIII. Implementation of Capital Utilization Plan

1. As of the previous quarter of the publication of the annual report, plans that are not yet completed in the previous issuances or private offerings of marketable securities, or the plans that have been completed in the most recent three years with no obvious benefits: None.
2. Implementation: As of the previous quarter of the publication of the annual report, the Company's capital utilization plans for the previous public issuance of marketable securities have been completed.

## Chapter 5 Operational Highlights

### I. Business Activities

#### (I) Scope of business

1. Main content: The Company mainly engages in research and development, production and sales of precision metal stamping components, including various electronic product thermal modules, electronic product components, automotive components and building material components made by stamping and forming, as well as stamping die support for automotive and electronic product manufacturers. The Company's products are either standardized or non-standardized parts and components that are tailored to different customers.

#### 2. Percentage of business

The Company's main product items, sales performance and percentage, as well as its percentage of business in 2020 are as follows:

Unit: NT\$1,000

Item	2020	
	Net revenue	Percentage of business
3C electronics segment	2,713,905	49.60%
Vehicle parts segment	1,664,095	30.42%
Building material segment	62,913	1.15%
Toolings and others	1,030,337	18.83%
Total	5,471,250	100.00%

#### 3. The Company's current product items and new products planned

##### (1) The Company's current product items

Category	Application
3C electronics segment	Computers, radiators related stamping parts, servo slides
	Metal stamping parts for household air conditioners, ice machines and motors
	Mobile phone internals, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Building material segment	Support fittings for sloping roof skylights and exterior wall plaque
Dies and other segments	Molding tools, sports equipment

## (2) New products planned

The Company is a comprehensive supplier of multiple fields including stamping parts and components. To protect the Company from the impact of change in a single industry prospect, the Company has gradually changed from the original single product production mode to industry development with research and development of die technology-focused and products developing towards diversified fields. The Company now keeps developing different application products based on the existing four segments, including mobile phone vapor chamber, server thermal module, automobile safety system, drive system, door lock system, armrest box components, engine parts, NB hinge and other related metal stamping products.

## (II) Industry overview

### 1. Industry status and development

The Company is a professional design manufacturer of thermal modules, with production and sales of various thermal module design products as its main business, which are widely used for 3C electronic stamping components, including notebook and desktop PC thermal fins, thermal components, mobile phone shields, computer server brackets, auto stamping parts, like door hinges, power steering wheels, skylights, airbags and seat belts, as well as building material stamping parts, such as support fitting for house skylights and exterior wall plaques. One of the Company's important core technologies is the development and production of dies, which are mainly used for metal stamping process. The Company is mainly committed to the development and manufacture of continuous dies. An example of the metal stamping industry and the thermal industry is given below for a detailed description:

#### (1) Metal stamping industry

Stamping is a forming method in which plates, strips, pipes and profiles are applied with external force by stamping equipment and dies to cause plastic deformation or separation, so as to obtain workpieces (stamped parts) with desired shape and size. As defined by the metal center: Stamping die is a processing tool for forming thin sheet metal through the stamping process. The shape of the sheet metal depends on that of the upper and lower dies (in general, the upper die is movable while the lower is not). Simple shape can be made by a pair of dies, but complex shape needs to be completed by more than a pair of dies.

Through stamping, both extremely small-sized instrument parts and large parts such as automobile frames and pressure vessel heads can be manufactured, and both parts with general dimensional tolerance levels and shapes and parts with precision (micron-level tolerance) and complex shapes can be produced. Therefore, metal stamping is very important in the manufacture of automobiles, machinery, household appliances, motors, instruments, aerospace, weapons, etc. The characteristics of precision stamping products are as follows: consistent product quality, i.e. same model of products shall be highly consistent in quality and replaceable with each other; assembly adaptability, i.e. all parts must be perfect in matching with other parts in assembly, especially the precision components of high-precision electromechanical equipment, which requires a very strict dimensional error;

production efficiency, i.e. compared with other metal forming processes such as casting and forging, the stamping process has clear advantages in production efficiency.

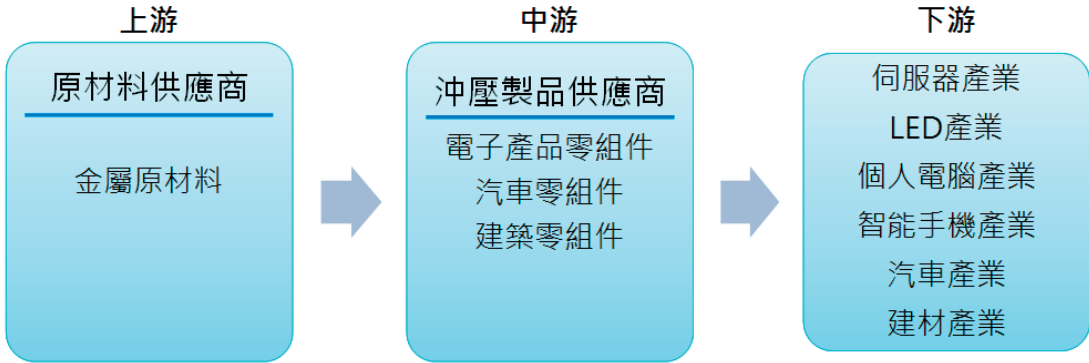
China has become the world manufacturing center, and achieved rapid development in automotive, communications, electronics, household appliances and other industries in the last 10 years, increasing the demands for metal stamping components. Many multinational companies have repositioned complete machine manufacturing to China, accompanied by supporting factories, with the purchase of domestic accessories increasing rapidly year by year, driving the rapid development of related industries in China. In this context, the metal stamping industry, one of the basic manufacturing industries, has also achieved rapid development.

## (2) Thermal industry

As the functions of high-tech products are increasingly stronger, the electrical power required is higher, and more heat is generated therefrom. Therefore, it is increasingly important to dissipate heat to keep the system running stably. In recent years, the thermal issue has become an increasingly important technical topic in the design and manufacturing of various 3C products, such as computers (desktops, notebooks, servers), DVD recorders/players, plasma display panels (PDP), LED modules, etc. Due to the large potential in thermal market, an independent "thermal management industry" has been developed. What's more, due to the continuous enhancement of the central processing unit (CPU) and graphics chipset in computing clock rate lead to more heat generated, the thermal solution has become an important part of the personal computer (PC) industry. The current thermal module is composed of thermal fins, heat pipes, fans and other components, which are properly designed. The main design concept is transferring heat generated by CPU, through metal material with high thermal conductivity, such as close contact of copper or aluminum and CPU surface, via heat pipes to the endmost thermal fins, and cooling it with a fan to form convection, thereby keeping CPU running at a certain working temperature, without causing the crash from overheating.

Thermal management products are collectively known as thermal modules, which are now widely used in desktop (DT), notebook (NB), server and other PC product lines, which are considered as the most mature application fields. Therefore, the growth of thermal industry is closely related to the prosperity of the global information and computer industry. With the advances in technology and improvement of product development technology, the demands of many electronic products or equipment for heat dissipation are gradually emerging, such as communication equipment and emerging light-emitting diode (LED) products that are used in the lighting field.

2. Relevance of industry up-, mid-, and down-streams



The relevance of industry up-, mid-, and down-streams that the Company belongs to is shown above. The Company is a professional metal stamping and die manufacturer, with the main raw materials of aluminum, iron, and copper. Its upstream involves manufacturers, agencies, processors or distributors of metal raw material, and the mid-stream involves stamping product manufacturers and component manufacturers in various industries. The Company is a stamping component manufacturer, delivering the manufactured products to various component manufacturers for assembly and then selling to down-stream OEMs or manufacturers. The products of the Company have been applied in a wide range of industries, covering 3C electronic stamping components, including notebook and desktop thermal fins, thermal components, mobile phone shields and computer server brackets, auto stamping parts, including door hinges, power steering wheels, skylights, airbags and seat belts, as well as building material stamping parts, including support fitting for house skylights and exterior wall plaques.

3. Various product trends

The Company is a professional metal stamping and die manufacturing, with products mainly used in thermal modules such as NB, mobile phones, servers and automobiles. The analysis of the product trends in the future is as follows:

(1) 3C electronics industry

A. Information industry

According to the latest IDC report, the shipments of PCs\* (including desktop PCs/NBs/workstations) totaled 2.44 million units in 2020, representing a 4% increase from 2019 and positive growth for a second year. Due to remote learning and work from home arrangements in the wake of the COVID-19 pandemic, demand for personal computing devices increased in 2020; the annual growth rate of business NBs reached 15.4% and that of home-based NBs reached 4.9%. According to Liu, I-Han, a market analyst from IDC, demand for PCs will remain high before the pandemic is under effective control. With NBs becoming mobile-friendly and portable, together with gradually improved performance, there is a tendency to replace desktop computers with NBs in both business or home-based markets. NB shipments accounted for a record high of 48.8% of the overall PC market in 2020 and are expected to reach 50% by 2021, showing a golden cross with the shipments of desktop computers.

As remote offices become a trend, coupled with the revenue from projects, IDC estimates that business NBs will maintain a positive growth rate of 2% in the first quarter of 2021, but the overall PC market will drop by 4.1% from the same period in 2020. With global components in short supply, the shipments of PCs will continue to contract in the first half of 2021; NBs will have the largest demand-side gap. IDC estimates that Taiwan's PC market will report a year-on-year decline of 2.9% in 2021.

The total size of Taiwan's monitor market was 346,000 in the fourth quarter of 2020, representing a year-on-year growth rate of 9.2%. In addition to demand from remote offices, the shortage of raw materials of panels led to advance pull-in by distributors, therefore resulting in a 10% higher overall shipment than previously estimated. In 2020, the total shipments reached positive growth for a fourth year with an annual growth rate of 5.0%.

According to Liu, I-Han, a market analyst from IDC, the annual growth rate of Taiwan's monitors is estimated at 8.3% in the first quarter of 2021; in addition to filling part of the demand gap in the fourth quarter, most brands will raise prices in 2021 to maintain profitability as panel costs continue to increase. Therefore, advance pull-in by distributors is expected in the first half of 2021. The growth rate of the shipments of monitors in 2021 is expected to drop by 3.3% given the hard earlier year comparison.

In terms of tablet computers, the shipments in the fourth quarter of 2020 decreased by 10.4% year-on-year to 280,000 units, and the annual shipments totaled 970,000 units, a year-on-year decrease of 3.6%. In particular, the business market recorded 260,000 units, or a 106.4% increase, in 2020, while the consumer market continued to drop in the first half of 2020 due to less consumer spending amid the pandemic. According to Huang, Ching-Ting, an assistant analyst from IDC, demand for business tablet computers for remote offices and remote learning increased due to the pandemic. Despite a small proportion, some companies and schools in Taiwan planned ahead for remote offices and remote learning and even for the future needs of smart offices and smart campuses; therefore, demand for business tablet computers was strong in 2020.

#### B. Mobile phone industry

The size of the smartphone market in Taiwan was 1.51 million units in the fourth quarter of 2020, a year-on-year decrease of 6.1%, and the shipments of smartphones in 2020 was 5.46 million units, a year-on-year decrease of 15.3%. Benefiting from Apple's centralized delivery, the decline in the smartphone market slowed down in the fourth quarter of 2020, where the proportion of 5G smartphone shipments increased to 62.2% from 30.3% at the beginning of the third quarter; however, as the COVID-19 pandemic raged in the first half of the year, which caused the unstable supply and a decrease in the shipments of Chinese brands, the overall smartphone market lagged in 2020. Looking forward to 2021, the size of the smartphone market, including 5G smartphones, will increase by 6.7% to 5.83 million units as the pandemic is expected to subside.

### C. Server industry

According to Digitimes Research, despite the outbreak of the COVID-19 pandemic, increased demand for cloud services benefited from remote offices and remote learning and a soft earlier year comparison; the global shipments of servers in 2020 were up to 7% from 2019. It is expected that the pandemic may slow down companies' capital expenditures on servers in 2021. However, remote offices and online shopping will become the new normal of life, which will continue to drive the demand for cloud services. In addition, Intel's and AMD's new-generation CPUs will be produced in large quantities in the first half of 2021, and a wave of machine replacement is expected; thus, global shipments of servers will trend up, with an estimated annual growth rate of nearly 6%.

#### (2) Automotive industry

According to the IEK survey and research, global sales of automobiles were expected to continuously trend down from 2019 and fall by 24.8% in 2020; global sales of electric vehicles were also expected to drop by 9.5% and remain over 3.5 million units compared to the overall auto market.

Auto parts are heading towards modularized, smart, electrified, and lightweighting developments in response to the diverse demands in emerging countries and developed countries. It is advised that Taiwanese auto parts companies should head towards modularization and system function developments, embrace smart manufacturing technology, offer value-added products, and establish international division of labor in order to maintain competitiveness and profitability in the industry.

The COVID-19 pandemic upended the operation of the automotive industry worldwide. Faced with the pandemic, the automotive electronics industry turned this crisis into an opportunity by embracing autonomous vehicles. In early 2020, the White House announced the Automated Vehicle 4.0 (AV 4.0), followed by Tesla's market cap topping other automakers. In the Consumer Electronics Show, large automakers such as Toyota, BMW, and FORD also showcased their investments in autonomous driving, Internet of Vehicles (IoV), and electric vehicles. The U.S. invested US\$42 million in IoV and US\$4 billion in autonomous vehicle technology and demonstration sites. With the rapid development of technologies for automatic connectivity, logistics, and short-range connectivity, the size of the global autonomous vehicle market is expected to reach US\$360 billion by 2025.

### 4. Competitive situation

The Company is a manufacturer specializing in the design and manufacture of metal precision dies and the stamping of hardware precision components and parts. Since its establishment, it has focused on the improvements of die manufacturing, manufacturing procedures and heat-dissipating devices. With the constant change in market demands, the Company has timely adjusted the business and development direction, actively introduced advanced equipment and continued to develop and upgrade processing technology, so it has smoothly turned to single-



equipment continuous processing and combination of equipment and manipulator for continuous processing technology from engineering processing. At the same time, in order to comply with customer demands, it has gradually transformed into the assembly and production of components from single product manufacturing. This has further improved the Company's competitiveness and profitability.

Consequently, the Company has the capability to set foot in automotive components and building materials products from the manufacturing of heat sink. In addition, the Company has also conducted market research and surveys, continuously improving its existing production processes, and developing products with higher value-added.

In summary, the Company, relying on excellent die sinking technology and the high sensitivity to market, gradually adjusts its operating strategy in this competitive industry. In the future, it will focus on products with higher added value, such as active development of new notebook hubs and auto parts, continuous improvement of solderless thermal module technology and vertical integration of thermal module process. Through diversified product lines, the Company also looks forward to reducing the influences of single market competition or declining industry, lessening the impact of competitive imitation of the Company's thermal patent technology and profit compression, and maintaining its market position and competitiveness.

(III) Technology and research & development overview

1. R&D expenses invested in the most recent year and as of Mar. 31, 2021

Unit: NT\$1,000

Item \ Year	2019	2020	As of Mar. 31, 2021
R&D expenses	125,768	130,398	36,078
Net operating revenue	5,042,657	5,471,250	1,689,781
Ratio of R&D expenses to net operating revenue	2.49%	2.38%	2.14%

## 2. Successfully developed technologies or products

Year	R&D results	Description	Scope of application
2018	Ultra-thin sheet riveting nuts or riveting screws	Nuts and screws can be riveted on the sheet as thin as 0.05mm.	Computer, learning machine, TV and audio
2018	Stamping die pitch positioning	Compared to the previous technology, this achievement is easy to use, safe and reliable, which can effectively solve the injuries caused to the employees and damages to the production tools due to improper operation by the employees, and can save lots of physical strength and labor time for the operators.	Automotive parts and other products
2018	Multi-head and multi-station room temperature shrinkage tube	This achievement can solve the problems of high die cost and low processing efficiency in the existing shrinking method. The pipe parts to be processed for shrinkage are horizontally and levelly positioned and clamped by the positioning and clamping mechanism. Two sets of tube shrinking mechanisms are symmetrically arranged on both lateral sides of the positioning and clamping mechanism. The tube shrinking mechanism includes a single-axis robot, a horizontal pushing cylinder, a first tube shrinking die and a second tube shrinking die. The guide rail of the single-axis robot is arranged in the longitudinal direction, and the slider is flexibly installed on the guide rail. The slider is penetrated sequentially from front to back in a longitudinal direction, and can be horizontally installed with the first support base, second support base and third support base which are mutually parallel to each other. The first tube shrinking die and the second tube shrinking die are respectively installed on the first support base and the third support base, both of which are facing to the positioning and clamping mechanism. The horizontal pushing cylinder is arranged on the horizontally outer side of the single-axis robot, and its push rod can form a dismountable horizontal coupling with the first support base, the second support base and the third support base respectively.	Automotive parts and other products
2018	Automatic welding of welding nut	Due to the high requirements on welding product quality and particularity of the welding type, this achievement can be used to eliminate lack of nut welding, redundant welding and ensure welding quality, and improve dimensional accuracy and stability.	Automotive parts and other products
2018	Automatic waste collection for upward blanking die	The achievement involves a die waste collection device, especially an automatic waste collecting device for upward blanking die, which includes a stripper plate connected to the upper die base and a knife edge insert fixed on the stripper plate; it also includes big stripper plate, which is fixed between	Automotive parts and other products

Year	R&D results	Description	Scope of application
		<p>the stripper plate and the upper die base; the reject chute, a continuous manger, is connected with the blank-holding hole of knife edge insert. The reject chute is located at the bottom of the big stripper plate or the top of the stripper plate; the material blowing tube is connected to the high-pressure gas source, and is fixed at one end of the reject chute. The material blowing tube is used for blowing away the waste materials in the waste chute; the feeding pipe is located at the other end of the reject chute, which is used for collecting the waste materials into the waste bins. The automatic waste collecting device for upward blanking die cleans up the wastes through high-pressure gas, realizing immediate cleaning, no waste accumulation, no influence in production, no need for manual cleaning, high production efficiency, simple structure and convenient use.</p>	
2018	Manipulator transmission mechanism for progressive die of auto seat rail	<p>The achievement is a manipulator transmission mechanism for progressive dies of auto seat rails, which can solve the problems of low processing efficiency, unstable product processing size and high production costs when using the traditional instant-die transmission mechanisms for processing car seat rails. It includes stamping machine and progressive die. The counter-die structure of the progressive die is installed on the lower table of the stamping machine. The materials and parts are horizontally and levelly conveyed along the progressive die; the lower table of the stamping machine is located in the two longitudinal sides of the counter-die structure, which is respectively equipped with a mechanical arm. The two mechanical arms are arranged in parallel along the horizontal level, and the two mechanical arms are respectively provided with one-to-one corresponding manipulator grippers on each side of the counter-die structure. Each manipulator gripper is facing to a processing station of the progressive die. The two ends of the mechanical arm are connected to a driving device for driving the robot arms to move in the horizontal and vertical directions.</p>	Automotive parts and other products
2018	Tubular pipe expanding die	<p>This achievement can achieve the following three beneficial effects:</p> <ol style="list-style-type: none"> <li>1. Concentricity is free of adjustment (the precision pipe expanding die can provide a good concentricity)</li> <li>2. No shaping is required, and the requirements can be met by one-time pipe expansion (tolerance is about <math>\pm 0.05\text{mm}</math>)</li> <li>3. Easy to strip.</li> </ol>	Automotive parts and other products

Year	R&D results	Description	Scope of application
2018	Tubular multi-hole automatic stamping die	The achievement involves a tubular, multi-hole and automatic stamping die. The punch is fixed on one end of the sliding seat. The sliding seat is installed on the lower template, and is located on both sides of the steering circular tube. There are multiple punches, which are corresponding to the holes on the steering circular tubes. The positioning block is located between the two sliding seats. The center of the positioning block is provided with a positioning round hole, and there are multiple punch holes on both sides. The punch holes are connected to the positioning round holes and matched with the punches. The punches are flexibly inserted into the punch holes; the die-core round rod is installed on the lower template through the fixing seat of die core. The die-core round rod is located in the positioning round hole of the positioning block, and is coaxial with the positioning round hole. The center of the die-core round rod is provided with a discharge hole. The punching hole is connected to the discharge hole, and the punching hole is matched with the punch; the loading and unloading devices are used to insert and push the steering circular tube in / out the positioning round hole. The die can realize rapid assembly, feeding, punching and returning with high processing dimension accuracy, good stamping stability, high production efficiency, and low production cost.	Automotive parts and other products
2019	High-precision auto engine timing chain guide rod bracket fastening detection device	This project is to develop a high-precision auto engine timing chain guide rod bracket detection device, which is applied to the stamping production of auto engine timing chains. It uses the fastening detection technology to efficiently detect the fastening products and avoid human detection error and waste of resources, thereby improving production efficiency and market competitiveness.	Automotive parts and other products
2019	Bilateral automatic pendulum device	Compared to two sets of unilateral automatic pendulum mechanism, the bilateral automatic pendulum mechanism reduces an operator and a punch press. Averagely, one stroke produces two products in 10s, and one product in 5s, which improves the production efficiency. Save lots of costs and improve market competitiveness.	Automotive parts and other products
2019	Automatic clamping mechanism of auto horn element based on precise plastic coating process	By developing and using the automatic clamping mechanism, most of the manual clamping operations are replaced, thus avoiding manual error in operation. It makes fast and automatic clamping of auto horn components come true. It also creates conditions for future mass production, free of tedious manual operations, saving processing time, eliminating potential safety hazards for operators,	Automotive parts and other products

Year	R&D results	Description	Scope of application
		and improving the working efficiency of the machine.	
2019	One-step die-cutting die for auto engine exhaust system components based on fine stamping and forming process	Compared to the traditional multi-step die-cutting, the new one-step die-cutting die reduces the positioning deviation caused by multiple transmission of the product in the die, thereby improving the accuracy of the product. For the traditional mechanism, the insufficient swaging contact caused by the multiple-operation die-cutting will lead to deformation of the hole die-cutting section. The new structure perfectly solves this problem, and the appearance of the product has also been improved. Meanwhile, the new structure can still well balance the strength of the punch and the blade.	Automotive parts and other products
2019	Laser displacement sensor device for welding robot	The traditional detection is completed by corresponding a sensor to each workpiece on the fixture, and wrapping the sensor in the fixture, leading to a high frequency of replacement under the high temperature caused by welding. The laser displacement sensor is installed on the manipulator to replace the existing proximity sensor, which can achieve the "one-to-many" detection effect. According to the characteristics of the laser displacement sensor, it can detect the product from distance, avoiding damage caused by high temperature and splash, reducing maintenance time, reducing the loss of items, and improving production efficiency.	Automotive parts and other products
2019	Composite material stamping die for mobile phone mid-plate	The die by which two mid-plates can be formed through one-time die casting can efficiently produce mobile phone mid-plates.	Applicable to mobile phone products
2019	High-precision visual inspection device for auto steering adjustment bracket	The high-precision visual inspection device for auto steering adjustment bracket developed by this project can simultaneously detect whether the welded products are lack of parts and processes, and determine whether the weld seam reaches standard, thereby eliminating the uncontrollability of manual detection.	Automotive parts and other products
2019	Thin composite vapor chamber for thermal module	This project is to develop a thin composite vapor chamber for thermal module with high processing efficiency, low cost, no pollution, and thin depth, which is free of more sleeve, easy to use and has good capillary conductivity.	Applicable to 3C electronic products
2019	Heat dissipation structure of condenser	It is a heat dissipation structure of condenser, including a heat exchange module and a casing. The heat exchange module has a large number of internal channels, and each internal channel is divided into a high-pressure area and a low-pressure area. There is a cold air source beside the low-pressure area. At least one water inlet is set	Applicable to server

Year	R&D results	Description	Scope of application
		under the high-pressure area. At least one water outlet is set under the low-pressure area corresponding to the water inlet. Multiple connection channels are set in the inner channel that is far from the water inlet and water outlet. All the connection channels connect the high-pressure areas and the low-pressure areas. The heat exchange module is put inside the casing. The incoming steam passes through the connection channel with the longest path. Therefore, a maximum contact area can be reached for the internal flow circulation of heat exchange module, so as to improve the entire heat dissipation efficiency.	
2019	Improved heat dissipation structure of evaporator structure	It is an improved heat dissipation structure of evaporator, including at least one heat dissipation element. The heat dissipation element has an external wall panel, at the bottom of which there is an internal wall panel stretching upwards. The internal wall panel separates the inner bottom of the external wall panel into two water evaporation areas, and forms a gas concentration area at the inner top of the external wall panel. Multiple heat dissipation elements are arranged in series in the same direction and combined into a thermal module, which is sealed in a casing as the improved heat dissipation structure of evaporator.	Applicable to server
2019	Steady flow supercharging device of condenser	It is a rapid heat dissipation and steady flow supercharging device for condenser, including a heat exchange module and a casing. The heat exchange module is assembled by stacking a large number of heat exchange elements, with lots of inner channels parallel to each other, in series. The heat exchange module has a high-pressure area with an air inlet and a low-pressure area with a water outlet. There is at least one channel on the heat exchange module, and the heat exchange module is installed in a casing. The pressure difference between the low-pressure area and the high-pressure area can drive the water in each of the inner channels to flow to the low-pressure area more quickly, thereby improving the efficiency of use.	Applicable to server
2019	Steady flow supercharging device of evaporator	It is a steady flow supercharging device of evaporator, including a thermal module and a casing. The thermal module is assembled by stacking a large number of heat dissipation elements, each of which has the first panel, the second panel and the third panel, thereby forming a half-opened internal flow channel inside the heat dissipation element. The fourth panel is positioned at each end of the heat dissipation elements corresponding to internal flow channel. There is a	Applicable to server

Year	R&D results	Description	Scope of application
		water inlet and an air outlet on the thermal module, which is installed in the casing and outer cover. The fourth panel can effectively block the two ends of each inner flow channel, so that the gaseous water heated and evaporated in the inner flow channel can be effectively retained in each inner flow channel, and the internal pressure can be quickly lifted, so that the gaseous water can be stably and quickly exhausted to the air outlet.	
2020	Visual inspection device for auto steering wheel parts	This project develops a visual inspection device for auto steering wheel parts. Steering wheel parts are placed behind the track, which then transmits the steering wheel parts to the visual inspection area for a quick inspection. Such an inspection is high in both efficiency and accuracy.	Automotive parts and other products
2020	Fixture for testing buckles	This project develops the fixture for testing buckles to avoid human errors. It can save a lot of costs and improve product competitiveness.	Automotive parts and other products
2020	Bilateral automatic pendulum device	This project provides two sets of automatic pendulum devices connected together through the bottom support plate and sharing a punch for riveting. After the device is turned on, the rivet vibration plate starts to work, and the rivets are screened through the rivet vibration plate to ensure that the rivets are in the required direction. The continuous movement of the rivet vibration plate ensures that there are enough rivets at the beginning of each circle for the sorting of misaligned rivets.	Automotive parts and other products
2020	Automated filtering system for air-bag components	This project develops an automated filtering system for air-bag components to enhance the yield. Save lots of costs and improve market competitiveness.	Automotive parts and other products
2020	One-time die-cut process for multi-slot holes and corresponding mold	This project provides a one-time die-cut process for multi-slot holes, which can save the work steps of the mold and further reduce the material and processing costs of the mold. Thereby, the unit price of the product is reduced. The product is placed on the mold's lower base, and the holes are positioned in the corresponding groove of the lower base; then the top base is driven downward so that the punch structure can directly punch the holes on the product at one time. Waste material is directly discharged through the waste discharge hole of the lower base.	Automotive parts and other products
2020	Felting machine	This project develops a felting machine that enables quick and stable matching of felt and hooks after felt is placed behind the surface area of the inner cavity. This improves productivity and ensures the quality of felt.	Automotive parts and other products
2020	Anti-corner bending and cracking mold	This project develops an anti-corner bending and cracking mold which can achieve the desired height of packaging without affecting the strength	Automotive parts and other products

Year	R&D results	Description	Scope of application
		of the product. This lowers the floating content of the product, speeds up production, and reduces the non-performing risk due to cracking and the inspection thereof, effectively reducing the number of repairs and production costs.	
2020	Automatic testing equipment for automobile engine components	This project develops automatic testing equipment for automobile engine components. After the lettering is completed, a test is conducted directly online for output. This simplifies the process and saves labor costs.	Automotive parts and other products



#### (IV) Short-term and long-term business development plans

##### Short-term:

1. The metal stamping technology is widely used to stabilize the original 3C electronic product market, and expand actively the scope of product lines. In terms of automobile parts, we will continue to seek new customers. At the same, we will actively research and develop other products to reduce operational risks.
2. Actively maintain the cooperation relationship with existing customers, keep track of market information and win orders for new models. Work closely with customers, provide customer information in the early stage of development, and strengthen cooperation with customers.
3. Keep abreast of the trends in automotive manufacturing technology and develop laser welding technology to meet the market demand.
4. Win orders for stamping components from the electric vehicle platform and give priority to the production of electric vehicle parts and components in response to the rapid development of electric vehicles in China.
5. In order to serve customers in northern China nearby, actively explore the northern auto parts market (Great Wall, Beijing Benz, Tianjin FAW Toyota, Changchun Audi, etc.), and evaluate the possibility of establishing a factory in Tianjin.
6. Expand the plastic packaging business of stamping parts, and provide customers with more convenient and complete services.
7. Continue to strengthen the R&D capabilities of Taiwan R&D Center, and increase investment in R&D expenses.
8. Take advantage of the latest new technology, actively strive to explore some specific application areas of thermal module, such server, medical equipment and AR (augmented reality), VR (virtual reality), MR (mixed reality), etc., .
9. Strengthen the R&D investment in server slide, further expand the production capacity of slide rail, and improve the production management capacity in response to the increasing market demand for the server slide.

##### Long-term:

1. Assembly and finish product production based on component manufacturing to provide customers with a one-stop service and expand the business scale.
2. For the Company's current product line, such as thermal module, hinge, slide and other products, launch new generation products through the continuous investment of research and development, in order to gain a larger market share.
3. Continuously improve the service quality of overseas customers to gain more share of overseas market. Continue to strengthen the layout of overseas business markets in Europe, America and Japan to improve the Company's future business performance.
4. Try to introduce strategic partners and integrate upstream and downstream resources to enhance the Company's competitive advantage.
5. Engage in the vertical integration of the thermal industry chain to strive for diversified development of products and strengthen the risk response capacity of the Company.
6. Actively develop new customers of well-known enterprises in mainland China and realize the two-way sales structure in both domestic and foreign markets.

## II. Analysis of the Market as Well as Production and Marketing Situation

### (I) Market analysis

#### 1. Sales region(s) of main products

Unit: NT\$1,000; %

Geographical region \ Year	2019		2020	
	Amount	Ratio	Amount	Ratio
Asia	4,562,467	90.48	4,740,212	86.64
America	289,472	5.74	447,348	8.18
Europe	190,718	3.78	283,690	5.19
Total	5,042,657	100.00	5,471,250	100.00

#### 2. Market share

The Company's main products include thermal components for mobile phones, notebooks and servers, as well as auto parts and building parts. By now, the Company and its subsidiaries have transformed from the production of thermal fin to the production of complete thermal modules. Our sales targets are high-end customers in Japan and the U.S., among which the Company and its subsidiaries have a good market share. In addition, the Company and its subsidiaries keep conducting market research and investigations, continue to improve the existing production processes, and are committed to developing products with higher added value, which further improves the Company's competitiveness and profitability, and maintains the Company's market position and share.

#### 3. Supply and demand, growth and competition niche of future market

##### (1) Supply and demand

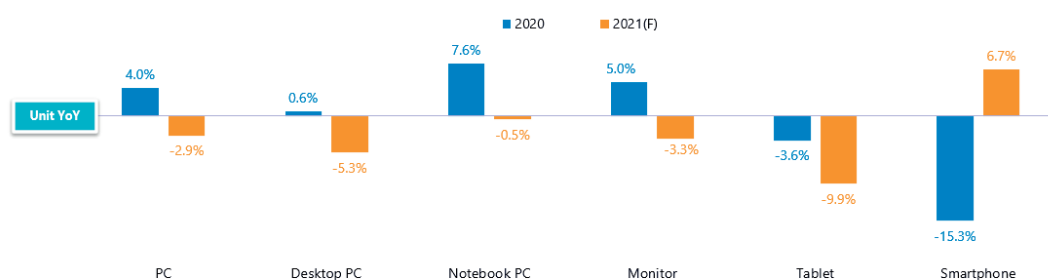
There are numerous manufacturers of metal stamping products both at home and abroad, with a great difference in production scale and product precision. The Company's current main products can be divided into 3C electronic components, automotive stamping components and other stamping products. 3C electronic components principally are thermal components for mobile phones, notebooks and servers. The market supply and demand are closely related to the downstream industries.

##### (2) Growth

###### A. Information

According to Yen, Lan-Hsin, the Research Associate Director from IDC, demand for the replacement or purchase of computers increased in 2020 due to remote offices and remote learning. It brought about growth momentum in a slow personal computing device market in Taiwan. In 2020, the PC market in Taiwan grew from expected negative growth to positive growth. In 2021, the outlook of Taiwan's PC market is seen as conservative compared to that of the world. Taiwan's PC market will fluctuate according to the global supply chain and economy before raw materials satisfy the market demand and the pandemic subsides.

## 臺灣個人運算裝置2020與2021年對年表現與預估



Source: IDC Taiwan Quarterly Personal Computing Device Tracker, 2020Q4

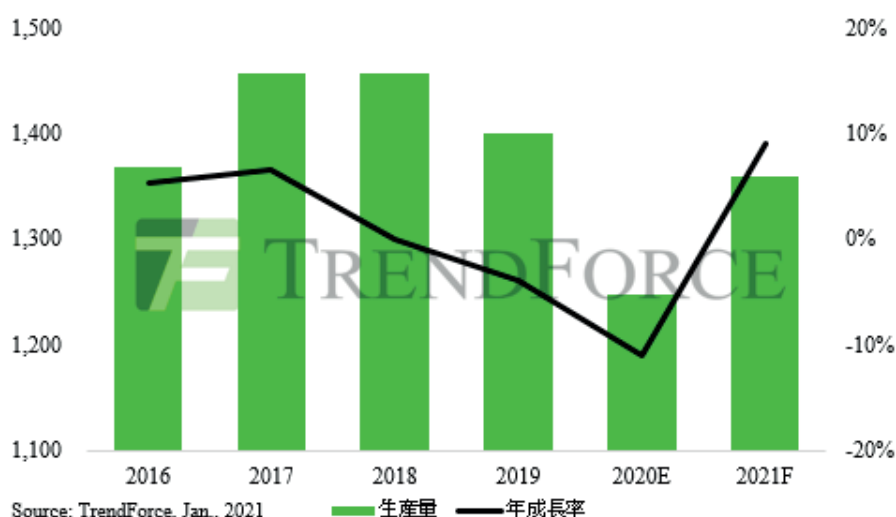
### B. Mobile phone

According to the Department of Semiconductor Research at TrendForce, a market research organization, the global smartphone market was hit by the COVID-19 pandemic in 2020, with a total annual production of only 1.25 billion units, representing a year-on-year decrease of 11%, the largest decline over the years. Looking forward to 2021, the global smartphone industry is expected to recover with the increasingly stable lifestyle. With cyclical demand for replacements and demand in emerging markets, the annual production volume is estimated at 1.36 billion units with a growth rate of 9%.

Driven by the Chinese government's active promotion of 5G commercialization, the total production volume of 5G smartphones reached approximately 240 million in 2020, with a penetration rate of 19%. The market share of Chinese brands was approximately 60%. In 2021, 5G will continue to be the focus of the smartphone market. With the gradual recovery of 5G infrastructure in countries around the world and the introduction of mid-to-low-end 5G chips by major mobile processor manufacturers, the global production volume of 5G smartphones is estimated at 500 million, with a penetration rate increasing sharply to 37%.

Suppose that the pandemic should be alleviated. In 2021, the shipments of products, including servers, smartphones, and NBs, will increase from 2020. Taking smartphones for example, demand for power management ICs and CMOS image sensors (CIS) for single-machine usage was multiplied. Semiconductor Manufacturing International Corporation (SMIC) has recently been formally added to the Entity List by the U.S., aggravating the foundry capacity shortage.

圖、2016~2021年全球智慧型手機生產量與年成長率 (單位：百萬台)



Source: TrendForce, Jan., 2021

### C. Server

According to TrendForce, the replacement of servers for enterprise clients and the scale of cloud data centers benefited from the introduction of Intel's 10nm Ice Lake and AMD's 7nm Milan. As the COVID-19 pandemic has changed people's lifestyles, demand for cloud data centers will remain strong; demand for regional data centers has gradually emerged due to the geopolitical uncertainty arising from international tensions. Global server shipments in 2021 are estimated at a year-on-year increase of 6% to 7%; among the global data center markets, North America will account for most share, with an annual growth rate of as high as 16% to 18%.



### D. Automobile

According to TrendForce, the vehicle market has been sluggish since 2018; coupled with the severe impact of the pandemic in 2020, there was a great shortage of capacity in major module plants. The growth of the global automobile market will trend up in 2021, with the sales volume of automobiles estimated to increase from 77 million units in 2020 to 84 million units. With the developments of automation, intelligence, and electrification, the consumption of various semiconductor components will rise sharply. As the stock volume of automakers remains low due to weak demand in previous years, the shortage of materials has seriously affected the utilization of automakers and the shipments of vehicles.

#### (3) Competitive niches

##### A. Excellent die development and design capabilities

Metal stamping is a process formed by applying external force to the metal relying on the stamping equipment and die. The die design and manufacture is the key to this process. Since the establishment, the Company has been committed to design, R&D and manufacturing of precision die, and has established a special die development department. Through cooperation and exchanges with large die development companies in Europe and the United States, it has continuously improved its die development level. So far, the self-used dies are 100% developed all by itself.

The advanced nature of the Company's die R&D and design is demonstrated in two aspects: The Company conducts analogue analysis for dies to simulate the potential problems in the actual assembly and debugging phase in advance by using PressCAD and Keycreator software in the die design stage. Meantime, in order to promote the standardization of die development and manufacturing, the Company develops the ERP software with a software development company specifically for die development and manufacturing, significantly improving its die development efficiency. For example, the die-sinking time of the thermal module products in the industry is about

three weeks. The Company can shorten it to 12 days with the standardization die production process. In addition, the Company has advanced die production equipment, such as Japan's OKUMA CNC machining center and Swiss CHARMILLES wire cutting machine and other high-precision die manufacturing equipment, to ensure that the quality and precision of the dies produced are industry-leading.

The large three-plate multi-station concatenation die developed by the Company can complete all forming processes such as ribbing, hole drawing, bending, deburring, bumping and deep drawing only using a set of dies according to the structural characteristics and forming characteristics of the parts. Meanwhile, it has high-precision guidance and accurate distance setting system, and is provided with automatic feeding, automatic ejection and security detection devices for realizing automatic continuous stamping production. Compared with the traditional single-operation stamping production process, the large three-plate multi-station concatenation die improves the work efficiency by more than seven times, and reduces more than 70% of the staffs, and the die can be used for 10 million times and has reached the die technology level of developed countries.

#### B. Excellent quality control ability

The quality of metal stamping parts directly determines the quality of the complete machine products. Since its establishment, the Company has passed the ISO14001:2015 and ISO / TS16949:2009 quality control system certifications of AFAQ/BsetCERT, Ltd. It conducts quality control and management in strict accordance with quality control system and special customer requirements. Moreover, the Company has purchased three-coordinate measuring machines produced by Hexagon and contourgraphs and other high-precision product quality measurement and test devices from Japan and Switzerland and other countries to strictly measure and control the quality of raw materials, production and shipment throughout the process to ensure that the Company's product quality meets the certification requirements. The Company is equipped with Minitab process analysis software to ensure the effective operation of the quality system and effective control of product quality.

Over the years, the Company has gained recognitions of the customers with its product quality. From 2010 to 2014, it has won the Excellent Supplier Award of AUTOLIV, the world's largest automotive safety system manufacturer for many times, and has won the 2017 Best Cooperation Award and 2016 Quality Excellence Award of BorgWarner, the 2017 General Manager Award of Wuhan Tianhe and many other awards.

#### C. Rich product structure

The Company has built diversified product lines and customer bases with its excellent die development and design capabilities and precise stamping technology. At present, its products can be used in communications, consumer electronics, home appliance, automotive, construction and medical industries, etc. The Company also has fixed customers in different industries, which is not limited to a single product or a single industry, effectively reducing its operating risks. In addition, the levels of the Company's stamping equipment range from 60t to 800t, meeting the different needs of customers.

#### D. Continuous R&D abilities

The Company is mainly engaged in the R&D, production and sales of precision metal stamping components. Since its establishment, it has focused on the metal stamping and has improved its own technical reserves through continuous R & D and innovation. The Company was recognized as Kunshan science and technology R&D institution by Kunshan Science and Technology Bureau in 2009. Since 2010, it has been recognized

as a high-tech enterprise by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, State Tax Bureau of Jiangsu Province and Local Tax Bureau of Jiangsu Province. In 2013, it was recognized as a foreign-funded R&D institution in Jiangsu Province by Jiangsu Provincial Department of Science and Technology. In 2018, the R&D center passed the identification of Jiangsu Engineering Technology Center and Jiangsu Enterprise Technology Center; currently, China has 82 patent rights, including 30 patent rights for invention and 52 patent rights for utility model; Taiwan has 9 patent rights, including 4 patent rights for invention and 5 patent rights for utility model.

In the future, the Company will continue to research and develop the technologies for large-scale high-precision progressive dies, 3D complex molding product progressive dies, and mechanical-electrical progressive dies and comprehensively use these technologies in stamping progressive dies, so that traditional mechanical theory and process molding die can become truly intelligent progressive dies with the help of mechanical-electrical integration and win market opportunities with fast and precise die sinking technology.

#### 4. Favorable and unfavorable factors of development prospect and countermeasures

##### (1) Favorable factors

###### A. Global layout

In addition to the production base in China, the Company has set up branches in many countries and regions such as Taiwan of China, Mainland China, Thailand, the Philippines, the United States and the Czech Republic because there is a market plate movement caused by the increasing production costs in China, and the rise of trade barriers in various countries, and the Company intends to provide customers with localized and most immediate production and sales services. Therefore, the Company can make full use of China's advantageous production environment and effectively meet the domestic demands of China. It also arranges production bases in ASEAN region and arranges sales branches in Europe and the United States in order to meet the needs of customers in real time by nearby service and reduce the impacts of US-China trade war. Therefore, the Company's global layout is an indispensable favorable factor affecting its future development.

###### B. Wide range of application of products

The Company's products are used in many fields such as motor machinery, 3C, automotive electronics, building materials, sports equipment and medical care industry. Since the metal material has always been an indispensable element in various industries, the overall market of this industry is promising and it is worthy of continuous development. Although the industry has entered a mature stage, the industry's market will be able to grow steadily every year, unless the global economy encounters unfathomable major adverse factors. The Company's products will be applied in more fields benefiting from the scale economies and ever-increasing design capabilities, providing a good environment and innate factors for the Company's sustainable operation and sustainable development.

###### C. Economies of scale and advantages of die design capabilities

The design and manufacture of dies is critical for stamping manufacturing and the purchase quantity of economies of scale is beneficial for reducing raw material procurement costs, which are critical for a company to maintain a competitive edge in the fierce market competition. Since the establishment, the Company has been concentrating on design, R&D and manufacturing of precision dies, and established a special die development department to continuously improve its own die development level. At present, the Company can develop dies all by itself for self-use and sell these dies to other stamping factories. With the high-precision product quality measurement

and testing equipment, the entire process of the Company's raw materials, production and shipment are strictly measured and controlled to ensure that the Company's product quality meets certification requirements. In addition, the development and application of continuous dies improved the Company's production efficiency and production capacity, so its business scale continues to grow. The Company's ability to bargain in raw material procurement improves with the increase in economies of scale, making the Company a long-term partner for customers to jointly enhance their competitiveness.

(2) Unfavorable factors and countermeasures

A. Higher risk of enterprise management caused by short product life cycle

Currently, half of the products of the Company are 3C consumer products which will be replaced frequently, so the efficiency is high in the entire production process. The products are characterized by short development time, more design changes, short production cycle and poor versatility of tailor-made parts without accurate production forecast information provided by the customers.

Countermeasures:

For such parts, the Company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops 3C new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops automobile parts and building materials parts and other non-3C electronic stamping parts and components to strengthen the stability of the Company's product structure and reduce the impact caused by 3C electronic products changing rapidly. In addition, Build-to-Order is preferred in the production schedule, raw materials in special specifications are strictly controlled, and the inventory is cut to decrease the loss of product stockpiling.

B. Many companies in the industry and fierce price competitions

According to the work summary of Confederation of Chinese Metalforming Industry in 2019, there are more than 45,000 members in the stamping industry across the country. Although there is a large number of companies in the industry, most of them have a relatively poor performance in terms of business philosophy, process development, product design, equipment and die and human resources compared with the international advanced companies. The entire stamping industry is facing price competitions, many small and medium-sized enterprises have gradually withdrawn from the market, and the investment in equipment has been less than that of the past.

Countermeasures:

The Company continuously improves technologies and introduces new technologies, shortens die sinking time, develops high-precision products, improves service quality, and maintains close cooperative relations with manufacturers to gain customer trust and stabilize the existing market. In addition, the Company has continued to improve the management quality and effectively improve the operating efficiency. With the continuous improvement of existing technology and the development of diversified products, the Company's competitive advantage can be maintained.

C. Frequent fluctuations of the price of raw materials

The Company's products are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. Due to the unsettled market in recent years, the price of raw materials has changed frequently.

Countermeasures:

The Company implements price management of quoted raw materials. When the new product cases are developed, the business personnel will record the quoted raw material price and notify the purchasing staffs. The Purchasing Department will

conduct the weighted average for the price of materials purchased each time and the stock price of raw materials in the inventory to obtain the price of raw materials in the inventory. After comparing and analyzing the quoted raw material price and the price of raw material in the inventory, the Purchasing Department can adjust inventory immediately to reduce the risk of raw material price fluctuations.

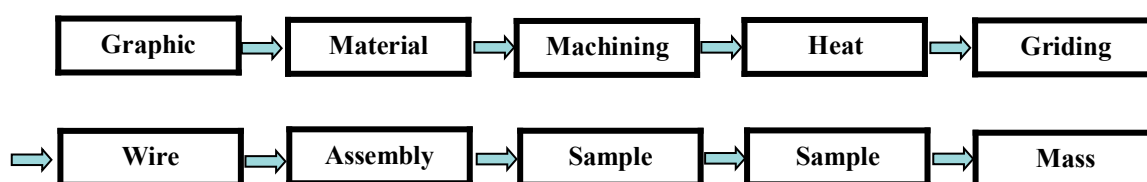
(II) Main functions and production process of main products

1. Major functions

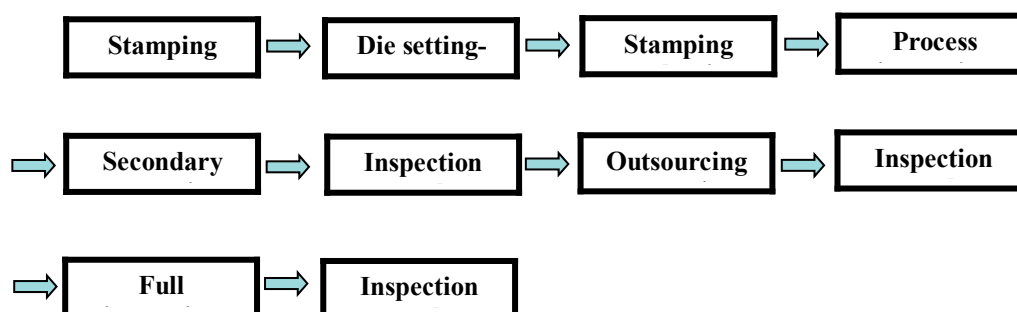
Major products	Products (services) applications
3C electronics segment	Computers, radiators related stamping parts, servo slides
	Metal stamping parts for household air conditioners, ice machines and motors
	Mobile phone internals, vapor chamber
	Metal stamping parts for medical equipment
Vehicle parts segment	Airbags, seat belt buckles, engines, steering systems, skylights, door hinges, seat brackets and other metal parts
Building material segment	Support fittings for sloping roof skylights and exterior wall plaque
Dies and other segments	Molding tools, sports equipment

2. Production process

(1) Die production process



(2) Production process of stamping products



(III) Supply of primary raw materials

The Company mainly engages in production and sales of precision metal stamping components, which are widely used in computers, mobile phones, automobiles, building materials and consumer electronics. The materials used include copper, aluminum, iron, stainless steel and special materials. In recent years, the quality of raw materials provided by dealers in mainland China has been improved, and has met the needs of the Company's customers. In consideration of cost and delivery time, the Company mainly purchases raw materials from mainland China, and assesses suppliers' cost, quality and delivery time at regular intervals to ensure product quality and yield. It also maintains a close partnership with major raw material suppliers, and maintains more than two suppliers providing major materials such as copper, iron and aluminum to ensure the supply of raw materials and reduce the risk of shortage of materials, and the supply of raw materials should be evaluated as being in good conditions.



(IV) A list of any suppliers and customers accounting for 10% or more of the Company's total procurement (sales) in either of the 2 most recent years, the percentage of total procurement (sales), and an explanation of the reason for changes in these figures

- Names of suppliers who accounted for more than 10% of the gross purchases of the Company in the last two years, and the amount and ratio of purchases:

Unit: NT\$1,000

Item	2019				2020				Q1 2021			
	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net purchases of goods for the entire year (%)	Relationship with the issuer
1	None	-	-	-	None	-	-	-	Company K	247,781	16.18	None
	Others	3,028,463	100.00		Others	4,940,185	100.00		Others	1,284,026	83.82	
	Net purchase	3,028,463	100.00		Net purchase	4,940,185	100.00		Net purchase	1,531,807	100.00	

Main change reasons: With the growth of the stay-at-home economy in 2020, the largest supplier was changed to a supplier of fitness equipment.

- Name and gross sales of major clients that have accounted for at least 10% of sales in either of the most recent two years, and the percentage against total sales:

Unit: NT\$1,000

Item	2019				2020				Q1 2021			
	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer	Name	Amount	Proportion to net sales of goods for the entire year (%)	Relationship with the issuer
1	Company F	1,132,423	22.46	None	Company F	1,041,466	19.03	None	Company C	297,334	17.60	None
2					Company G	791,490	14.47	None	Company F	209,172	12.38	None
3					Company C	631,185	11.54	None				
	Others	3,910,234	77.54		Others	3,798,599	69.42		Others	1,183,275	70.02	
	Net sales	5,042,657	100.00		Net sales	5,471,250	100.00		Net sales	1,689,781	100.00	

Main change reasons: With the growth of the stay-at-home economy in 2020, the shipments of fitness equipment increased.

## (V) Production value in the most recent two years

Unit: NT\$1,000

Main products	Unit	2019			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
3C electronics segment	1,000 PCS	111,608	99,693	1,163,346	11,640	12,243	1,273,421
Vehicle parts segment	1,000 PCS	140,942	126,621	1,396,027	118,426	114,063	1,209,460
Building material segment	1,000 PCS	2,091	1,916	61,000	1,494	1,497	48,628
Toolings and others	PCS/set	51,462	51,474	266,105	219,080	219,080	483,014
Total		-	-	2,886,478	-	-	3,014,523

## (VI) Sales volume/value in the most recent two years

Unit: NT\$1,000

Primary commodity	Unit	2019				2020			
		Internal sales		External sales		Internal sales		External sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
3C electronics segment	1,000 PCS	981	31,135	291,209	2,814,188	3,072	84,726	361,819	2,629,179
Vehicle parts segment	1,000 PCS	0	0	117,511	1,749,079	0	0	105,023	1,664,095
Building material segment	1,000 PCS	0	0	1,980	76,140	0	0	1,565	62,913
Toolings and others	PCS/set	71,895	141,549	233	230,566	2,950,769	661,536	297,209	368,801
Total		-	172,684	-	4,869,973		746,262		4,724,988

III. The Number, Average Year of Services, Average Age, and Educational Background of the Employees in the Most Recent Two Years as of the Publication Date of the Annual Report

Year		2019	2020	As of Apr. 30, 2021
Number of employees	Direct personnel	467	496	474
	Indirect personnel	430	477	488
	Total	897	973	962
Average age		33.32	34.43	34.74
Average year of services		3.38	3.66	3.65
Educational background	PhD	0.00%	0.00%	0.10%
	Master	2.12%	2.97%	2.91%
	Bachelor	34.78%	34.56%	33.37%
	High school	29.99%	30.67%	33.37%
	Below high school	33.11%	31.79%	30.25%

#### IV. Disbursements for Environmental Protection

- (I) In the most recent years as of the publication date of the annual report, the losses due to the environment pollution (including indemnity) and total amount of punishment: All of the Company's expenditures were normal (hazardous waste disposal fee, environmental monitoring fee and domestic garbage disposal fee, etc.), and the total expenditure was NT\$219,100 in 2020.
- (II) Countermeasures in future (including improvement measures) and possible expenditures (including the estimated amount of loss, punishment, and indemnity that may occur if no countermeasure is taken. If it cannot be reasonably estimated, give a reason): It is expected that the expenditure is approximately NT\$348,100 in 2021. The Company regulates its internal management according to government requirements to avoid unreasonable expenditure.

#### V. Labor Relations

##### (I) Employee benefit measures

##### 1. Employee benefits

##### (1) Taiwan, China:

Diversified employee benefits include labor insurance, health insurance, labor pension and group insurance, employee meal subsidies, employee health checks, departmental social dining, three-holiday cash gifts and wedding and funeral subsidies.

The communication channel is smooth and the employee complaint system is implemented, which includes a hotline, a suggestion box, an EM for complaint, and a sexual harassment complaint mailbox.

Regularly hold labor-management meetings and conduct employee opinion surveys for the references for executives, internal operations, enhancing employee engagement and improving work input.

Regularly organize various activities, such as employee sports meets, family days, various sporting events and artistic and cultural activities, so that employees can have more leisure and social activities after work.

##### (2) Mainland China:

A. Vacation: Public leave, annual leave, marriage leave, bereavement leave, maternity leave, etc. National statutory leave is paid leave.

B. Insurance: In addition to the social insurance stipulated by laws and regulations, the Company also purchases commercial insurance for some employees in special positions.

C. Health: The Company provides free physical examinations and follows up re-examination arrangements, reminds the employees every year, and assists them in medical consultation and hospital arrangements.

D. Benefits on holidays: Distribute festival fees or holiday gifts to all employees on every national legal holidays such as: Spring Festival, Women's Day, Dragon Boat Festival, Mid-Autumn Festival, etc. In every summer, the Company distributes

heatstroke prevention subsidies and cooling items (such as mung bean soup and industrial ice cubes) to outdoor operators or people working indoors with the temperature beyond the law.

E. Marriage, childbirth and birthday: The Personnel Division counts the list of employees for marriage, childbirth and birthday monthly, and issues wedding cash gifts, childbirth cash gifts and birthday cake coupons.

F. Cultural activities:

a. In order to enhance the understanding and integration between employees, the Company set up a Strategy Planning Office to create a harmonious working environment and a good interpersonal atmosphere for employees. The Strategy Planning Office will organize group activities and various sports activities from time to time, and plan the Welcome Party at the beginning of each year. In the Welcome Party, it will prepare incredible prizes and year-end employee commendations.

b. The Company will sponsor each unit to organize tourism activities from time to time.

c. Establish cooperation with the Government Federation of Literary and Art Circles, and hold calligraphy, painting, photography and other public welfare trainings in the Company every year to enrich the spare time of employees.

d. The Company regularly organizes outward-bound activities for middle-level management to enhance communication and collaboration between departments.

(3) Czech Republic:

A. Pay social and health insurance for employees, which account for 25% and 9% of total wages, respectively, and conduct regular medical examinations.

B. 20-day legal holidays + 5-day additional free days.

C. Meals subsidized by the canteen.

D. Liability insurance for machine operators.

E. Free tea and pastries in the workplace.

F. Summer BBQ and Christmas party.

2. Employees' continuing education and training

(1) The Company actively develops employees and enhances their professional capabilities. In addition to irregularly organizing internal education and training to enhance employees' skills and irregularly sending employees to participate in external training and studying, it also encourages employees to engage in advanced studies to improve work performance, so that employees can have long-term planning and investment in company services.

(2) The results of the Company's education and training in the most recent year are as follows:

Course	Total training hours	Fees (NT\$1,000)
Internal training	34,229	6,809
External training	4,865	

(3) Finance personnel obtaining relevant qualifications specified by the competent authority:

Title	Name	Organizer	Course title	Hours of courses
Financial and Accounting Managers	Lu, Chin-Yu	Accounting Research and Development Foundation	Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12
Assistant Accounting Manager	Chien, Yi-Ling	Accounting Research and Development Foundation	Continuing training class for principal accounting officers of issuers, securities firms, and securities exchanges	12

### 3. Retirement system

(1) Taiwan, China:

Subject to "Labor Pension Act", the labor retirement reserve is paid on a monthly basis, and the pension is paid within 6% of the insured salary. The Company has a sound financial system to ensure that employees are allocated and paid with a stable pension.

(2) Mainland China:

Employee's pension insurance: The Company pays pension insurance for employees in accordance with the local regulations. As specified by the local social insurance operation method, pension insurance is included in social insurance (including medical, maternity, pension, work injury and unemployment). After going through the formalities for social insurance of new members, the Company will begin to fulfill its obligations to pay pension insurance premiums for its employees.

### 4. Measures for safeguarding labor-management agreements and all employee rights and interests

Establish workers and employees' congress, and select employees' representatives to operate the congress and handle various employee welfare matters and labor-management relations. The Company's relevant labor-management relations are well handled in accordance with relevant laws, and the implementation situation is good.

The Company has always been committed to maintaining harmonious labor-management relations. So far, no major disputes or losses have occurred. In addition, various employee rights protection measures shall be taken in accordance with the relevant laws and regulations.

(II) List the losses due to labor disputes in the most recent year up to the publication date of this annual report, and disclose the estimated amount arising both at present and in the future and the countermeasures. If the amount cannot be reasonably estimated, facts of which estimation cannot be made shall be explained

1. The Company has always focused on labor-management relations. In the most recent year up to the publication date of this annual report, no labor disputes or losses caused by labor disputes have occurred.
2. The Company has established an open communication channel between the employers and the employees, and the labor-management relations are rational and harmonious. In the future, if there are no other external factors impacting changes in the labor-management relations, no amount loss will occur.

#### VI. Important Contracts

Nature of contract	Counterparty	Effectiveness and termination/cancellation date	Major contents	Restrictions
Lease contract	Kunshan Jinliang Plastic Electronics Co., Ltd.	2018.06.01 2023.05.31	Building lease contract	None
Lease contract	Kunshan Shanghua Electric Appliance Complete Set Equipment Co., Ltd.	2019.04.03 2021.04.02	Building lease contract	None
Lease contract	LCJ Invest, a.s.	2017.02.15 2022.02.14	Building lease contract	None

## Chapter 6 Financial Information

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

#### (I) Condensed balance sheets

Unit: NT\$1,000

Year		Financial information for the past five fiscal years					Financial information as of March 31, 2021
		2016	2017	2018	2019	2020	
Item							
Current assets		2,301,156	3,320,411	3,805,114	3,949,666	4,624,287	5,034,420
Property, plant and equipment		680,583	970,751	1,230,891	1,808,305	1,260,496	1,193,685
Intangible assets		23,557	22,565	22,634	42,204	40,098	37,221
Other assets		235,900	403,202	339,788	425,832	466,838	457,865
Total assets		3,241,196	4,716,929	5,398,427	6,226,007	6,391,719	6,723,191
Current liabilities	Before distribution	1,485,819	2,956,336	2,732,067	2,974,160	3,017,894	3,218,434
	After distribution	1,643,983	3,055,189	2,830,920	3,139,807	(Note 2)	(Note 2)
Non-current liabilities		229,428	140,981	792,256	1,281,354	781,223	435,480
Total liabilities	Before distribution	1,715,247	3,097,317	3,524,323	4,255,514	3,799,117	3,653,914
	After distribution	1,557,083	2,998,464	3,623,176	4,421,161	(Note 2)	(Note 2)
Equity attributable to owners of the parent		1,396,350	1,474,912	1,857,623	1,953,321	2,575,969	3,050,439
Share capital		395,411	395,411	395,411	474,720	505,535	543,090
Capital surplus		747,057	678,811	784,347	802,102	1,114,494	1,415,788
Retained earnings	Before distribution	269,307	392,869	676,490	744,848	1,004,607	1,163,002
	After distribution	111,143	294,016	577,637	579,201	(Note 2)	(Note 2)
Other equity interest		(15,425)	7,821	1,375	(68,349)	(48,667)	(71,441)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		129,599	144,700	16,481	17,172	16,633	18,838
Total equity	Before distribution	1,525,949	1,619,612	1,874,104	1,970,493	2,592,602	3,069,277
	After distribution	1,367,785	1,520,759	1,775,251	1,804,846	(Note 2)	(Note 2)

Note 1: The financial information for the past five fiscal years has been audited or reviewed by the CPAs.

Note 2: It is filled in based on the resolution of the shareholders' meeting in the next year. The 2021 annual shareholders' meeting has not yet been convened.

## (II) Condensed statements of comprehensive income

Unit: NT\$1,000

Item \ Year	Financial information for the past five fiscal years					Financial information as of March 31, 2021
	2016	2017	2018	2019	2020	
Operating revenue	3,197,375	4,255,549	6,043,090	5,042,657	5,471,250	1,689,781
Gross profit	761,428	872,771	1,286,070	1,031,009	1,280,347	383,524
Operating profit (loss)	319,948	340,548	605,959	393,883	685,261	220,253
Non-operating income and expenses	(48,068)	53,772	(63,795)	(57,025)	(42,244)	3,288
Net income before tax	271,880	394,320	542,164	336,858	643,017	223,541
Net income from continuing operations	100,013	314,516	405,403	262,339	454,923	160,759
Loss from discontinued operations	-	-	-	-	-	-
Net income (loss)	100,013	314,516	405,403	262,339	454,923	160,759
Other comprehensive income (net, after tax)	(68,301)	22,199	(9,189)	(69,514)	20,065	(22,933)
Total comprehensive income	31,712	336,715	396,214	192,825	474,988	137,826
Net income attributable to owners of the parent	67,688	298,368	382,474	259,447	455,845	158,395
Net income attributable to non-controlling interests	32,325	16,148	22,929	2,892	(922)	2,364
Total comprehensive income attributable to owners of the parent	5,669	321,614	376,028	189,723	475,527	135,621
Total comprehensive income attributable to non-controlling interests	26,043	15,101	20,186	3,102	(539)	2,205
Earnings per share	1.71	7.55	8.06	5.47	9.57	3.01

Note: The financial information for the past five fiscal years has been audited or reviewed by the CPAs.



(III) Auditor's opinion for the most recent five years

Year	CPA firm	CPA	Audit opinion
2016	Deloitte & Touche	Lee, Li-Huang & Hsieh, Ming-Chung	Unqualified opinion
2017	Deloitte & Touche	Lin, I-Hui & Lee, Li-Huang	Unqualified opinion
2018	Deloitte & Touche	Chih, Jui-Chuan & Lee, Li-Huang	Unqualified opinion
2019	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion
2020	Deloitte & Touche	Lee, Li-Huang & Chih, Jui-Chuan	Unqualified opinion

## II. Financial Analyses for the Past Five Fiscal Years

### (I) Financial analysis

Analysis item		Year	Financial analysis for the past five fiscal years					Financial analysis as of March 31, 2021
		2016	2017	2018	2019	2020		
Financial structure (%)	Ratio of liabilities to assets	52.92	65.66	65.28	68.35	59.44	54.35	
	Ratio of long-term capital to property, plant and equipment	246.62	169.14	199.09	160.43	233.16	257.13	
Solvency	Current ratio (%)	154.30	112.32	139.23	132.80	153.23	156.42	
	Quick ratio (%)	118.13	88.35	102.48	105.17	128.65	131.08	
	Times interest earned ratio	23.13	18.89	12.88	6.72	17.6	48.84	
Operating ability	Receivables turnover rate (times)	3.11	2.84	2.94	2.31	2.52	3.05	
	Average days for cash receipts	117.23	128.71	124.02	158.06	144.84	119.67	
	Inventory turnover rate (times)	6.25	6.02	6.08	4.60	5.68	7.3	
	Payables turnover rate (times)	3.88	3.94	3.78	2.60	2.47	2.81	
	Average days for sale of goods	58.40	60.68	60.07	79.40	64.28	50.00	
	Turnover rate for property, plant and equipment (times)	4.70	4.38	4.91	2.79	4.34	4.66	
	Total asset turnover rate (times)	0.99	0.90	1.12	0.81	0.86	1.01	
Profitability	Return on assets (%)	3.36	8.39	8.77	5.37	7.7	10.05	
	Return on equity (%)	6.03	20.00	23.21	13.65	19.94	22.71	
	Ratio of income before tax to paid-in capital (%)	68.76	99.72	137.11	70.96	127.2	164.64	
	Profit margin (%)	3.13	7.39	6.71	5.20	8.31	9.51	
	Earnings per share (NT\$)	1.71	7.55	8.06	5.47	9.57	3.01	
Cash flow	Cash flow ratio (%)	0	0.18	15.53	34.28	30.12	10.86	
	Cash flow adequacy ratio (%)	32.77	18.37	23.14	45.27	68.29	100.13	
	Cash reinvestment ratio (%)	0	0	9.99	24.80	18.51	8.27	
Leverage	Operating leverage	1.47	1.43	1.35	1.67	1.39	1.31	
	Financial leverage	1.04	1.07	1.08	1.18	1.06	1.02	

Description of causes for changes to various financial ratios in the most recent two years: (analysis would not be required if the increase and decrease is within 20%)

1. Increase in ratio of long-term capital to property, plant and equipment: Mainly due to a decrease in property, plant and equipment as a result of the sale of land in Hwa Ya Technology Park in Guishan District, Taoyuan.
2. Increase in quick ratio: Mainly due to an increase in liquid assets as a result of the sale of land.
3. Increase in times interest earned ratio: Mainly due to an increase in net income before tax and a decrease in interest expenses.
4. Increase in inventory turnover rate: Mainly due to the complete depletion of the raw materials of old mobile phone models and an increase in revenue.
5. Increase in turnover rate for property, plant and equipment: Mainly due to an increase in revenue and a decrease in property, plant and equipment as a result of the sale of land in Hwa Ya Technology Park in Guishan District, Taoyuan.
6. Return on assets and return on equity: Mainly due to an increase in net income after tax.
7. Ratio of income before tax to paid-in capital: Mainly due to a significant YoY increase in net income before tax.
8. Profit margin: Mainly due to an increase in net income after tax.
9. Earnings per share: Same as above.
10. Increase in cash flow adequacy ratio: Mainly due to a YoY increase in net income before tax and an increase in net cash flows generated from operating activities.
11. Decrease in cash re-investment ratio: Mainly due to an increase in working capital.

Note 1: The financial information for the past five fiscal years has been audited and reviewed by the CPAs. Earnings per share are figures before retrospective adjustment.

Note 2: The calculation formulas for the financial analysis ratio are as follow:

1. Financial structure

(1) Ratio of liabilities to assets = Total liabilities / Total assets.

(2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net amount of property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepaid expenditures) / Current liabilities.

(3) Times interest earned ratio = Income before income tax and interest expense / Interest expenses for this period.

3. Operating ability

(1) Receivables (including accounts receivable and notes receivable resulting from operations) turnover rate = Net sales / Balance of average receivables (including accounts receivable and notes receivable resulting from operations).

(2) Average days for cash receipts = 365 / Accounts receivable turnover rate.

(3) Inventory turnover rate = Cost of goods sold / Average inventory.

(4) Payables turnover rate (including accounts payable and notes payable resulting from operations) = Cost of goods sold / Balance of average payables (including accounts payable and notes payable resulting from operations).

(5) Average days for sale of goods = 365 / Inventory turnover ratio.

(6) Turnover rate for property, plant and equipment = Net sale / Average net property, plant and equipment value.

(7) Total asset turnover ratio = Net sales / Average total assets.

4. Profitability

(1) Return on assets = [Net income after tax + Interest expenses \* (1 - Tax rate)] / Average total assets.

(2) Return on equity = Net income after tax / Average total equity.

(3) Profit margin = Net income after tax / Net sales.

(4) Earnings per share (EPS) = (Income attributable to owners of the parent - Dividend for preferred shares) / Weighted average of issued shares.(Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash flows from operating activities / Current liabilities.

(2) Cash flow adequacy ratio = Net cash flows from operating activities for the past five fiscal years / (Capital expenditures + Additional inventory sum + Cash dividend) for the past five fiscal years.

(3) Cash re-investment ratio = (Net cash flows from operating activities - Cash dividend) / (Gross amount of property, plant and equipment + Long-term investments + Other non-current assets + Working capital). (Note 5)

6. Leverage

(1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit (Note 6).

(2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

### III. Audit Committee's Audit Report for the Most Recent Fiscal Year's Financial Statements

## Lemtech Holdings Co., Limited

### Audit Report by Audit Committee

The 2020 Business Report, Consolidated Financial Statements, and proposal of annual profit distribution are prepared by the Company's Board of Directors. The CPAs of Deloitte Taiwan, Lee, Li-Huang and Chih, Jui-Chuan, have audited the aforementioned Consolidated Financial Statements and issued the audit report.

The Audit Committee has reviewed the above books and statements submitted by the Board of Directors and has found no deviations. Therefore, pursuant to Article 14-4 of the Securities and Exchanges Act and Article 219 of the Company Act of the Republic of China, the Audit Committee hereby presents the audit report.

Sincerely,

Lemtech Holdings Co., Limited

Convener of the Audit Committee: Yang, Rui-Long

March 31, 2021

- IV. Financial Statements of the Most Recent Fiscal Year, Including a CPA's Report, Two-year Comparative Balance Sheets, Statements of Comprehensive Income, Statements of Changes in Equity, Statements of Cash Flows, and Notes or Schedules: Please refer to #pages 115 to 195# in this annual report.
- V. Company's Individual Financial Statements of the Most Recent Fiscal Year Audited and Certified by CPAs: The Company only issues Consolidated Financial Statements of the Parent Company and its Subsidiaries, and thus not applicable.
- VI. The Company Shall Disclose the Impact on Financial Status in Case of Any Financial Difficulties Experienced by the Company and Its Affiliated Companies during the Most Recent Year up to the Publication Date of This Annual Report: None.

## Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

### I. Financial Position

(I) The main reasons for the significant changes in assets, liabilities and equity in the past two years and their impacts

Unit: NT\$1,000

Item \ Year	2019	2020	Difference	
			Amount	%
Current assets	3,949,666	4,624,287	674,621	17.08
Property, plant and equipment	1,808,305	1,260,496	(547,809)	(30.29)
Intangible assets	42,204	40,098	(2,106)	(4.99)
Other non-current assets	425,832	466,838	41,006	9.63
Total assets	6,226,007	6,391,719	165,712	2.66
Current liabilities	2,974,160	3,017,894	43,734	1.47
Non-current liabilities	1,281,354	781,223	(500,131)	(39.03)
Total liabilities	4,255,514	3,799,117	(456,397)	(10.72)
Share capital	474,720	505,535	30,815	6.49
Capital surplus	802,102	1,114,494	312,392	38.95
Retained earnings	744,848	1,004,607	259,759	34.87
Other equity interest	(68,349)	(48,667)	19,682	(28.80)
Non-controlling interests	17,172	16,633	(539)	(3.14)
Total shareholder equity	1,970,493	2,592,602	622,109	31.57

If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows:

1. Property, plant and equipment: Mainly due to the disposal of land in Hwa Ya Technology Park in Guishan District, Taoyuan.
2. Other non-current liabilities: Mainly due to the repayments of long-term borrowings after the disposal of land in Hwa Ya Technology Park in Guishan District, Taoyuan.
3. Capital surplus: Mainly due to the conversion premium of corporate bonds arising from the third convertible corporate bonds.
4. Retained earnings: Mainly due to a YoY increase in profit.
5. Other equity interest: Mainly caused by foreign institutions' conversion of large translation differences in the financial statements.
6. Total shareholder equity: Mainly caused by an increase in capital and capital surplus from the third convertible corporate bonds.

(II) Where the effect is of material significance, the annual report shall disclose the measures to be taken in response: No major impact on the Company's finances and business.

## II. Financial Performance

(I) The main reasons for any material change in operating revenues, operating income, or income before tax during the past two fiscal years

Unit: NT\$1,000

Item \ Year	2019	2020	Amount Of increase (decrease)	Percentage of increase (decrease) (%)
Net operating revenue	5,042,657	5,471,250	428,593	8.50
Operating costs	4,011,648	4,190,903	179,255	4.47
Gross profit	1,031,009	1,280,347	249,338	24.18
Operating expenses	637,126	595,086	(42,040)	(6.60)
Net operating profit	393,883	685,261	291,378	73.98
Non-operating income and expenses	(57,025)	(42,244)	14,781	(25.92)
Net income before tax	336,858	643,017	306,159	90.89
Income tax expenses	74,519	188,094	113,575	152.41
Net profit for this period	262,339	454,923	192,584	73.41
Other comprehensive income (loss)	(69,514)	20,065	89,579	(128.86)
Total comprehensive income attributable to owners of the parent	189,723	475,527	285,804	150.64
Total comprehensive income attributable to non-controlling interests	3,102	(539)	(3,641)	(117.38)
<p>If the difference in comparison with the adjacent periods exceeds 20%, and the amount exceeds NT\$10 million, the main reason is analyzed as follows:</p> <ol style="list-style-type: none"> <li>1. Gross profit: Mainly caused by the gains on recovery of inventory prices as a result of the depletion of old models and raw materials of mobile phones.</li> <li>2. Net operating profit: Mainly caused by an increase in operating revenue and control of operating expenses.</li> <li>3. Non-operating income and expenses: The interest expense decreased due to the repayment of long-term loans in the current period.</li> <li>4. Net income before tax: Mainly due to an increase in net operating profit.</li> <li>5. Income tax expenses: Mainly due to a higher tax rate of Bestec Power Electronics Co., Ltd., which is not entitled to tax concessions.</li> <li>6. Net profit for this period: Mainly caused by an increase in operating revenue and control of operating expenses.</li> <li>7. Other comprehensive income (loss): Mainly caused by the devaluation of USD, resulting in an increase in exchange difference loss of translation to the presentation currency.</li> <li>8. Total comprehensive income attributable to owners of the parent: Mainly due to an increase in profit.</li> </ol>				

(II) The expected sales and its basis, the possible impact on the Company's future financial business and the countermeasures: No significant impact on the Company's finance and business.

### III. Cash Flow

#### (I) Analysis on the changes in cash flow in the most recent fiscal year

Units: NT\$1,000; %

Item	2019	2020	Amount of increase (decrease)	Percentage of increase (decrease) (%)
Operating activities	1,019,565	908,956	(110,609)	(10.85)
Investing activities	(763,690)	428,271	1,191,961	156.08
Financing activities	156,715	(655,320)	(812,035)	518.16
Description about material changes:				
1. Operating activities: Mainly reason is that due to the peak season at the end of the year, both purchases and sales increased, but some receivables have not yet been collected, resulting in a decrease in net cash inflow from operating activities..				
2. Investing activities: Mainly due to the disposal of the land in Linkou during the current period, resulting in net cash inflows from investment activities..				
3. Financing activities: Mainly due to the repayment of new convertible corporate bonds in the current period plus repayment of long-term loans, resulting in net cash outflows from financing activities..				

(II) Plan for improving insufficient liquidity: No shortage of cash.

(III) Cash liquidity analysis for the following year

Unit: NT\$1,000

Opening cash balance	Net cash inflow from operating activities throughout the year	Cash flow from investing and financing activities throughout the year	Cash balance (deficit)	Remedial measures for estimated cash deficit	
				Investing plan	Financing plan
1,421,676	593,893	(533,832)	50,061	-	-
1. Cash flow change analysis for the following year:					
(1) Net cash inflow from operating activities mainly due to the cash received from operating.					
(2) Cash outflow is mainly due to operating expenses, purchase of machinery and equipment, and distribution of dividends					
2. Remedial measures for estimated cash deficit and cash liquidity analysis: The Company's cash outflow in the following year is estimated mainly based on future operating needs. In addition to cash inflow from operating activities, bank loans will be used in case of cash deficit.					



IV. Effect upon Financial Operations of Any Major Capital Expenditures during the Most Recent Fiscal Year

The company's capital expenditures for 2020, apart from the routine renewal expenditures, there are no large capital expenditures. The original plan to build a factory in Linkou, Taiwan was delayed due to the move of the customer's production base to the Philippines. At the end of 2020 and early 2021, in addition to the continuation of the Sino-US trade war, the opportunity to increase production in Taiwan, and more and more in Taiwan For the business opportunities of production, the original Linkou land was discussed and resolved after comprehensive consideration, and a more suitable industrial production base was found in conjunction with the overall business development plan. In line with the needs of business development, the company does not rule out expanding borrowing or re-implementing capital financing plans if the required funds are large.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Re-investment Profitability, and Investment Plans for Coming Year

(I) The Company's reinvestment policy

The Company is a holding company, and the main profit comes from main businesses of subsidiaries. In addition, there are reinvestments for strategic purposes of industrial or business development. All subsidiaries of the Company's main business are profitable, and companies that make strategic reinvestments are not for profiting.

(II) Main reasons for profits/losses of reinvestment for the most recent year and plan for improving re-investment profitability

Unit: NT\$1,000

Reinvestment company	2020 investment profit (loss)	Main reason for such profit or loss	Improvement plan
Lemtech Global Solution Co. Ltd.	374,697	Mainly caused by recognition of investment gains of Lemtech Precision Material (China) Co., Ltd.	-
Lemtech Cooling System Limited	83,039	Mainly caused by recognition of investment gains of Lemtech Energy Solutions Corporation.	-
Lemtech Industrial Services Ltd	2,137	Mainly affected by the COVID-19, mass production only started in the second half of the	-

Reinvestment company	2020 investment profit (loss)	Main reason for such profit or loss	Improvement plan
		year.	
LemTech Precision Material (China) Co., Ltd.	421,152	Operations are in good condition	-
Lemtech Energy Solutions Corporation	(13,334)	Loss but continuous improvement	Promote original products to new customers, increase customer penetration and increase business items
Lemtech Philippine Thermal System Inc.	(7,457)	Mainly affected by the COVID-19, mass production only started in the second half of the year.	Profitable in the second half of the year.
Lemtech Technology Limited	89,029	Operations are in good condition	-
LDC Precision Engineering Co., Ltd.	89,110	Operations are in good condition	-
Lemtech Precision Material (Czech) s.r.o.	(3,521)	Mainly affected by the COVID-19, mass production only started in the second half of the year.	Profitable in the second half of the year.
Lemtech USA Inc.	(235)	In order to maintain customer relations in the United States and obtain real-time business information, non-profit-making purposes	-
Aapico Lemtech (Thailand) Co., Ltd.	(842)	Mainly affected by the COVID-19, mass production only started in the second half of the year.	Has gradually resumed normal operations
Zhenjiang Emtron Surface Treatment	(14,998)	The main source of operating income is the	Continue to win customer orders, and

Reinvestment company	2020 investment profit (loss)	Main reason for such profit or loss	Improvement plan
Limited		surface treatment of auto parts. Caused by the limited scale of operation and the long certification period of automobiles	expand business scale to be profitable
Kunshan Lemtech Slide Technology Co., Ltd.	10,142	Operations are in good condition	-
Kunshan Lemtech Slide Technology Co., Ltd.	112,236	Operations are in good condition	-
Lemtech Electronics Technology (Changshu) Co., Ltd.	(2,500)	Newly established company, has not yet entered the production stage.	When production starts, it should be improved and profitable.

(III) Investment plans for coming year: The Company expects that there is no material investment plan in the following year.

## V. Risks Items

(I) Impacts of interest rate, fluctuation in exchange and inflation on corporate gains and losses and future countermeasures

### 1. Interest rate movements

#### (1) Impact on the Company's revenue and profit

The interest expense of the Company and its subsidiaries in 2019 and 2020 accounted for 1.17% and 0.71% of the net operating income respectively, with a low proportion. Therefore, the change in interest ratio will not have a significant impact on the profit and loss of the Company and its subsidiaries.

#### (2) Specific countermeasures

The Company's Finance Department adjusts the use of funds in time in light of changes in financial interest rates in response to financial risks caused by changes in interest rates.

### 2. Exchange rate changes

#### (1) Effect of exchange rate changes on the Company's revenue and profit

The Company and its subsidiaries purchase and sell goods in USD and RMB as the main collection currencies. The amount of exchange losses in 2019 and 2020 was NT\$3,032 thousand and NT\$43,577 thousand, respectively, accounting for 0.06% and 0.80% of the net operating income.

#### (2) Specific countermeasures

In the face of risks arising from exchange rate fluctuations, the group's internal financial professionals have taken the following specific countermeasures:

A. The Company's Business Department has considered the influence of exchange rate fluctuations on the sales price, and adjusted the product price by measuring the changes in the exchange rate in response to the exchange rate fluctuation, ensuring the profits of the Company's products.

- B. The financial unit will discuss the exchange rate trend with the foreign exchange unit of the bank, engage external professionals to give hedging advice to the Company's exposed positions, and adopt appropriate hedging strategies at the appropriate time to reduce the risk of exchange rate.
- C. In addition to net assets and liabilities for a specific project, foreign exchange exposed positions arising from routine sales still adopt natural hedging as the main strategy for exchange rate risk control, and adjust foreign currency assets and liabilities at the appropriate time to reduce the risk of exchange rate changes.
3. Inflation: The Company's profits and losses in the past have not exerted a significant impact due to inflation. If the purchase cost increases due to inflation, the Company will also adjust the price appropriately. The Company has continued to monitor market price fluctuations and maintained a positive, interactive relationship with both suppliers and customers. There has been no significant impact caused by inflation.
- (II) Policies on high risk, high-leverage investments, loans to other parties, endorsements, guarantees, and derivatives trading, the main reasons for profits or losses generated thereby, and future countermeasures
1. Policies on high risk, high-leverage investments, the main reasons for profits or losses generated thereby, and future countermeasures:  
The Company has always adhered to a stable and conservative business strategy. In recent years, it has not engaged in high-risk, high-leverage investment and other transactions, so the risk is limited.
  2. Policies on loans to other parties, the main reasons for profits or losses generated thereby, and future countermeasures:  
In the most recent year and as of the publication date of the annual report, the Company and its subsidiaries provided loans for each other in consideration of the overall use of funds. The Company and its subsidiaries have set up the "Procedures for Loans to Other Parties" as the basis for relevant operations, and the risk status has been considered and the regulations are implemented carefully.
  3. Policies on endorsements and guarantees, the main reasons for profits or losses generated thereby, and future countermeasures:  
In the most recent year and as of the publication date of the annual report, the Company and its subsidiaries provided endorsements and guarantees for each other in consideration of the overall use of funds. The Company and its subsidiaries have set up the "Procedures for Endorsement Guarantee Operation" as the basis for relevant operations, and the risk status has been considered and the regulations are implemented carefully.
  4. Policies on derivatives trading, the main reasons for profits or losses generated thereby, and future countermeasures:  
In the most recent year and as of the publication date of the annual report, the Company did not engage in derivatives trading. In the future, the Company will always take measures subject to the "Investment Cycle" and "Procedures Governing Acquisition and Disposal of Assets" when engaging in derivatives trading due to operational needs.
- (III) Future R&D projects and anticipated R&D expenditures to be invested
- At present, the group has R&D departments in mainland China and Taiwan. The department in mainland China mainly focuses on the development and process improvement of metal stamping products such as heat dissipation, auto parts, building materials parts, etc. In response to future growth, the Company established the R&D center with mainland higher professional institutions in 2010, and conducted school-enterprise cooperation to cultivate

professional and technical talents. The department in Taiwan is actively committed to the development of new hub products and new heat dissipation systems with high added value. In 2020, it established cooperation with universities in mainland China in production, learning and research to realize the technical development of high precision multi-position continuous stamping die. Through a complete upstream and downstream industrial chain and a close system (which means production, government, college and research department), we can recruit excellent talents and obtain technical information to improve the Company's R&D competitiveness.

In 2020, the Company invested approximately NT\$130,398 thousand in research and development of product, production technology innovation and process improvement. In 2021, the Company continued to invest NT\$132,480 thousand in research and development. In the future, the Company will continue to invest in research and development of automated production lines and will gradually use robots to replace employees in technical positions to improve production efficiency and quality, and reduce manufacturing costs. Meanwhile, it assesses the rapid growth of China's labor costs, maintains sustainable development and improves horizontal competitiveness.

Item	Introduction	R&D expenses (NT\$10,000)	Expected time to complete
Development of automated production technology of automotive safety system parts	For automated production of automotive safety system parts	324	2021-08
Development of automated stamping process of automotive steering columns	For manufacturing of automotive steering system parts	757	2021-11
Development of automated production technology of wall dry-hanging fixing brackets	For manufacturing of building material parts	2,603	2021-12
Development of automated laser welding of automobile steering brackets	For manufacturing of automotive steering system parts	1,121	2021-10
Development of automated production technology of seat belt buckles	For automated production of automotive safety system parts	1,081	2021-11
Development of EV motor housing	For manufacturing of EV parts	2,702	2021-09
Development of base station satellite signal receivers	For manufacturing of base station satellite signal receivers	4,326	2021-12
Development of automotive stamping mold balancing process	For manufacturing of automotive parts molds	334	2021-10
Total		13,248	

(IV) Changes to local and overseas policies and laws that impact the Company's financial operations and countermeasures

The Company is registered in Cayman Islands and mainly operates in mainland China. Its execution of all business is subject to important domestic and foreign policies and legal regulations, and it keeps abreast of important domestic and foreign policy development trends and law changes so as to respond promptly to changes in the market environment and take appropriate countermeasures. As of now, the Company's finance and business have not been affected by important changes of domestic and foreign policies and laws.

(V) Impact of changes in technology and industry on the Company's financial operations, and countermeasures

The Company takes the initiative to keep in touch with customers to obtain customer information as soon as possible. It also continuously develops new products, diversifies the source of customers to avoid the risk of concentrated sales, and actively develops automobile parts and building materials parts and other non-3C electronic stamping parts and components to strengthen the stability of the Company's product structure and reduce the impact caused by electronic products changing rapidly. On the whole, the metal stamping parts are in great demand and will not be replaced by other high-tech products in the foreseeable future.

(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures

Since the establishment, the Company has actively strengthened internal management, improved the management quality, and it is committed to maintaining the corporate image and legal compliance. In the most recent year, there has been no major image change affecting corporate crisis management.

(VII) The expected benefits and possible risks to engaging in mergers and acquisitions (M&A) and countermeasures: None.

(VIII) Expected benefits and possible risks of plant expansion and countermeasures

Name of company taking expansion	LemTech Global Industries Ltd.
Purpose of expansion	In order to provide better services to customers of sports products and enhance the ability of electromechanical integration
Expected benefits	In May of this year, it completed the establishment of a new company and the completion of the plant and equipment. Currently, it is gradually shifting to the production line of sports products. It is expected that sales and sales volume will increase significantly this year, and focus on electromechanical integration capabilities, increase the company's product line breadth, and provide more comprehensive solutions.
Possible risks and countermeasures	Because the company's customers are relatively concentrated, and the products are unique, if there are changes in orders or the customers' own operations, it will have a greater impact on the company. Therefore, in addition to focusing on the industry and providing efficiency and technology, product lines should be expanded and new customers should be developed to diversify the risk of excessive concentration.

(IX) Risks resulting from consolidation of purchasing or sales operations and countermeasures

In the most recent year of the company and as of the publication date of the annual report, the number one customer has been replaced by another customer with the growth of different businesses. In the first quarter of 2021, the original number one customer accounted for 12% of revenue and became the second largest customer. In addition, new first customers accounted for approximately 17% of revenue, and the remaining customers accounted for less than 10% of revenue. The company continues to actively expand new customer sources and develop new markets, and there is no risk of sales concentration. .

For procurement from suppliers, in the most recent year and as of the publication date of the annual report, the main suppliers did not exceed 20% of the total purchase amount. Unless specified by the customer, there will be at least two main raw material suppliers with good quality reputation. The Company's main suppliers all keep long-term cooperation with the group, and the source of procurement is still stable.

(X) The impact on the Company, and risks arising from the major exchange or transfer of shares by directors or major shareholders with over 10% of shareholdings, and the countermeasures

In the most recent year and as of the publication date of this annual report, there is no mass transfer or change in shareholding of directors or major shareholders with a shareholding ratio of 10% or more.

(XI) Impact, risk, and response measures related to any change in governance rights

There has been no change in governance rights in the most recent year and as of the publication date of this annual report.

(XII) If there has been any substantial impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company that was finalized or remained pending, the facts in dispute, amount in dispute, commencement date, main parties involved, and current status of the case up to the publication date of this annual report shall be disclosed

On Jun. 26, 2018, the subsidiary of the Company received a civil complaint which King Slide Works Co., Ltd. (hereinafter referred to as King Slide) filed to the Jiangsu Higher People's Court on Jun. 19, 2018, alleging that the slideway products produced, manufactured and sold by Lemtech Precision Material Co., Ltd. and Lemtech Slide Technology Co., Ltd. without the permission of King Slide infringed its patent rights, and claimed RMB100 million, and rights maintenance fee of RMB183,090 and NT\$31, 748. It filed a case of patent infringement in Jiangsu Higher People's court. The appointed lawyer said that Lemtech Precision Material Co., Ltd. is mainly engaged in the research and development, production and sales of precision metal stamping parts and dies, and its main products are heat dissipation module, auto part module, die and other parts stamping. It only undertakes stamping parts for slide rail products, not a manufacturer or seller of the slide rail products, so the tort liability in this case shall not be involved. According to the preliminary judgment of the appointed lawyer, all the slide products produced by Lemtech Slide Technology Co., Ltd. have relevant patents (some of which are still under application), which are different from that of King Slide. And the basis

for King Slide to claim compensation is insufficient, so the possibility of compensation is not high. The case was first heard on Jan. 25, 2019, and it is still in the process of the first instance, so it is impossible to predict the result of the case.

King Slide sued for infringement in Jiangsu Higher People's Court of China, and declared that it had a negative impact on the reputation of Lemtech Precision Material Co., Ltd. by writing a letter to its customers. Therefore, the Company filed a lawsuit on behalf of Lemtech Precision Material Co., Ltd. to Taiwan Ciaotou District Court on Jan. 15, 2019. The Company assessed that it shall have no significant impact on shareholders' equity or securities prices, and has appointed a lawyer to make a protest and defense in order to protect the rights and interests of the Company and all shareholders.

(XIII) Other material risks and countermeasures

1. Information security risk assessment

- (1) The Company has professionals responsible for handling matters related to information system security prevention and crisis management to prevent computer network crimes and crises and maintain information system security.
- (2) The Company has established a security control mechanism for the computer network systems to ensure the safety of data transmission via network.
- (3) The Company especially strengthens network security management for cross-company computer network system, installs anti-virus software in-house, and sets external network firewall to prevent computer viruses and aggressive malware from invading the company network system and causing paralysis.
- (4) The Company conveys the concept of proper use of legal software to employees, prompting employees to correctly recognize the threat of computer viruses, and further enhancing employees' information security awareness.

VII. Other Important Matters

The Company was registered in the British Cayman Islands, which is only the registered place of the group, and operates in mainland China, Taiwan, China and Hong Kong, China. Changes in the overall economic and political environment of the registered place and operation places and fluctuations in the exchange rate will affect the operation of the group. There are many different provisions between the company law of the British Cayman Islands and the company law of Taiwan, China. Although the Company has amended its Articles of Association in accordance with the Taiwan Stock Exchange's "Checklist for Protection of Shareholders' Rights and Interests in the Registered Place of Foreign Issuers", there are still many differences between the two laws and regulations on the operation of the company. Investors still need to know and consult experts about the risks of investment.

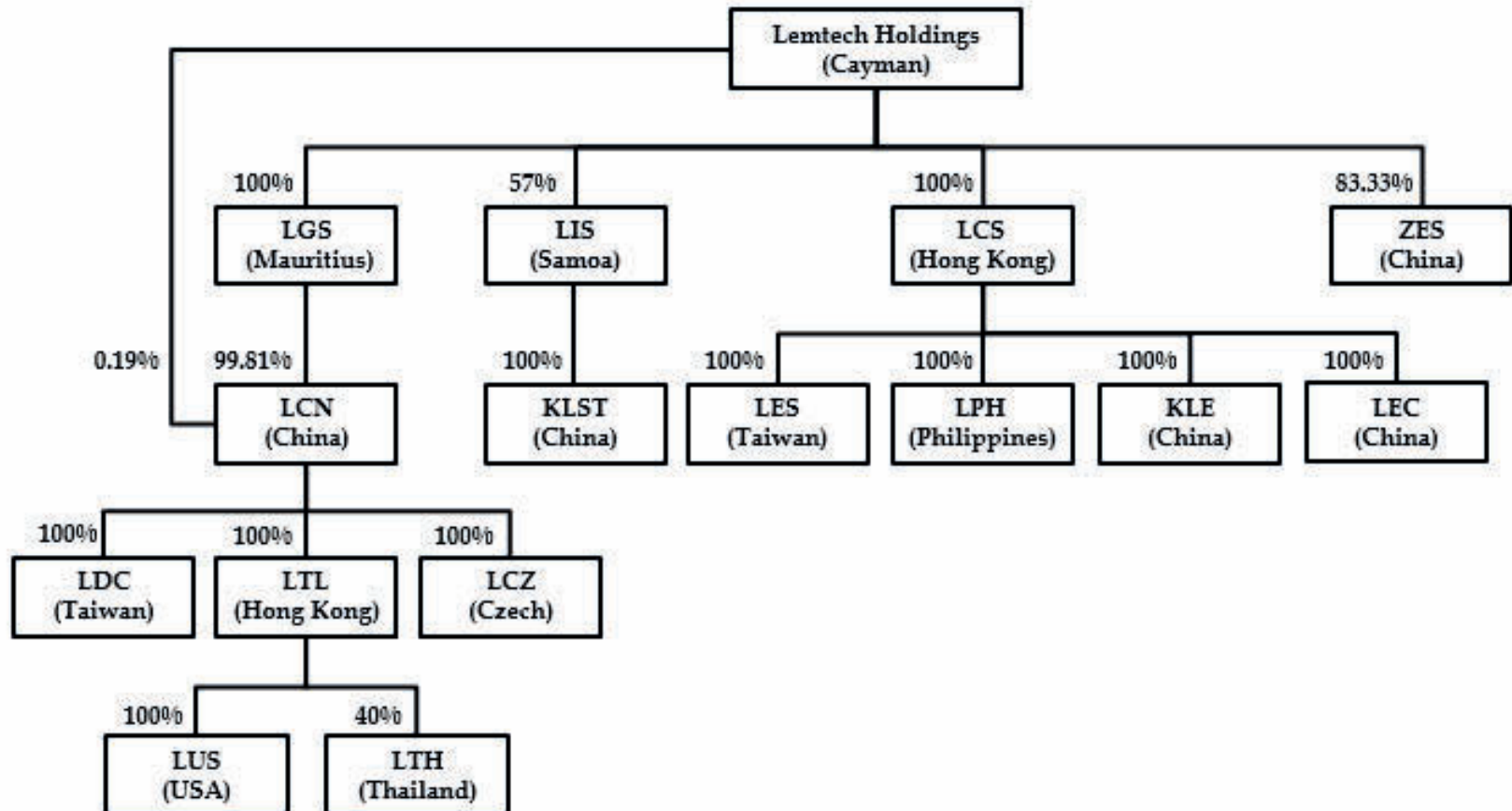


## Chapter 8 Special Disclosure

### I. Information on the Company Affiliates

#### (I) Profiles and status of affiliates

Dec. 31, 2020



## (II) Basic information of all affiliates

Dec. 31, 2020 Unit: NT\$1,000

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
Lemtech Global	Lemtech Global Solution Co. Ltd.	2003.01	3rd Floor, Standard Chartered Tower, Cybercity, Ebene 72201, Mauritius	US\$2,500	Investment holding companies
Lemtech Precision Material	LemTech Precision Material (China) Co., Ltd.	2003.03	No. 128, Weita Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB66,000	Production and design of new electronic components such as computers, mobile terminals, materials for servers, materials for automobiles, various fine blanking dies, die-casting dies, non-metallic dies, computer connectors, and computer thermal modules; and sales of self-produced products
LDC	LDC Precision Engineering Co., Ltd.	2010.05	Building E032, No. 1, Weiwang Street, Shulin District, New Taipei City	NT\$9,524	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery
LTH	Aapico Lemtech (Thailand) Co., Ltd.	2013.03	161 Moo.1, Tambol Banlane, Amphur Bang-Pa-In Phranakhornsri Ayutthaya 13160	THB40,000	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts
Lemtech USA	Lemtech USA INC.	2013.06	185 Estancia Dr, Suite 117, San Jose, CA 95134	US\$50	U.S. business development, business information collection, provision of market intelligence and industry information
Lemtech (Hong Kong)	Lemtech Technology Limited	2014.04	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	US\$20	Sales of automotive, electronics and computer peripheral parts
LIS	Lemtech Industrial Services Ltd	2015.12	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$2,500	Sales of electronics and computer peripheral components
Kunshan Lemtech Slide	Kunshan Lemtech Slide Technology Co., Ltd.	2016.07	Room 6, No. 211, Zijing Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB15,000	Design and production of slide rails, spindles and related accessories, and sales of self-produced products
Lemtech (Czech)	Lemtech Precision Material (Czech) s.r.o.	2016.09	Logistické Centrum Jihlava LCJ/Jipocar Hala B, 588 11 Sřítěž u Jihlavy 3, Czech	CZK152,000	Production of automotive components (sunroofs, brakes and seat belts, SRS, etc.) and assembly parts (steering wheel transmission shafts, etc.), and supply of consumer electronic parts and server products

Short name of company	Company	Date of incorporation	Address	Actual paid-in capital	Scope of business or production
Lemtech Energy	Lemtech Energy Solutions Corporation	2015.04	No. 39, Ruiyuan Street, Bade District, Taoyuan City	NT\$30,000	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment
Emtron Surface	Zhenjiang Emtron Surface Treatment Limited	2015.08	No. 199, Yuehe Street, Dagang Town, Zhenjiang New Area, Jiangsu Province	RMB14,352	Surface treatment of mechanical, electronic and automotive components
LCS	Lemtech Cooling System Limited	2019.06	Flat/Rm A 12/F, Kiu Fu Commercial Bldg, 300 Lockhart Road, Wan Chai, Hong Kong	US\$7,000	Investment holding companies
Kunshan Lemtech Electronics	Kunshan Lemtech Slide Technology Co., Ltd.	2019.10	Plant 5, No. 128, Weita Road, Zhangpu Town, Kunshan City, Jiangsu Province	RMB14,060	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment
LPH	Lemtech Philippine Thermal System Inc.	2019.07	Units 3,4,7,8 Metrococo Export Corp Laguna Technopark Building 1A, Phase 1, Laguna Technopark Sez 105 Industry Road Don Jose City of Santa Rosa Laguna, Philippines	US\$ 2,500	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items
LETC	Lemtech Electronics Technology (Changshu) Co., Ltd.	2020.09	Building A2, No. 8, Baixuexin Road, Shajiabang Town, Changshu City, Jiangsu Province	RMB 10,009	Manufacturing & wholesale of electronic components, manufacturing/sales/R&D of special electronic materials, manufacturing & sales of lighting equipment, manufacturing of automotive parts and accessories, manufacturing & sales of solar energy equipment and components, manufacturing of computer software and hardware, and sales of communication equipment

(III) Shareholders in common of the Company and its subsidiaries with deemed control relationship and subordination: None.

## (IV) Information on directors, supervisors, and General Manager of all affiliates

Dec. 31, 2020 Unit: Share; %

Name of affiliate	Title	Name or representative	Shareholding	
			Shares	Shareholding percentage
Lemtech Global Solution Co. Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
LemTech Precision Material (China) Co., Ltd.	Chairman	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	Director	Tan, Yong	-	-
	Director	Tsai, Wen-Lung	-	-
	Director and General Manager	Li, Pei-Yu	-	-
LDC Precision Engineering Co., Ltd.	Chairman and General Manager	Hsu, Chi-Feng	-	-
Aapico Lemtech (Thailand) Co., Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Yeap Swee Chuan	-	-
	Director	Teo Lee Ngo	-	-
	Director	Kawee Wasaruchareekul	-	-
Lemtech USA INC.	Director	Hsu, Chi-Feng	-	-
Lemtech Technology Limited	Director	Hsu, Chi-Feng	-	-
Lemtech Industrial Services Ltd	Director	Hsu, Chi-Feng	-	-
Kunshan Lemtech Slide Technology Co., Ltd.	Chairman	Hsu, Chi-Feng	-	-
	General Manager	Chay Chin Tat	-	-
Lemtech Precision Material (Czech) s.r.o.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	General Manager	Stanislav Stepanek	-	-
Lemtech Energy Solutions Corporation (Former Jimao Lemtech Co., Ltd.)	Chairman	Hsu, Chi-Feng	-	-
	Supervisor	Chan Kim Seng Maurice	-	-
Zhenjiang Emtron Surface Treatment Limited	Chairman	Fang, Hsin-Chien	-	-
	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
Lemtech Cooling System Limited	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
Kunshan Lemtech Slide Technology Co., Ltd.	Chairman	Tsai, Wen-Lung	-	-
	Supervisor	Chan Kim Seng Maurice	-	-
Lemtech Philippine Thermal System Inc.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	Director	Tsai, Wen-Lung	-	-
	Director	Hung, Kuang	-	-
Lemtech Electronics Technology (Changshu) Co., Ltd.	Director	Hsu, Chi-Feng	-	-
	Director	Chan Kim Seng Maurice	-	-
	Director	Ye, Hang	-	-
	General Manager	Tsai, Wen-Lung	-	-

(V) Operation of affiliates

Dec. 31, 2020 Unit: NT\$1,000

Name	Capital	Total assets	Total liabilities	Net value	Operating revenue	Operating profit	Profit or loss (after tax)	Earnings per share (after tax)
Lemtech Global Solution Co. Ltd.	112,397	2,879,369	181,308	2,698,060	-	(261)	374,697	150.92
LemTech Precision Material (China) Co., Ltd.	286,242	4,072,102	1,280,237	2,791,866	2,230,673	310,692	421,152	6.38
LDC Precision Engineering Co., Ltd.	9,524	678,219	397,896	280,323	914,711	118,563	89,110	(Note 1)
Lemtech Technology Limited	597	1,081,655	632,847	448,808	1,215,686	94,343	89,029	(Note 1)
Lemtech Precision Material (Czech) s.r.o.	195,984	262,416	166,334	96,083	122,740	269	(3,521)	(Note 1)
Lemtech USA INC.	1,502	462	-	462	6,372	(234)	(235)	(Note 1)
Lemtech Industrial Services Ltd	82,091	83,489	22,701	60,788	36,682	(5,159)	3,748	1.34
Kunshan Lemtech Slide Technology Co., Ltd.	69,758	135,803	77,031	58,609	187,658	13,378	10,142	(Note 1)
Lemtech Cooling System Limited	214,320	322,125	41,288	280,837	197,968	5,556	83,039	41.75
Lemtech Energy Solutions Corporation	30,000	90,835	82,358	8,477	49,790	(14,221)	(13,334)	(4.44)
Lemtech Philippine Thermal System Inc.	75,227	114,809	58,538	56,272	188,221	(5,990)	(7,457)	(Note 1)
Kunshan Lemtech Slide Technology Co., Ltd.	69,758	743,447	567,014	175,942	1,117,642	177,810	112,236	(Note 1)
Lemtech Electronics Technology (Changshu) Co., Ltd.	43,305	87,272	45,929	41,228	250	(1,277)	(2,500)	(Note 1)
Zhenjiang Emtron Surface Treatment Limited	65,043	175,172	224,713	(49,540)	87,579	(3,591)	(15,201)	(Note 1)

Note 1: Not a shares limited company; hence EPS is not applicable.

(VI) Consolidated financial statements of the affiliates: Same as the Consolidated Financial Statements of the Parent Company and Subsidiaries. Please refer to #pages 115 to 195#.

(VII) Reports of the affiliates: Not applicable.

II. In the Most Recent Year as of the Publication Date of the Annual Report, Any Private Placement of Securities: None.

III. Holding or Disposal of the Company's Shares by Subsidiaries in the Most Recent Year as of the Publication Date of the Annual Report: None.

IV. Other Necessary Additional Information: None.

V. Any Material Differences from the Rules of Taiwan, China in Relation to the Protection of Shareholders' Equity

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
I. Formation and change of company capital		
<p>Procedures for capital increment of the company by changing shares to cash or converting the surplus or capital reserve to shares.</p>	<ol style="list-style-type: none"> <li>1. Articles 156 and 266 of the Company Act.</li> <li>2. Article 142 and Paragraph 3 of Article 266 of the Company Act</li> </ol>	<p>The amended Article 8 (c) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist for the protection of the shareholders' equities of foreign issuers.</p>
<ol style="list-style-type: none"> <li>1. When the company carries out capital increase through cash and issues new shares, in addition to the different resolutions of the shareholders' meeting, the original shareholders shall be notified. The original shares shall be reorganized according to the original proportion. The original shareholders who fail to subscribe within the time limit will lose their rights. If the shares held by the original shareholders are not enough for shareholders to subscribe to new shares, joint subscription or subscription represented by one person may be carried out. Where the original shareholders have not subscribed, they may subject to a public offering or designate a specific person to subscribe.</li> <li>2. When a company issues new shares with cash increment in the Republic of China, 10% of the total new shares to be issued shall be allocated for public offering, unless the competent authority of Taiwan considers it unnecessary or unsuitable to do so. However, if the shareholders' meeting has a higher ratio of resolutions, such resolutions shall prevail.</li> </ol>	<ol style="list-style-type: none"> <li>1. Paragraph 3 of Article 267 of the Company Act</li> <li>2. Article 8 of the Business Mergers And Acquisitions Act, and Paragraph 1 of Article 13 of the Regulations Governing the Offering and Issuance of Securities by Foreign Issuers</li> </ol>	<p>The amended Article 9 (e) and (f) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist for the protection of the shareholders' equity of foreign issuers.</p>

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
<b>II. Procedure for convening a shareholders' meeting or method of adopting resolutions</b>		
<p>1. When the shareholders' meeting decides one of the following matters, the dissentient shareholders shall have the right to request the company to purchase their shares:</p> <p>(1) Demerger, merger, acquisition or share conversion of the company;</p> <p>(2) To form, change or terminate contracts related to the leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causes a significant influence over the operations of the company.</p> <p>2. The shareholder's requests in the preceding paragraph shall be submitted in writing within twenty (20) days from the resolution date of the shareholders' meeting, and shall specify the requested purchase price. If an agreement is reached between the shareholders and the company regarding the purchase price, the company shall pay the price within ninety (90) days from the resolution date of the shareholders' meeting. If no agreement is reached, the company shall pay the price to the shareholders who have not reached the agreement at the fair price they believe within ninety (90) days from the resolution date; if the company fails to pay, it shall be deemed to agree to the purchase price requested by the shareholders.</p> <p>3. If the shareholders request the company to buy all of their shares according to Sub-paragraph 1 of Paragraph 1 and the shareholders and the company have not reached an agreement on the purchase price within sixth (60) days from the resolution date of the shareholders' meeting, the company shall report to the</p>	<p>1. Articles 317 and 186 of the Company Act</p> <p>2. Article 12 of the Business Mergers And Acquisitions Act</p>	<p>The amended Article 40 (2) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.</p>



Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
<p>court for price adjudication against all shareholders who have not reached an agreement within thirty (30) days after this period and Taipei District Court will be the competent court for the first instance.</p>		
<p>For the following motions that relate to key rights of the shareholders, the motion may be adopted by a majority vote at a shareholders' meeting, wherein the meeting is attended by shareholders representing two-thirds or more of the total number of its outstanding shares. In the event the total number of shares represented by the shareholders present at a shareholders' meeting of the company is less than the percentage of the total shareholdings required in the preceding paragraph, the resolution may be adopted by at least two-thirds of the voting rights exercised by the shareholders present at the shareholders' meeting who represent a majority of the outstanding shares of the company.</p> <ol style="list-style-type: none"> <li>1. To form, change or terminate contracts related to leasing of the entire operation, commissioning others to manage, or forming of a long term joint management with others; Transfer the whole or principal part of the business or property; To accept the whole business or property given by others, which causing a significant influence over the operations of the Company</li> <li>2. Amending the Articles of Association</li> <li>3. Where amendments to the Articles of Association will damage the rights of shareholders holding preferred shares, a resolution of the preferred shareholders' meeting must be convened</li> <li>4. New shares issuance shall be used to allocate the whole or part of share dividends or bonuses</li> <li>5. Resolutions for corporate dissolution, merger, or demerger</li> <li>6. Conversion of shares</li> </ol>	<ol style="list-style-type: none"> <li>1. Article 185 of the Company Act</li> <li>2. Article 277 of the Company Act</li> <li>3. Article 159 of the Company Act</li> <li>4. Article 240 of the Company Act</li> <li>5. Article 316 of the Company Act</li> <li>6. Article 29 of the Business Mergers And Acquisitions Act</li> </ol>	<p>The amended Article 2 (1), Article 39 (j), Article 39 (k), Article 39 (l) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.</p>

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
<b>III. Authorities and responsibilities of directors and supervisors</b>		
<ol style="list-style-type: none"> <li>1. When the directors of the company have their own interests in the matters of the board meeting, they shall state the important contents of their own interests at the current board meeting. In the process of merger and acquisition, the directors of the company shall explain to the Board of Directors and the shareholders' meeting the important contents of their own interests in the merger and acquisition transaction and the reasons for approving or opposing the merger and acquisition resolution.</li> <li>2. Where the spouse, a relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, the director shall be deemed to have a personal interest in the matter.</li> <li>3. When a shareholder is an interested party to an agenda item and there is the likelihood that such a relationship would prejudice the interests of the company, that shareholder may not vote on that item and may not exercise voting rights as a proxy for any other shareholder. With respect to the resolutions at the board meetings, when a director is prohibited from exercising the voting right subject to the preceding paragraph, his/her voting right shall not be included in the voting rights of attending directors.</li> </ol>	<p>Paragraphs 2, 3 and 4 of Article 206 of the Company Act, Paragraph 3 of Article 5 of the Business Mergers And Acquisitions Act</p>	<p>The amended Article 84 (1) of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.</p>
<ol style="list-style-type: none"> <li>1. A company director shall act diligently and take due care of the company as a good administrator in conducting the business operation of the company; if he/she has acted contrary to this provision, he/she shall be liable for the damages sustained by the company therefrom. If the said act is implemented by the director himself or herself, or another</li> </ol>	<p>Paragraphs 2 and 3 of Article 8 and Paragraph 3 of Article 23 of the Company Act, Paragraphs 1 and 2 of Article 5 of the Business Mergers And Acquisitions Act</p>	<ol style="list-style-type: none"> <li>1. The Articles of Association or Paragraph 1 of Article 74 of current organization documents of the Company has complied with</li> </ol>

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
<p>party, the shareholders' meeting may resolve and consider an earning received from the said act as an earning of the company.</p> <p>2. If a director of the company, in the course of performing his/her duties of the company, has violated the law and thereby resulting in damages to others, he/she shall bear joint and several liabilities with the company in compensating others.</p> <p>3. A managerial officer and a supervisor shall bear, when performing a functional duty, the same liabilities as a company director when causing damages.</p>		<p>the provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.</p> <p>2. The Company does not have a supervisor, but it has set up an audit committee to exercise the supervisor's duties. This difference should have no significant adverse impact on shareholders' equities.</p>
<p>1. Before the company convenes the board meeting to decide on the merger and acquisition, the audit committee or special committee (applicable to the company with a supervisor) shall review the merger and acquisition plan and the fairness and rationality of transaction, and report the results to the board of directors and the shareholders' meeting. However, if it is not necessary to convene a shareholders' meeting to resolve the merger and acquisition according to the laws and regulations of the country where the foreign issuers registered, it may not be reported to the shareholders' meeting.</p> <p>2. When the audit committee (or special committee) is deliberating, it shall appoint an independent expert to provide an opinion on the reasonableness of the conversion ratio or the cash or other properties allotted to the shareholders.</p>	<p>Articles 6 and 7, Paragraph 3 of Article 22, Paragraph 7 of Article 31 and Paragraph 2 of Article 38 of the Business Mergers And Acquisitions Act</p>	<p>The amended Article 70-1 of the Articles of Association of the Company complies with the amendment provisions in the left column of the checklist of the registration country for the protection of the shareholders' equities of foreign issuers.</p>

Important matters related to protection of shareholders' equity	Provisions contained in the Company Act or the Securities and Exchange Act	Provisions and reasons of deviation
<p>3. The results of the audit committee's (or special committee's) deliberations and the independent expert's opinions shall be sent to the shareholders together with the notice of convening the shareholders' meeting. However, if a resolution of the shareholders' meeting is not required by the laws and regulations of the country where the foreign issuers registered, a report on the merger and acquisition shall be made at the latest shareholders' meeting.</p> <p>4. The documents to be sent to the shareholders referred to in the preceding paragraph shall be deemed to have been sent to the shareholders after the company has announced the same content on the website designated by the securities regulatory authority of Taiwan, China and placed at the venue of the shareholders' meeting for the inspection of the shareholders.</p>		

VI. In the Most Recent Year as of the Publication Date of the Annual Report, if There Is an Issue of Significant Impact on Shareholders' Equity or Securities Prices as Stipulated in Subparagraph 2 of Paragraph 2 of Article 36 of the Securities Exchange Act: None.

## **Independent Auditors' Report**

Lemtech Holdings Co., Limited public notice:

### **Audit opinion**

Lemtech Holdings Co., Limited (Lemtech Holding Group) and its subsidiaries' Consolidated Balance Sheets as of December 31, 2020 and 2019, in addition to the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statements of Cash Flows, and Notes for Consolidated Financial Statement (including a summary of significant accounting policies) from January 1 to December 31, 2020 and 2019, have been audited by the CPAs. In our opinion, the consolidated financial statements mentioned above have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of Lemtech Holding Group and its subsidiaries as of December 31, 2020 and 2019, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2020 and 2019.

### **Basis for Auditor's Opinions**

We conducted review work in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in 2020. Besides, in accordance with the "Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants," and No. 1090360805 Letter issued by the Financial Supervision and Administration Commission on February 25, 2020, and generally accepted auditing standards, we implemented the review work in 2019. Our responsibilities required under said standards will be detailed in the paragraph about the external auditor's responsibility on auditing consolidated financial statements. We are independent of the company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other obligations under the Norm. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Lemtech Holding Group for the year ended December 31, 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 for the consolidated financial statements of Lemtech Holding Group and its subsidiaries for the year ended December 31, 2020 are stated as follows:

### Key Audit Matters: Revenue recognition authenticity of partial specific customer

The revenue of Lemtech Holding Group is mainly derived from computer, communication, consumer electronics, and automotive parts. Since the materiality and the Statements on Auditing Standards has defaulted revenue recognition as a significant risk. Therefore, the assessment of the authenticity of sales transactions with major customers meeting certain conditions was listed as a key audit matter. For details of the revenue recognition policy, please refer to Note 4 and 25 of the consolidated financial report.

In addition to testing related internal control, our major audit procedures executed on the key audit matter are as follows.

1. Sampling check the details of sales revenue transactions of specific customer groups and the corresponding sales orders, bills of offset and receipts to confirm that sales transactions have actually occurred.
2. Confirm the authenticity of the foregoing transactions after the implementation of the balance sheet date that whether there is a major sales return and discount test and whether the return discount is reasonable.

## **Responsibility of the management and the governing body for the consolidated financial statements**

It is the management's responsibility to fairly present the consolidated financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IFRS, IAS, IFRIC, and SIC endorsed by the FSC, and to sustain internal controls respecting preparation of the consolidated financial statements so as to avoid material misstatements due to fraud or errors therein.

In preparing the consolidated financial statements, the responsibility of management includes assessing the company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the company or terminate the business, or has no realistic alternative but to do so.

The governing bodies of the company (including the audit committee) have the responsibility to oversee the procedures for financial reporting.

## **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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If it could be reasonably anticipated that the misstated individual amounts or aggregated sums could have influence on the economic decisions made by the users of the consolidated financial statements, they will be deemed as material.

We have utilized our professional judgment and maintained professional skepticism when exercising auditing work according to the auditing standards generally accepted in the Republic of China. We also execute the following tasks:

1. Identify and assess the risks of material misstatement within the consolidated financial statements, whether due to fraud or error; design and execute counter-measures in response to those risks; and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances. However, the purpose is not to express an opinion on the effectiveness of the company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or circumstances may cause the company to no longer continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them on all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Taipei, Taiwan (Republic of China)

March 31, 2021

#### Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and its cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2020 and 2019

Units: NT\$1,000

Code	Total assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 6 and 33)	\$ 1,639,999	26	\$ 942,332	15
1110	Financial assets at fair value through profit or loss - Current (Note 7 and 33)	8,788	-	-	-
1136	Financial assets at amortized cost - Current (Note 8, 9, 33, and 35)	4,141	-	79,436	1
1150	Note receivables (Note 10, 25, and 33)	3,537	-	4,684	-
1170	Account receivables (Note 10, 25, 33, and 34)	2,203,951	34	2,076,706	33
1197	Finance lease receivables (Note 11 and 33)	5,921	-	5,540	-
1200	Other receivables (Note 10 and 33)	16,178	-	17,122	-
1220	Current tax assets (Note 27)	13	-	13	-
130X	Inventory (Note 12)	626,344	10	736,718	12
1410	Prepayments (Note 19)	115,293	2	85,068	2
1470	Other current assets (Note 19)	122	-	2,047	-
11XX	<b>Total Current Assets</b>	<b>4,624,287</b>	<b>72</b>	<b>3,949,666</b>	<b>63</b>
	<b>Non-current assets</b>				
1510	Financial assets at fair value through profit or loss - Non-current (Note 7 and 33)	1,224	-	-	-
1550	Investment using equity method (Note 14)	30,758	1	32,923	1
1600	Real estate, plant, and equipment (Note 15, 31, and 35)	1,260,496	20	1,808,305	29
1755	Right-of-use assets (Note 16)	257,686	4	233,101	4
1805	Goodwill (Note 17)	82,175	1	82,387	1
1821	Other intangible assets (Note 18)	40,098	1	42,204	1
1840	Deferred tax assets (Note 27)	13,819	-	15,372	-
194D	Finance lease receivables - Non-current (Note 11 and 33)	8,099	-	13,789	-
1915	Prepayments for equipment (Note 19)	64,161	1	41,228	1
1920	Refundable deposits (Note 19 and 33)	8,916	-	7,032	-
15XX	<b>Total Non-current Assets</b>	<b>1,767,432</b>	<b>28</b>	<b>2,276,341</b>	<b>37</b>
1XXX	<b>Total Assets</b>	<b>\$ 6,391,719</b>	<b>100</b>	<b>\$ 6,226,007</b>	<b>100</b>
	<b>Liabilities and Equity</b>				
	<b>Current liabilities</b>				
2100	Short-term borrowings (Note 20 and 33)	\$ 772,658	12	\$ 965,312	16
2130	Contract liabilities - Current (Note 25)	70,142	1	79,408	1
2150	Note payables (Note 22 and 33)	174,106	3	183,304	3
2170	Account payables (Note 22 and 33)	1,566,068	24	1,466,225	24
2219	Other payables (Note 23 and 33)	280,432	4	190,962	3
2230	Current tax liabilities (Note 27)	52,906	1	26,001	-
2280	Lease liabilities (Note 16, 31, and 33)	54,985	1	47,803	1
2399	Other current liabilities (Note 23)	46,597	1	15,145	-
21XX	<b>Total Current Liabilities</b>	<b>3,017,894</b>	<b>47</b>	<b>2,974,160</b>	<b>48</b>
	<b>Non-current liabilities</b>				
2500	Financial liabilities at fair value through profit or loss - Non-current (Note 7 and 33)	-	-	3,392	-
2530	Bonds payables (Note 21 and 33)	346,352	5	580,601	9
2540	Long-term borrowings (Note 20, 33 and 35)	-	-	350,000	6
2570	Deferred tax liabilities (Note 27)	290,743	5	220,133	3
2580	Lease liabilities - Non-current (Note 16, 31, and 33)	134,661	2	120,340	2
2645	Deposited Margin (Note 33)	9,467	-	6,888	-
25XX	<b>Total non-current liabilities</b>	<b>781,223</b>	<b>12</b>	<b>1,281,354</b>	<b>20</b>
2XXX	<b>Total Liabilities</b>	<b>3,799,117</b>	<b>59</b>	<b>4,255,514</b>	<b>68</b>
	<b>Equity attributable to owners of the company (Note 24)</b>				
	<b>Equity</b>				
3110	Ordinary stock	505,535	8	474,720	8
3200	Capital surplus	1,114,494	18	802,102	13
	<b>Retained earnings</b>				
3320	Special reserve	100,707	2	13,500	-
3350	Unappropriated retained earnings	903,900	14	731,348	12
3300	<b>Total Retained Earnings</b>	<b>1,004,607</b>	<b>16</b>	<b>744,848</b>	<b>12</b>
3410	Exchange differences on translation of foreign financial statements	(48,667)	(1)	(68,349)	(1)
31XX	<b>Equity attributable to shareholders of the parent</b>	<b>2,575,969</b>	<b>41</b>	<b>1,953,321</b>	<b>32</b>
36XX	<b>Uncontrolled equity</b>	<b>16,633</b>	<b>-</b>	<b>17,172</b>	<b>-</b>
3XXX	<b>Total equity</b>	<b>2,592,602</b>	<b>41</b>	<b>1,970,493</b>	<b>32</b>
	<b>Total Liabilities and Equity</b>	<b>\$ 6,391,719</b>	<b>100</b>	<b>\$ 6,226,007</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial report.

Chairman: Hsu, Chi-Feng  
Manager: Hsu, Chi-Feng  
Accounting Supervisor: Lu, Chin-Yu

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Statement of Comprehensive Income  
Jan. 1 to Dec. 31, 2020 and Jan. 1 to Dec. 31, 2019

(Units: NT\$1,000, Except Earnings Per Share)

Code		2020		2019	
		Amount	%	Amount	%
	Operating revenue (Note 25 and 34)				
4110	Sales	\$ 5,508,588	101	\$ 5,079,318	101
4190	Sales returns and allowances	( 37,338)	( 1)	( 36,661)	( 1)
4000	Total operating revenue	5,471,250	100	5,042,657	100
5000	Operating cost (Note 12 and 34)	( 4,190,903)	( 76)	( 4,011,648)	( 79)
5900	Gross profit	1,280,347	24	1,031,009	21
	Operating expenses (Note 26 and 34)				
6100	Selling expenses	( 149,493)	( 3)	( 168,703)	( 3)
6200	Administrative expenses	( 326,675)	( 6)	( 336,982)	( 7)
6300	Research and development expenses	( 130,398)	( 2)	( 125,768)	( 3)
6450	Expected credit impairment loss	11,480	-	( 5,673)	-
6000	Total operating expenses	( 595,086)	( 11)	( 637,126)	( 13)
6900	Net operating profit	685,261	13	393,883	8
	Non-operating income and expenses (Note 26)				
7100	Interest income	5,196	-	7,902	-
7010	Other income	18,745	-	7,130	-
7020	Other gains and losses	( 27,104)	-	( 13,459)	-
7050	Finance costs	( 38,744)	( 1)	( 58,919)	( 1)
7060	Share of profit (loss) of associates and joint ventures accounted for using the equity method	( 337)	-	321	-
7000	Total non-operating income and expenses	( 42,244)	( 1)	( 57,025)	( 1)

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Code		2020		2019	
		Amount	%	Amount	%
7900	Net income before taxes from continuing operations	\$ 643,017	12	\$ 336,858	7
7950	Income tax expenses (Note 27)	( 188,094)	( 4)	( 74,519)	( 2)
8200	Net profit for the period	<u>454,923</u>	<u>8</u>	<u>262,339</u>	<u>5</u>
	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to gain or loss:				
8361	Exchange differences on translation of foreign financial statements	<u>20,065</u>	<u>1</u>	( 69,514)	( 1)
8300	Other comprehensive income/(loss) for the year, net of income tax	<u>20,065</u>	<u>1</u>	( 69,514)	( 1)
8500	Total comprehensive income	<u>\$ 474,988</u>	<u>9</u>	<u>\$ 192,825</u>	<u>4</u>
	Net income attributable to				
8610	Shareholders of the parent	\$ 455,845	8	\$ 259,447	5
8620	Uncontrolled equity	( 922)	-	2,892	-
8600		<u>\$ 454,923</u>	<u>8</u>	<u>\$ 262,339</u>	<u>5</u>
	Total comprehensive income (loss) attributable to				
8710	Shareholders of the parent	\$ 475,527	9	\$ 189,723	4
8720	Uncontrolled equity	( 539)	-	3,102	-
8700		<u>\$ 474,988</u>	<u>9</u>	<u>\$ 192,825</u>	<u>4</u>
	Earnings per share (Note 28)				
	From continuing business				
9710	Basic	<u>\$ 9.57</u>		<u>\$ 5.47</u>	
9810	Diluted	<u>\$ 9.33</u>		<u>\$ 5.35</u>	

The accompanying notes are an integral part of the consolidated financial report.

Chairman: Hsu, Chi-Feng  
Manager: Hsu, Chi-Feng  
Accounting Supervisor: Lu, Chin-Yu

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Lemtech Holdings Co., Limited and its subsidiaries  
Consolidated Statement of Changes in Equity  
Jan. 1 to Dec. 31, 2020 and Jan. 1 to Dec. 31, 2019

Units: NT\$1,000

Code		Equity attributable to owners									
		Share capital		Retained earnings			Exchange differences on translation of financial statements of foreign operations	Treasury stock	Total	Uncontrolled equity	Total equity
Number of Shares (in Thousands)	Amount	Capital surplus	Special reserve	Unappropriated retained earnings							
A1	Balance as of January 1, 2019	39,541	\$ 395,411	\$ 784,347	\$ 13,500	\$ 662,990	\$ 1,375	\$ -	\$ 1,857,623	\$ 16,481	\$ 1,874,104
	Appropriation of earnings										
B5	Cash dividend attributable to shareholders	-	-	-	-	( 98,853)	-	-	( 98,853)	-	( 98,853)
B9	Stock dividend attributable to shareholders	7,908	79,082	-	-	( 79,082)	-	-	-	-	-
	Other changes in capital surplus										
M5	Actual disposal/acquisition of partial equity of the subsidiary	-	-	13,154	-	( 13,154)	-	-	-	-	-
I1	Corporate bonds converted into common shares	23	227	4,601	-	-	-	-	4,828	-	4,828
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	( 2,411)	( 2,411)
D1	2019 Net Profit	-	-	-	-	259,447	-	-	259,447	2,892	262,339
D3	2019 Other Comprehensive Income (Loss) after tax	-	-	-	-	-	( 69,724)	-	( 69,724)	210	( 69,514)
D5	Total comprehensive income (loss) in 2019	-	-	-	-	259,447	( 69,724)	-	189,723	3,102	192,825
Z1	Balance as of December 31, 2019	47,472	474,720	802,102	13,500	731,348	( 68,349)	-	1,953,321	17,172	1,970,493
	Appropriation of earnings										
B3	Special reserve	-	-	-	87,207	( 87,207)	-	-	-	-	-
B5	Cash dividend attributable to shareholders	-	-	-	-	( 165,647)	-	-	( 165,647)	-	( 165,647)
	Other changes in capital surplus										
M7	Changes in ownership interests in subsidiaries	-	-	584	-	( 584)	-	-	-	-	-
C5	Issuance of convertible corporate bonds with recognized equity component	-	-	26,181	-	-	-	-	26,181	-	26,181
I1	Corporate bonds converted into common shares	3,586	35,865	289,191	-	-	-	-	325,056	-	325,056
L1	Treasury shares buyback	-	-	-	-	-	-	( 38,469)	( 38,469)	-	( 38,469)
L3	Retirement of treasury shares	( 505)	( 5,050)	( 3,564)	-	( 29,855)	-	38,469	-	-	-
D1	2020 Net profit	-	-	-	-	455,845	-	-	455,845	( 922)	454,923
D3	2020 other comprehensive profit and loss after tax	-	-	-	-	-	19,682	-	19,682	383	20,065
D5	2020 total comprehensive profit and loss	-	-	-	-	455,845	19,682	-	475,527	( 539)	474,988
Z1	Balance as of December 31, 2020	50,553	\$ 505,535	\$ 1,114,494	\$ 100,707	\$ 903,900	(\$ 48,667)	\$ -	\$ 2,575,969	\$ 16,633	\$ 2,592,602

The accompanying notes are an integral part of the consolidated financial report.

Chairman: Hsu, Chi-Feng  
Manager: Hsu, Chi-Feng  
Accounting Supervisor: Lu, Chin-Yu

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and its subsidiaries

Consolidated Statement of Cash Flows

Jan. 1 to Dec. 31, 2020 and Jan. 1 to Dec. 31, 2019

Code		2020	Units: NT\$1,000 2019
	Cash flows from operating activities		
A10000	Net income before tax of the current year	\$ 643,017	\$ 336,858
A20010	Income Charges (Credits):		
A20100	Depreciation expenses	250,630	246,395
A20200	Amortization	10,960	10,802
A20300	Expected credit (returning profits) impairment loss	( 11,480)	5,673
A20400	Net (profit) loss of financial assets and liabilities measured at fair value through profit and loss	( 2,263)	2,489
A20900	Finance costs	38,744	58,919
A21200	Interest income	( 5,196)	( 7,902)
A22300	Share of profit (loss) of associates and joint ventures accounted for using the equity method	337	( 321)
A22500	Gains on disposal of real estate, plant, and equipment	( 26,363)	( 592)
A23200	Gains from disposal of investments accounted for using equity method	-	( 2,163)
A23700	Allowance for inventories	-	46,758
A23800	Reversal of write-downs of inventories	( 38,291)	-
A24100	Net foreign currency exchange profits	( 21,424)	( 20,094)
A24200	Loss from redemption and reversal of corporate bonds payables	5,961	-
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	1,147	695
A31150	Accounts receivable	( 115,754)	162,992
A31180	Other receivables	944	1,600
A31200	Inventories	148,469	132,636
A31230	Prepayments	( 30,225)	( 30,935)
A31240	Other current assets		
A32125	Contract liabilities	( 9,266)	12,898
A32130	Notes payable	( 9,198)	( 117,483)
A32150	Accounts payable	99,843	300,761
A32180	Other payables	50,655	( 47,798)
A32230	Other current liabilities	31,452	7,709
A33000	Cash from operating activities	1,014,624	1,102,980
A33300	Interest paid	( 29,253)	( 43,376)
A33500	Income tax paid	( 76,415)	( 40,039)
AAAA	Net cash flows from operating activities	<u>908,956</u>	<u>1,019,565</u>

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Code		2020	2019
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	\$ -	(\$ 75,594)
B00050	Disposal of financial assets at amortized cost	75,295	-
B00100	Acquisition of financial assets at fair value through profit or loss	( 52,524)	-
B00200	Proceeds from sale of financial assets at fair value through profit or loss	44,357	-
B01800	Acquisition of affiliates	-	( 10,000)
B02200	Acquisition of net cash outflow from subsidiaries	-	( 120,534)
B02700	Purchase of real estate, plant, and equipment	( 165,309)	( 597,659)
B02800	Disposal of real estate, plant, and equipment	526,498	34,929
B03700	Refundable deposits paid	( 1,884)	( 3,395)
B04500	Purchase of intangible asset	( 8,667)	( 5,358)
B04600	Proceeds from disposal of intangible assets	-	1,626
B06100	Decreases in finance lease receivables	6,147	5,130
B07500	Interest received	<u>4,358</u>	<u>7,165</u>
BBBB	Net cash generated from/(used in) investing activities	<u>428,271</u>	<u>( 763,690)</u>
	Cash flows from financing activities		
C00200	Decrease in short-term borrowings	( 192,654)	( 44,154)
C01200	Proceeds from issuance of convertible bonds	694,436	-
C01300	Repayments of bonds	( 595,016)	-
C01600	Increase in long-term borrowings	-	350,000
C01700	Repayment of long-term loan	( 350,000)	-
C03000	Guarantee deposits received	2,579	180
C04020	Cash payments for the principal portion of the lease liability	( 57,516)	( 50,458)
C04500	Dividend paid to shareholders	( 118,680)	( 98,853)
C04900	Payments for buy-back of ordinary shares	<u>( 38,469)</u>	<u>-</u>
CCCC	Net cash (outflow) inflow from fundraising activities	( 655,320)	<u>156,715</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>15,760</u>	<u>( 20,550)</u>
EEEE	Net increase in cash and cash equivalents	697,667	392,040
E00100	Cash and cash equivalents at beginning of year	<u>942,332</u>	<u>550,292</u>
E00200	Cash and cash equivalents at end of year	<u>\$ 1,639,999</u>	<u>\$ 942,332</u>

The accompanying notes are an integral part of the consolidated financial report.

Chairman: Hsu, Chi-Feng  
 Manager: Hsu, Chi-Feng  
 Accounting Supervisor: Lu, Chin-Yu

Lemtech Holdings Co., Limited and its subsidiaries  
Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company History

Lemtech Holdings Co., Limited (hereinafter referred to as "the company") was established in the British Cayman Islands in September 2009. It is founded during organizational restructure mainly to apply for registration with the Taipei Exchange to facilitate stock trading. After the restructuring, the company became the controlling company of Lemtech Global Solution Co. Ltd. (hereinafter referred to as "Global Solution"), and obtained shares of Global Solution at a conversion ratio of 24.99: 1. The company, Global Solution and its subsidiaries (hereinafter referred to as the "combined company") mainly engaged in the production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins and the sales of self-produced products. The company's stock has been traded in the Taipei Exchange since Apr. 29, 2011, and it was listed and traded in the Taiwan Stock Exchange Corporation since May 21, 2015. The company's functional currency is New Taiwan Dollars.

II. Approval Date and Procedures of the Financial Statements

The Consolidated Financial Statements have been approved by the Board of Directors on March 31, 2021.

III. Application of New and Amended Standards and Interpretations

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "FSC")

With the exception of the following, the application of the IFRSs endorsed and issued into effect by the FSC should not result in major changes in the accounting policies of the Group:

Amendment to IAS 1 and IAS 8 "Definition of Material"

The Consolidated Company adopted the amendments on January 1, 2020. The threshold for materiality was amended to be "could reasonably be expected to influence users" and the disclosures in consolidated financial statements were adjusted by removing immaterial information which may obscure material information.

(II) FSC-endorsed IFRSs that are applicable from 2021 onward	
<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Effective from the release date
Amendments to " Interest Rate Benchmark Reform - Phase 2 " in IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	This amendment applies to the annual reporting period beginning after January 1, 2021
Amendment to IFRS 16, "Covid-19-Related Rent Concessions"	This amendment applies to the annual reporting period beginning after June 1, 2020
(III) Standards issued by IASB but not yet endorsed by FSC	
<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Published by IASB (Note 1)</u>
Annual Improvements to IFRS Standards 2018– 2020	January 1, 2022 (Note 2)
Amendment to IFRS 3 "Update the Index to Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	TBD
IFRS17 "Insurance Contracts"	January 1, 2023
Amendment of IFRS 17	January 1, 2023
Amendments to IAS1 "Classify Liabilities as Current or Non-current"	January 1, 2023
Amendment to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendment to IAS 8 "Definition of Accounting Estimation"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Real Estate, 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 otherwise specified, the aforementioned New/Revised/Amended Standards and Interpretations shall be effective for the fiscal year after the reporting period.

Note 2: Amendment to IFRS 9 is effective to exchanges of a financial liability or modifications of terms incurred during the annual periods beginning on or after January 1, 2022. Amendment to IAS 41 "Agriculture" is effective to fair value measurements for annual periods beginning on or after January 1, 2022. Amendment to IFRS 1 "First-time Adoption of IFRS" is retrospectively effective for annual periods beginning on or after January 1, 2022.

Note 3: This amendment applies to the business combination that starts on the acquisition date after January 1, 2022 during the annual report period.

Note 4: This amendment shall be applied to the property, plant and equipment that are brought to the location and condition necessary for them to be capable of



operating in the manner intended by management on or after January 1, 2021.

Note 5: This amendment applies to contracts that have not fulfilled all obligations on January 1, 2022.

Note 6: This amendment prospectively applies to annual periods beginning after January 1, 2023.

Note 7: This amendment applies to changes in accounting estimation and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

As of the date the consolidated financial reports were authorized for publication, the combined company is continuously assessing the possible impacts on its financial position and financial performance upon the initial application of the aforementioned standards and interpretations. Any relevant impact will be disclosed when the assessment is completed.

#### IV. Summary of Significant Accounting Policies

##### (I) Statement of Compliance

The Consolidated Financial Report was formulated in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC that have entered into effect.

##### (II) Basis of Preparation

The consolidated financial reports were prepared on a historical cost basis, except for financial instruments measured at fair value.

The fair value measurement is classified into 3 levels based on the observability and importance of related input:

1. Level 1 inputs: Quoted (unadjusted) prices of identical assets or liabilities obtainable in active markets on the measurement date.
2. Level 2 inputs: Inputs, other than quoted market prices within level 1, that are observable directly (i.e. the price) or indirectly (deduced from the price) for the assets or liabilities.
3. Level 3 inputs: Unobservable inputs for the assets or liabilities.

##### (III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalent (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;

2. Liabilities to be settled within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date.

The company shall classify all other assets or liabilities that are not specified above as non-current.

#### (IV) Basis of Consolidation

The Consolidated Financial Report includes the financial reports of the company and its wholly owned subsidiaries. Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The financial reports of subsidiaries have been reorganized to bring uniformity in their accounting policies and those of the combined company. In the Consolidated Financial Report, all intercompany transactions, account balances, income and expenses between the entities have been offset. A subsidiary's total comprehensive income is attributed to the shareholders of the company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

When a change is effected in the ownership of the subsidiary, the combined company does not lose control of it and it will be treated as equity transaction. The carrying amounts of the combined company and its non-controlling interests have been adjusted to reflect the relative changes in the interest of the subsidiaries. The difference between the adjusted amount in non-controlling interest and the fair value of consideration will be considered as interest belonging to the owners of the company.

Please refer to Note 13 and Attachment 8 and 9 for details, shareholding ratio, and operations of subsidiaries.

#### (V) Business combination

The acquisition method is applied to business combinations. Acquisition costs are listed in the period of its incurrence and service.

Goodwill is measured at the aggregate of the fair value of the consideration transferred, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired, and liabilities assumed.

The current ownership interest in the acquiree and the right to enjoy the non-controlling interest of the acquiree's net assets in proportion at the time of liquidation is measured by the share of the recognized amount of the identifiable net assets of the acquiree. Other non-controlling interests are measured at fair value.

The combined company did not adopt the acquisition method to deal with business combinations done for organizational restructuring, but adopted the book value method.

#### (VI) Foreign currencies

In preparing each individual financial statement, transactions denominated in a currency other than the entity's functional currency (i.e. foreign currency) are translated into the entity's functional currency by using the exchange rate at the date of the transaction before they are recorded by each entity.

Monetary items denominated in foreign currencies are translated at the closing rates on the balance sheet date. Exchange differences arising on the settlement or on translating of monetary items are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in gain or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not re-translated.

In the preparation of the consolidated financial statements, the assets and liabilities of foreign operations (including subsidiaries, affiliated companies, and branch office that operate in a country or currency different from the Company) are translated into the New Taiwan dollar at the closing rate of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Where exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity and attributed to the proprietors of the company and non-controlling interests as appropriate.

#### (VII) Inventories

Inventories include raw materials, materials, work in progress and finished goods. The value of inventory shall be determined based on the cost and Net Realizable Value (NRV), whichever is lower. With the exception of inventory of the same category, individual items shall be assessed when comparing the cost and NRV. The NRV 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. Cost of inventory is calculated using weighted-average method.

#### (VIII) Investment in the affiliates

Affiliates are entities over which the combined company has significant influence but they are neither subsidiaries nor joint ventures.

The combined company follows equity method for investment in affiliates.

Under the equity method, the investment on affiliates is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's interest in gain and loss, shares in other comprehensive income and profit distribution by the affiliates. Also, the combined company's interest in affiliates and joint ventures are recognized in accordance with the shareholding ratio.

Any excess of acquisition cost over the combined company's share of an affiliate's or a joint venture's identifiable assets and liabilities measured at the fair value on the date of acquisition is recognized as goodwill. The goodwill shall be included in the carrying amount of the investment but not allowed for amortization. If the combined company's share of the net fair value of the identifiable assets and liabilities exceeds acquisition cost, the excessive amount is recognized immediately in gain or loss.

When the combined company's share of loss derived from the investment of an affiliate equals or exceeds the combined company's interest (including the carrying amount of the investment and other long-term substantial interests in the affiliate's net asset in proportion to ownership percentage), the combined company shall cease recognizing losses further. The combined company only recognizes extra losses and liabilities to the extent that there is a legal obligation, constructive obligation, or payment on behalf of an affiliate.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of the value in use and fair value less costs to sell) with its carrying amount. Any impairment loss will not be recognized as a charge against the carrying amount of an investment (including goodwill). Any reversal of the impairment loss shall be recognized after subsequent increases in the recoverable amount of investment.

Gain or loss in upstream and downstream transactions between the combined company and the affiliates or transactions between investees needs to be shown in the Consolidated Financial Report when not affecting the interests of the combined company or the affiliate.

#### (IX) Property, Plant and Equipment

Property, Plant and Equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and impairment.

Property, Plant and Equipment under construction are recognized at cost less accumulated impairment. The cost shall include professional service expenses and the cost of loans eligible for capitalization. Such assets shall be classified into appropriate Property, Plant and Equipment categories upon completion and reaching the expected use status and the depreciation shall begin.

Except that the depreciation of own land is not mentioned, the depreciation of real estate, plant, and equipment in its useful life is made on a straight-line basis for each major part/component separately. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

When derecognizing Property, Plant and Equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in gain or loss.

(X) Goodwill

The value of goodwill received through business combination has to be shown as the amount of goodwill recognized on the acquisition date and subsequently evaluated as cost less accumulated impairment loss.

To evaluate impairment, the goodwill is distributed among various cash-generating units or cash-generating groups which the combined company hopes to derive benefit from the overall performance after business combination (hereinafter referred to as the "cash-generating units").

The cash-generating units that were allocated the goodwill will compare the unit's carrying amount and its recoverable amount including goodwill every year (and whenever there are signs of impairment) to evaluate the impairment of the unit. If the goodwill was obtained by the cash-generating unit through a business combination in the current year, an impairment test is to be conducted prior to the end of the current year. If the recoverable amount of the cash-generating unit that received goodwill is lower than the carrying amount, the loss on impairment is added to the carrying cost of the unit that got goodwill allocation. The proportion of reduction in other carrying amounts of assets in the unit will be used to reduce the carrying cost of such asset. Any impairment loss is recognized directly as loss in the current period. Loss in impairment of goodwill cannot be reversed subsequently.

When disposing a certain operation within the cash-generating unit with amortized goodwill, the amount of goodwill related to the disposed operations is included in the carrying amount of the operations to determine the disposal of gain or loss.

(XI) Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and loss. Amortization is recognized using the straight-line method. The combined company must conduct at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods and infer the effect of changes in accounting estimates.

2. Acquisition from business combinations

Intangible assets acquired in a business combination are recognized at fair value at the acquisition date, with goodwill recognized separately and are subsequently measured the same separately as intangible assets acquired separately.

3. Derecognition

When derecognition of an intangible asset, the difference between the net proceed of disposal and the carrying amount of the asset is recognized in gain or loss for the period.

(XII) Impairment of real estate, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), and contract costs

On each balance sheet date, the Group reviews the carrying amounts of real estate, plant, and equipment, right-of-use assets, intangible assets (excluding goodwill), to determine whether there is any indication that those assets have suffered an impairment loss. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the combined company must determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount is the fair value minus cost of sales or its value in use, whichever is higher. If the individual asset or recoverable amount of the cash generating unit is lower than the carrying amount, the carrying amount of the asset or of the cash generating unit will be reduced to the extent of recoverable amount and the impairment loss will be recognized in gain or loss.

The amount of the impairment loss on inventories, real estate, plant and equipment and intangible assets recognized due to customer contracts shall be recognized, firstly, in accordance with rules governing the impairment of inventory and the above rules governing the recognition of impairment. Secondly, where the carrying amount of the contract cost relevant assets exceeds the sum of the estimated balance that the relevant product or service is expected to be received minus relevant costs, such amount shall be recognized as impairment loss. Subsequently, the carrying amount of the contract cost relevant assets shall be accounted for in the cash-generating unit in which they belong in order to conduct impairment assessment on the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of an asset, the cash generating unit, or the contract cost-related asset is reversed to the extent not exceed the carrying amount (minus amortization or depreciation) of the asset, cash generating unit, or contract cost-related asset that had not been impaired in the previous years. The reversed impairment loss will be recognized in gain or loss.

(XIII) Financial instruments

Financial assets and liabilities will be recognized in the balance sheet when the combined company becomes a party to the contract of financial instrument.

When recognizing the original financial assets and liabilities, if they are not measured at fair value through profit or loss, it is assessed based on the fair value plus the cost of transaction, that is, of its acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit and loss.

## 1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

### (1) Measurement types

Financial assets held by the combined company are classified as financial assets at fair value through profit or loss and the financial assets at amortized cost.

#### A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets mandatorily measured at fair value through profit or loss and financial assets designated as at fair value through profit or loss. Such assets include investments in equity instruments that are not designated by the combined company to be measured at fair value through other comprehensive income and investments in debt instruments that fail to meet the criteria as to be measured at amortized cost or at fair value through other comprehensive income.

Financial assets are designated as measured at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency.

Such assets are measured at fair value, their interest and remeasurement benefits or losses are recognized in other profits and losses. Please refer to Note 33 for the methods for determining fair values.

#### B. Financial assets at amortized cost

When the combined company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

- a. Financial assets are under a business model whose purpose is to hold financial assets and collecting contractual cash flows; and
- b. The terms of the contract generate a cash flow on a specified date that is solely for the payment of interest on the principal and the amount of principal outstanding.

Subsequent to initial recognition, such assets (including cash and cash equivalents, note receivables, accounts receivable, other receivables, finance lease receivables, and refundable deposits that are measured at amortized cost) are measured at the amortized cost equal to the gross carrying amount as determined using the effective interest method less any impairment loss; any foreign exchange gain or loss arising therefrom is recognized in profit or loss.

Except for the following two circumstances, interest revenue is calculated at the value of effective interest rate times the gross carrying amount of financial assets:

- a. For purchased or originated credit-impaired financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.
- b. Financial assets that are not credit impairment from purchases or at the time of founding but subsequently become credit impairments shall be calculated by multiplying the effective interest rate in the reporting period after the credit impairment by the cost after the amortization of financial assets.

Cash equivalents include fixed deposits obtained within three months with high liquidity and relatively low price changes convertible to cash any time. They are used for meeting short-term cash commitments.

## (2) Impairment of financial assets and contract assets

On each balance sheet date, the combined company assesses the impairment loss of financial assets (including accounts receivable) and finance lease receivables measured at amortized cost based on expected credit losses.

Loss allowance shall be recognized for accounts receivable and finance lease receivable based on lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the original recognition. If there is no significant increase in risks, an allowance for expected credit loss shall be recognized based on a 12-month period. If the risks have increased significantly, loss allowance shall be recognized in the lifetime of such assets.

The expected credit loss is the weighted average credit loss determined by the risk of default. The 12-month expected credit losses represent the expected credit losses from possible defaults of the financial instrument within 12 months after the reporting date. The lifetime expected credit losses represent the expected credit losses from all possible defaults of the financial instrument during the expected period of existence.

For the purpose of internal credit risk management, without consideration of the collateral held, the combined company shall determined that a default of financial instrument has occurred if one of the following applies:

- A. Internal or external information indicates that it is not possible for the debtor to settle the debt.
- B. Overdue for more than one year, unless there is reasonable evidence showing that a delayed basis of default is more appropriate.



The impairment loss of all financial assets is accrued from their carrying amount based on the allowance account. However, the allowance for the investment in the debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income and shall not reduce its carrying amount.

(3) Derecognition of financial assets

The combined company may only derecognize the financial assets when the contractual rights to the cash flow from the asset expire or when the company transfers all the risks and rewards of ownership of the financial assets to other enterprises substantially.

On derecognition of a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the sum of the consideration received is recognized in gain or loss. On derecognition of debt instruments measured at fair value through other comprehensive income in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. When the equity instrument investment measured at fair value through other comprehensive profits and losses is derecognized as a whole, the cumulative profit or loss is directly transferred to retained earnings and not reclassified to profit or loss.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost, using the effective interest method, except for:

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss are designated as measured at fair value through profit or loss.

The combined company designated the financial liabilities as being measured at fair value through profit or loss in the original recognition in the following cases:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investment is provided internally on that basis to the key management personnel.

C. Designate the overall mixed (combined) contract containing one or more embedded derivatives.

Once designated as financial liabilities at fair value through profit or loss, its amount of changes in fair value due to changes in credit risk is recognized in other comprehensive income, and will not be reclassified to profit or loss, will only be reclassified to retained earnings when derecognizing such financial liabilities. Except for the interest accrued, which is recognized in financial costs, the changes in fair value of such liability are reported in other gains and losses. However, if change in fair value due to credit risk is recognized in other comprehensive income, its will cause or worsen the accounting mismatch, then such changes in fair value of the liability in its entirety shall be fully recognized in gain or loss.

Please refer to Note 33 for the methods for determining fair values.

(2) Derecognition of financial liabilities

When derecognizing financial liabilities, the difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) shall be recognized in gain or loss.

3. Convertible bonds

Compound financial instruments issued by the combined company (convertible bonds) are classified separately as financial liabilities and equity in accordance with the substance of contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, fair value of the liability component is calculated by using the prevailing market interest rate of similar non-convertible instruments. This amount is recorded as a liability amortized at effective interest method until extinguished upon conversion or the instrument's maturity date. The liability component of an embedded derivative instrument is measured at fair value.

Conversion option is the equity component of a compound financial instrument which is measured at the amount of the fair value of the overall compound instrument deducted by the fair value of the liability component. The amount of the conversion option net of tax is recognized as equity so is not subsequently remeasured. When the conversion option is exercised, the associated liability component and the amounts recognized in equity are transferred to share capital and reserves – premium. If the conversion option of convertible bonds remains unexercised at the maturity date, the amount recognized in equity will be transferred to capital surplus – premium.

Transaction costs that relate to the issuance of the convertible bonds are divided into liability (list the carrying amount of liability) and equity (list in equity) components and in proportion to the respective values of the liability and equity components of the overall instrument.

#### 4. Derivatives

The derivative instruments signed by the combined company are structured time deposits, which are for managing its exposure to interest rate risks and foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

If derivatives are embedded in the asset master contract within the scope of IFRS 9, the classification of financial assets is determined by the overall contract. If derivatives are embedded in an asset master contract that is not in the scope of IFRS 9 (e.g., embedded in the master contract of financial liabilities), and if the derivatives embedded meet the definition of a derivative of which their risks and characteristics are not closely related to those of the master contract, and the contracts are not measured at fair value through profit or loss, the derivatives are recognized as separate derivatives.

#### (XIV) Revenue Recognition

After the combined company identifies its performance obligations in contracts with customers, it shall amortize the transaction costs to each obligation in the contract and recognize revenue upon satisfaction of performance obligations.

##### Revenue from sales of goods

Revenue is derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the combined company recognizes the revenue and accounts receivable at that point.

#### (XV) Leases

The combined company assesses whether a contract is (or contains) a lease on the execution date of the contract.

##### 1. The combined company is a lessor

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

When the combined company subleases the right-of-use asset, it determines the classification of the sublease by the right-of-use asset (not the underlying asset). However, if the main lease is a short-term lease where the recognition exemption is applicable for the combined company, the sublease is classified as an operating lease.

Under finance leases, lease payments are fixed payments. Net lease investment is measured as the sum of the present value of lease receivables and unguaranteed residual value plus the original direct cost and expressed as finance lease receivable. Financing income is allocated to each accounting period to reflect the fixed rate of return on the unexpired net lease investment of the combined company in each period.

2. The combined company is a Lessee

A right-of-use asset and a lease liability are recognized for all leases at the inception date of such leases, except for leases qualified for recognition exemption, e.g. leases with low-value underlying assets and short-term leases, for which an expense is recognized on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost (including the original measured amount of the lease liability,) and subsequently measured at cost minus the accumulated depreciation and the accumulated impairment loss and adjusted for the remeasurement of the lease liability. Right-of-use assets are expressed separately in the consolidated balance sheet.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful lives, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at the interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate of interest shall be used.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. In the case that future lease payments change as a result of a change in the lease term, the combined company remeasures the lease liability and correspondingly adjusts the right-of-use asset, except in the case when the carrying amount of the right-of-use asset has reduced to zero, in which case any residual remeasured amount shall be recognized in gain or loss. Lease liabilities are expressed separately in the consolidated balance sheet.

(XVI) Government subsidies

Government subsidies are only recognized when they can be reasonably assured that the combined company will comply with the conditions imposed by government subsidies and that such subsidies will be recognized when received.

If the government subsidy is used to compensate fees or losses that had occurred, or is given to the combined company for the purpose of immediate financial support without related future costs, it can be recognized as income within the collectible period.

(XVII) Employee benefits

1. Short-term employee benefits

Related liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Benefits after retirement

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XVIII) Income tax

Income tax expenses are the sum of current income tax and deferred income tax.

1. Current income tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each income tax jurisdiction, and calculates the income tax payable (recoverable) on such basis.

A tax is levied on the unappropriated earnings pursuant to the Income Tax Act and is recorded as an income tax expense in the year when the shareholders' meeting resolves to appropriate the earnings.

Adjustments to income tax payable from previous years are recognized in the income tax of current year.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of the assets and liabilities and the taxable basis of the taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized when there are likely to be taxable income for the deductible temporary differences or the carryforward of unused tax losses.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates, except where the combined company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of the deferred income tax assets is re-examined at each balance sheet date and the carrying amount is reduced for assets that are no longer likely to generate sufficient taxable income to recover all or part of the assets. Assets that have not been recognized as deferred income tax assets are re-examined at each balance sheet date and the carrying amount is increased for assets that are

likely to generate sufficient taxable income to recover all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period of expected repayment of liabilities or realization of assets. The rate is based on the tax rate and tax laws that have been enacted prior to the balance sheet date or have been substantially legislated. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the combined company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred taxes for the year

Current and deferred income tax are recognized in gain or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

If current income or deferred tax arises from business combination, the income tax effects are included in the accounting of business combination.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When the combined company adopts accounting policies, the management must make judgments, estimates and assumptions based on historical experience and other critical factors for related information that are not readily available from other sources. Actual results may differ from original estimates.

The combined company takes into account the economic impact of the COVID-19 outbreak in its critical accounting judgments and the management will constantly review the estimations and underlying assumptions. If an amendment of estimates only affects the current period, it shall be recognized in the current period of amendment; if an amendment of accounting estimates affects the current year and future periods, it shall be recognized in the current year and future periods.

VI. Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash on hand and working capital	\$ 1,467	\$ 1,339
Checking accounts and demand deposits	1,255,643	910,415
Cash equivalents (investments with original maturity date of less than three months)		
Bank fixed deposit	382,889	30,578
	<u>\$ 1,639,999</u>	<u>\$ 942,332</u>

VII. Financial instruments measured at fair value through profit or loss

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial assets - Current		
Mandatorily measured at fair value through profit or loss		
Mixed financial assets -		
Structured deposits (I)	\$ <u>8,788</u>	\$ <u>-</u>
Financial assets - Non-current		
Designated as fair value through profit and loss		
Derivatives (hedge unspecified) -		
Redemption Option (Note 21)	\$ <u>1,224</u>	\$ <u>-</u>
Financial liabilities - Non-current		
Designated as fair value through profit and loss		
Derivatives (hedge unspecified) -		
Redemption Option (Note 21)	\$ <u>-</u>	\$ <u>3,392</u>

(I) In 2020, the combined company signed a 6-month structured time deposit contract with the bank. The structured deposits include an embedded derivative that is not closely related to the main contract. Because the main contract included in the hybrid contract is an asset within the scope of IFRS 9, the overall hybrid contract evaluation is mandatory to be classified as fair value through profit or loss.

VIII. Financial assets at amortized cost

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current		
Domestic investment		
Bank deposits - restricted	\$ 4,141	\$ 4,355
Time deposits with original maturity over 3 months - Limited		75,081
	\$ <u>4,141</u>	<u>79,436</u>

As of Dec. 31, 2019, the annual rate of fixed deposits with original date due of more than three months is 2.25%.

Please refer to Note 35 for information on the pledge of financial assets measured at amortized cost.

IX. Credit Risk Management for Debt Instruments

All debt instruments invested by the combined company are financial assets measured at amortized cost.

December 31, 2020

	<u>Measured at amortized cost</u>
Total carrying amount	\$ 4,141
Loss allowance	<u>-</u>
Amortized cost	<u>\$ 4,141</u>

December 31, 2019

	Measured at amortized cost
Total carrying amount	\$ 79,436
Loss allowance	-
Amortized cost	<u>\$ 79,436</u>

To mitigate credit risk, the management of the combined company shall perform credit rating assessments to assess the default risk of debt instrument investment institutions. For credit rating items which lacks external rating information, appropriate internal rating shall be given by referencing public financial information. The combined company continuously tracks information such as material information from the financial institutions to monitor changes in the credit risk of the debt instruments it has invested in, and evaluates whether the credit risk of the debt instrument investments has increased significantly since its original recognition.

The combined company takes stock of the historical default records and current financial conditions of financial institutions provided by the internal credit rating team, so as to measure the 12-month expected credit loss or the lifetime expected credit loss of the debt instrument investment.

The combined company's current credit risk rating mechanism and the total carrying amount of investments in debt instruments at each credit rating are as follows:

<u>Credit Rating</u>	<u>Definition</u>	<u>Basis of Recognition of Expected Credit Losses</u>
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows.	12-month expected credit losses

The total book value of each credit rating debt instrument investment and the applicable expected credit loss rate are as follows:

December 31, 2020

<u>Credit Rating</u>	<u>Expected credit loss rate</u>	<u>Total carrying amount Measured at amortized cost</u>
Normal	0%	\$ 4,141

December 31, 2019

<u>Credit Rating</u>	<u>Expected credit loss rate</u>	<u>Total carrying amount Measured at amortized cost</u>
Normal	0%	\$ 79,436



X. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable - operating</u>		
Measured at amortized cost		
Total carrying amount	\$ 3,537	\$ 4,684
Deduct: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 3,537</u>	<u>\$ 4,684</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 2,224,808	\$ 2,109,054
Deduct: Loss allowance	<u>(20,857)</u>	<u>(32,348)</u>
	<u>\$ 2,203,951</u>	<u>\$ 2,076,706</u>
<u>Other receivables</u>		
Others	<u>\$ 16,178</u>	<u>\$ 17,122</u>

Note receivables and account receivables

Note receivables and account receivables measured at amortized cost

The average credit granting period for product sales of combined company is 150 days. The combined company adopts a policy of treating transactions with counterparties approved by the company's credit ratings assessment and where necessary, sufficient collateral is obtained to mitigate the risk of financial losses arising from defaults. The combined company shall use publicly obtainable financial information and past transaction records to grade main customers. The combined company continues to monitor credit risk exposure and the credit ratings of counterparties, and diversify total transaction amounts among qualified customers. It also controls credit risk exposure through reviews and credit line approval by the management.

The combined company recognizes loss allowance for accounts receivable in accordance with lifetime expected credit loss. Lifetime expected credit losses are calculated based on the bad debt provision matrix which accounts for the customer's past default records, current financial status, and economic conditions in the industry. GDP forecasts and the outlook of the industry are also considered. The combined company separates individual customers into different risk groups and recognizes loss allowance based on the expected loss rate of each group.

The combined company has no notes receivable that are overdue but for which allowance has not been recognized as of the balance sheet date, and considering that no impairment has occurred in the past, the expected credit impairment loss rate of notes receivable is set at 0%. The combined company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivables. For accounts receivable that have been written off, the combined company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in gain or loss.

Measurement of loss allowance for notes receivable and accounts receivable based on provisional matrix by the combined company is as follows:

## December 31, 2020

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~25%	0.04%~19.8 3%	6.27%~24.6 0%	19.85%~34. 73%	24.82%~54. 18%	28.36%~10 0%	56.43%~10 0%	
Total carrying amount	\$ 2,021,448	\$ 159,400	\$ 23,663	\$ 5,159	\$ 9,630	\$ 1,917	\$ 7,128	\$ 2,228,345
Loss allowance (lifetime expected credit loss)	(1,557)	(2,989)	(3,388)	(1,425)	(3,654)	(1,033)	(6,811)	(20,857)
Amortized cost	<u>\$ 2,019,891</u>	<u>\$ 156,411</u>	<u>\$ 20,275</u>	<u>\$ 3,734</u>	<u>\$ 5,976</u>	<u>\$ 884</u>	<u>\$ 317</u>	<u>\$ 2,207,488</u>

## December 31, 2019

	Not overdue	1 - 60 days overdue	61 - 120 days overdue	121 - 180 days overdue	181 - 240 days overdue	241 - 365 days overdue	Overdue over 365 days	Total
Expected credit loss rate	0%~17.94%	0%~27.47%	9.09%~33.0 6%	14.29%~40. 01%	25%~59.97 %	28.31%~10 0%	25.83%~10 0%	
Total carrying amount	\$ 1,882,993	\$ 178,413	\$ 18,494	\$ 10,881	\$ 882	\$ 4,586	\$ 17,489	\$ 2,113,738
Loss allowance (lifetime expected credit loss)	(1,547)	(3,004)	(4,990)	(3,221)	(405)	(2,115)	(17,066)	(32,348)
Amortized cost	<u>\$ 1,881,446</u>	<u>\$ 175,409</u>	<u>\$ 13,504</u>	<u>\$ 7,660</u>	<u>\$ 477</u>	<u>\$ 2,471</u>	<u>\$ 423</u>	<u>\$ 2,081,390</u>

Changes in loss allowance for accounts receivable are as follows:

	2020	2019
Opening balance	\$ 32,348	\$ 28,077
Add: Impairment loss recognized	-	5,673
Deduct: Amounts actual written off	-	( 4)
Deduct: Reversal impairment loss of the year	( 11,480)	-
Foreign currency translation differences	( 11)	( 1,398)
Balance at the end of the year	<u>\$ 20,857</u>	<u>\$ 32,348</u>

## XI. Finance lease receivables

	December 31, 2020	December 31, 2019
Undiscounted lease payments		
Year 1	\$ 6,488	\$ 6,381
Year 2	6,488	6,381
Year 3	1,892	6,381
Year 4	-	1,862
	<u>14,868</u>	<u>21,005</u>
Less: unearned finance income	( 848)	( 1,676)
Lease payment receivable	<u>14,020</u>	<u>19,329</u>
Net investment in a lease (expressed as finance lease receivables)	<u>\$ 14,020</u>	<u>\$ 19,329</u>

The combined company sub-leased part of the leased plant in 2019 and received a fixed lease payment annually. Since the remaining period of the main lease was fully sub-leased, it was classified as a finance lease.

The interest rate implicit in a lease during the lease period will not change after a determination on the contract date. The interest rate implicit in the finance lease as of Dec. 31, 2020 is 5% per annum.

The combined company measures the loss allowance of finance lease receivables based on lifetime expected credit losses. Finance lease payment receivables are pledged by leased

equipment. As of the balance sheet date, there were no overdue outstanding finance lease receivables. At the same time, considering counterparties' past default records, the future development of the relevant industry of the subject if the lease and the value of collateral, the combined company deemed that no impairment has occurred for the above financial lease payment receivable.

XII. Inventories

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Finished goods	\$ 256,155	\$ 413,233
Work-in-progress	181,892	178,556
Raw materials	<u>188,297</u>	<u>144,929</u>
	<u>\$ 626,344</u>	<u>\$ 736,718</u>

The nature of cost of goods sold is as follows:

	<u>2020</u>	<u>2019</u>
Cost of inventory sold	\$ 4,229,194	\$ 3,964,890
Loss of inventory falling price (recovery profit)	<u>( 38,291)</u>	<u>46,758</u>
	<u>\$ 4,190,903</u>	<u>\$ 4,011,648</u>

The rebound in the net realizable value of inventories was due to the de-allocation of slow moving inventories.

### XIII. Subsidiaries

#### Subsidiaries included in the consolidated financial reports

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

Investor company	Name of subsidiaries	Business activities	Percentage of equity interest held		Description
			December 31, 2020	December 31, 2019	
Lemtech Global Solution Co. Ltd.	Lemtech Global Solution Co. Ltd. (formerly Super Solution Co., Ltd., hereinafter referred to as "Global Solution")	Investment holding companies	100	100	On November 23, 2009, all shares were obtained by a stock swap.
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	0.19	0.2	Merged LDC Precision Engineering Co., Ltd (Kunshan) on March 17, 2010. (Note 2)
Lemtech Global Solution Co. Ltd.	Zhenjiang Emtron Surface Treatment Limited Company (hereinafter referred to as "Emtron Company")	Surface treatment of mechanical, electronic and automotive components	83.33	83.33	Investment funds were remitted on January 22, 2019. (Note 1 and 3)
Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd (hereinafter referred to as "LIS")	Sales of electronics and computer peripheral component	57	57	Note 1 and 4.
Lemtech Global Solution Co. Ltd.	Lemtech Cooling System Limited (hereinafter referred to as "Lemtech Cooling")	Investment holding companies	100	100	Established on June 12, 2019, and funds remitted for the shares on August 22, 2019. (Note 1)
Global Solution	Lemtech Precision Material (China) Co., Ltd (China) (formerly Kunshan Lemtech Precision Material Co., Ltd, hereinafter referred to as "Lemtech Precision Material")	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	99.81	99.8	Merged LDC Precision Engineering Co., Ltd (Kunshan) on March 17, 2010. (Note 2)
Lemtech Cooling	Lemtech Philippine Thermal System Inc. (hereinafter referred to as "Lemtech Philippine")	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	100	100	Established on July 15, 2019, and funds remitted for the shares on October 30, 2019. (Note 1)
Lemtech Cooling	Lemtech Energy Solutions Corporation (Taiwan) (hereinafter referred to as "Lemtech Energy Solutions Corporation", formerly Lemtech Cryomax System Corp.)	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment	100	100	(Note 1, 5, and 6)
Lemtech Cooling	Kunshan Lemtech Electronics Technology Co., Ltd. (hereinafter referred to as "Lemtech Electronics Company")	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment	100	100	Established on October 9, 2019, and funds remitted for the shares on December 3, 2019.
Lemtech Cooling	Lemtech Electronics Technology (Changshu) Co., Ltd. (hereinafter referred to as Lemtech Electronics Technology (Changshu))	Electronic component manufacturing, electronic component wholesale, electronic special material manufacturing, electronic special material sales, electronic special material research and development, lighting equipment manufacturing, lighting equipment sales, manufacturing of auto parts and accessories, manufacturing of solar equipment and components, sales of solar equipment and components, manufacturing of computer software and hardware equipment, sales of communication equipment	100	-	Established on September 24, 2020, and remitted share funds on October 26, 2020. (Note 1)
Lemtech Precision Material	LDC Precision Engineering Co., Ltd. (hereinafter referred to as "LDC Company")	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	100	100	Established on May 10, 2010. (Note 1)
Lemtech Precision Material	Lemtech Technology Limited (hereinafter referred to as "Lemtech HK")	Sales of automotive, electronics and computer peripheral parts	100	100	Established on April 9, 2014.

(Continued)

(Continued from previous page)

Investor company	Name of subsidiaries	Business activities	Percentage of equity interest held		Description
			December 31, 2020	December 31, 2019	
Lemtech Precision Material	Lemtech Precision Material (CZECH) s.r.o. (hereinafter referred to as Lemtech CZ)	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	100	100	Operations began on January 1, 2017. (Note 1)
Lemtech HK	Lemtech USA Inc. (hereinafter referred to as "Lemtech USA")	U.S. business development, business information collection, provision of market intelligence and industry information	100	100	Established on May 31, 2013. (Note 1)
LIS	Kunshan Lemtech Slide Technology Co., Ltd. (China) (hereinafter referred to as "Lemtech Slide Company")	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	100	100	Established on July 21, 2016. (Note 1)

#### Note

1. Lemtech Philippine, Lemtech Electronics Company (Changshu), Emtron Company, Lemtech Cooling, Lemtech Energy Solutions Corporation, Lemtech USA, Lemtech CZ, LIS, LDC Company, and Lemtech Slide Company are all non-essential subsidiaries. Except LDC Company, the financial reports of the rest have not been audited by a certified public accountant; however, the management of the combined company deemed that the fact that the financial reports of the above-mentioned non-essential subsidiaries have not been audited by a certified public accountant would not result in significant differences.
2. In March 2020, the Global Solution of the combined company failed to increase its capital in Lemtech Precision Material according to its shareholding ratio. Therefore, the shareholding ratio increased from 99.80% to 99.81%, of which the equity attributable to Liande Holdings Co., Ltd. increased from 0.20% The decrease was 0.19%
3. In order to continue to expand the production supply chain of automobile components in China and achieve stability and improve gross profit, the combined company signed a contract on Jan. 23, 2019 and paid the total transaction amount of NT\$111,966 thousand, or US\$3,640 thousand, to acquire 83.33% of the equity and debt of Emtron Company, which completed equity transfer on Jan. 23, 2019. For details on the relevant transactions, please refer to Note 30.
4. In accordance with the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted its investment structure in accordance with board resolution. In April, 2019, LIS held by Lemtech HK was assigned to be held by Lemtech Global Solution Co. Ltd.
5. Lemtech Cryomax System Corp. was established on Apr. 2, 2015. On Nov. 10, 2018, Global Solution acquired 50% of the equity of Lemtech Cryomax System Corp., and obtained a gain from a bargain purchase from Lemtech Cryomax System Corp. at NT\$298 thousand. Participated in capital increase in cash in January, 2019, and the shareholding ratio remained unchanged after the capital increase. The company name was changed to Lemtech Energy Solutions Corporation since October 2019.

6. Corresponding to the company's operating plan, future development and goals of enhancing the company's competitiveness, the combined company adjusted the investment structure in accordance with board resolution, and assigned 50% of equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) held by Lemtech Global Solution Co. Ltd to Lemtech Cooling. And Lemtech Cooling shall acquire the remaining 50% equity of Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.). Relevant contracts were executed on July 1, 2019, and the total transaction amount of NT\$30,000 thousand was paid and the equity transfers completed. For details on the relevant transactions, please refer to Note 30.

XIV. Investment using equity method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Affiliates not individually significant		
Aapico Lemtech (I)	<u>\$ 30,758</u>	<u>\$ 32,923</u>

- (I) The combined company signed an investment agreement with Thai listed company Aapico Hitech Plc. (AH: TB) on February 1, 2013, invested in cash, and jointly established Aapico Lemtech (Thailand) Co. on March 1, 2013. , Ltd. (hereinafter referred to as "Aapico Lemtech"). In accordance with the company's operating plan, on June 30, 2016, the combined company adjusted the equity held of Aapico Lemtech, the holding is assigned to Global Solution to Lemtech HK.
- (II) The percentage of ownership, equities, and voting rights of the combined company in affiliated companies on the balance sheet date are as follows:

<u>Name</u>	<u>Business activities</u>	<u>Principal place of business</u>	<u>Percentage of Ownership and Votes</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Aapico Lemtech	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	Thailand	40%	40%

The profit and loss and other comprehensive income proportions of affiliates using the equity method in 2020 and 2019 were recognized and disclosed based on the financial report of the investee without CPAs' verification during the same period; however, the management of the combined company deemed that no significant influence will occur from the use of such financial reports.

Please refer to Attachment 8 for the aforementioned associates' nature of business, main business premises, and countries of registration.

## XV. Real estate, Plant and Equipment

	December 31, 2020							December 31, 2019	
	<u>\$ 1,260,496</u>							<u>\$ 1,808,305</u>	
For self-use									
<u>For self-use</u>									
	Land	Buildings	Machinery equipment	Transportation equipment	Office equipment	Leasehold improvements	Other Equipment	Unfinished constructions and equipment to be tested	Total
<u>Cost</u>									
Balance as of January 1, 2020	\$ 493,598	\$ 489,308	\$ 1,025,482	\$31,708	\$ 37,359	\$ 81,302	\$ 391,138	\$ 23,579	\$ 2,573,474
Addition	-	645	73,121	3,025	4,056	-	52,502	3,811	137,160
Disposal	( 493,598)	( 68)	( 17,002)	(1,212)	( 2,185)	-	( 4,939)	-	( 519,004)
Reclassification	-	-	2,031	-	817	-	20,817	( 23,665)	-
Net exchange differences	-	8,124	17,007	552	563	1,356	4,373	86	32,061
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 498,009</u>	<u>\$ 1,100,639</u>	<u>\$ 34,073</u>	<u>\$ 40,610</u>	<u>\$ 82,658</u>	<u>\$ 463,891</u>	<u>\$ 3,811</u>	<u>\$ 2,223,691</u>
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2020	\$ -	\$ 86,473	\$ 372,764	\$ 21,006	\$ 28,675	\$ 40,135	\$ 216,116	\$ -	\$ 765,169
Depreciation expenses	-	24,431	105,709	4,168	3,949	-	53,629	-	200,060
Disposal	-	-	( 11,422)	( 1,212)	( 2,134)	-	( 4,101)	-	( 18,869)
Reclassification	-	-	-	-	-	-	-	-	-
Net exchange differences	-	1,924	8,178	418	508	839	4,968	-	16,835
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 112,828</u>	<u>\$ 475,229</u>	<u>\$ 24,380</u>	<u>\$ 30,998</u>	<u>\$ 49,148</u>	<u>\$ 270,612</u>	<u>\$ -</u>	<u>\$ 963,195</u>
Net profit as of December 31, 2020	<u>\$ -</u>	<u>\$ 385,181</u>	<u>\$ 625,410</u>	<u>\$ 9,693</u>	<u>\$ 9,612</u>	<u>\$ 33,510</u>	<u>\$ 193,279</u>	<u>\$ 3,811</u>	<u>\$ 1,260,496</u>
<u>Cost</u>									
Balance as of January 1, 2019	\$ -	\$ 507,950	\$ 852,434	\$33,078	\$ 40,452	\$ 69,904	\$ 362,046	\$ 4,746	\$ 1,870,610
Addition	444,705	68	94,666	1,544	2,631	14,419	20,851	23,972	602,856
Acquired through business combinations	-	150	40,471	918	269	-	3,786	-	45,594
Disposal	-	-	( 63,186)	( 2,602)	( 4,622)	-	( 7,246)	( 90)	( 77,746)
Reclassification	48,893	-	136,195	21	34	( 405)	24,020	( 4,872)	203,886
Net exchange differences	-	(18,860)	(35,098)	(1,251)	( 1,405)	( 2,616)	(12,319)	(177)	(71,726)
Balance as of December 31, 2019	<u>\$ 493,598</u>	<u>\$ 489,308</u>	<u>\$ 1,025,482</u>	<u>\$ 31,708</u>	<u>\$ 37,359</u>	<u>\$ 81,302</u>	<u>\$ 391,138</u>	<u>\$ 23,579</u>	<u>\$ 2,573,474</u>
<u>Accumulated depreciation and impairment</u>									
Balance as of January 1, 2019	\$ -	\$ 64,297	\$ 326,068	\$ 18,851	\$ 29,004	\$ 31,775	\$ 169,724	\$ -	\$ 639,719
Depreciation expenses	-	25,151	96,918	4,313	3,773	-	9,864	-	197,061
Disposal	-	-	( 35,745)	( 1,395)	( 3,017)	-	( 3,252)	-	( 43,409)
Reclassification	-	-	-	-	-	( 56)	56	-	-
Net exchange differences	-	(2,975)	(14,477)	(763)	( 1,085)	(1,448)	(7,454)	-	(28,202)
Balance as of December 31, 2019	<u>\$ -</u>	<u>\$ 86,473</u>	<u>\$ 372,764</u>	<u>\$ 21,006</u>	<u>\$ 28,675</u>	<u>\$ 40,135</u>	<u>\$ 216,116</u>	<u>\$ -</u>	<u>\$ 765,169</u>
Net profit as of December 31, 2019	<u>\$ 493,598</u>	<u>\$ 402,835</u>	<u>\$ 652,718</u>	<u>\$ 10,702</u>	<u>\$ 8,684</u>	<u>\$ 41,167</u>	<u>\$ 175,022</u>	<u>\$ 23,579</u>	<u>\$ 1,808,305</u>

In 2020 and 2019, the above-mentioned real estate, plant, and equipment of the combined company did not show any signs of impairment.

Depreciation expenses are calculated on a straight-line basis according to the following durable years:

Buildings	
Plant main building	20 years
Other projects	5 years
Machinery equipment	3 to 10 years
Office equipment	2 to 5 Years
Transportation equipment	3~5 years
Leasehold improvements	3~15 years
Other Equipment	2~10 years

Please refer to Note 35 for the amount of real estate, plant, and equipment set as a loan guarantee.

XVI. Lease Agreement

(I) Right-of-use assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying value of right-of-use assets		
Land	\$ 84,137	\$ 84,920
Buildings	169,108	143,859
Transportation equipment	<u>4,441</u>	<u>4,322</u>
	<u>\$ 257,686</u>	<u>\$ 233,101</u>
	<u>2020</u>	<u>2019</u>
Addition to right-of-use assets	<u>\$ 70,280</u>	<u>\$ 41,610</u>
Depreciation expenses of right-of-use assets		
Land	\$ 2,158	\$ 2,224
Buildings	46,441	45,457
Transportation equipment	<u>1,971</u>	<u>1,653</u>
	<u>\$ 50,570</u>	<u>\$ 49,334</u>

Other than the above increase in right-of-use assets and recognition of depreciation expenses, the combined company's right-of-use assets did not undergo significant sublease or impairment for the years ended December 31, 2020 and 2019.

The right-of-use asset includes long-term prepaid rent for leased land in China, and the combined company has obtained certificate for the land use rights of such land.

(II) Lease liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Carrying amount of lease liabilities		
Current	<u>\$ 54,985</u>	<u>\$ 47,803</u>
Non-current	<u>\$ 134,661</u>	<u>\$ 120,340</u>

The discount rate intervals for lease liabilities are as follows:

	<u>2020</u>	<u>2019</u>
Buildings	1.1%~7.42%	1.1%~7.42%
Transportation equipment	1%~3.16%	3.16%

(III) Important Leasing Activities and Terms

The combined company rent certain land, buildings, and transportation equipment as plant, office, and office use by employees. The lease period is 1 to 50 years. At the end of the lease term, the combined company has no preferential right to take over the leased building.



(IV) Sublease

For information on subleasing, please refer to Note 11.

(V) Other lease information

	<u>2020</u>	<u>2019</u>
Expense on leases of low-value assets	\$ 7,156	\$ 6,950
Total cash outflow from lease	<u>\$ 64,672</u>	<u>\$ 57,408</u>

The combined company chooses to apply the recognition exemption for leases that qualify for low-value asset leases, and does not recognize related right-of-use assets and lease liabilities for such leases.

XVII. Goodwill

	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Opening balance	\$ 82,387	\$ -
Acquisition through business combinations of the year (Note 30)	-	82,740
Net exchange differences	( 212)	( 353)
Balance at the end of the year	<u>\$ 82,175</u>	<u>\$ 82,387</u>
<u>Accumulated impairment losses</u>		
Opening balance	\$ -	\$ -
Recognized Impairment of the Year	-	-
Balance at the end of the year	<u>\$ -</u>	<u>\$ -</u>
Net balance at the end of the year	<u>\$ 82,175</u>	<u>\$ 82,387</u>

The combined company acquired Zhenjiang Emtron Surface Treatment Limited on January 22, 2019, gained goodwill of NT\$78,155 thousand, which is mainly due to the benefits expected from a stable production supply chain of automotive components in China.

The combined company acquired Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.) on July 1, 2019, gained goodwill of NT\$4,585 thousand, which was mainly due to the benefits expected from the production and sales of server cooling products in Taiwan.

XVIII. Other Intangible Assets

	Computer software cost	Fair value of franchises and customer relationships	Total
<u>Cost</u>			
Balance as of January 1, 2020	\$ 46,245	\$ 26,811	\$ 73,056
Separate acquisition	8,667	-	8,667
Net exchange differences	<u>596</u>	<u>-</u>	<u>596</u>
Balance as of December 31, 2020	\$ 55,508	\$ 26,811	\$ 82,319
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2020	(\$ 25,564)	(\$ 5,288)	(\$ 30,852)
Amortization	( 5,905)	( 5,055)	( 10,960)
Net exchange differences	( 409)	-	( 409)
Balance as of December 31, 2020	(\$ <u>31,878</u> )	(\$ <u>10,343</u> )	(\$ <u>42,221</u> )
Net profit as of December 31, 2020	<u>\$ 23,630</u>	<u>\$ 16,468</u>	<u>\$ 40,098</u>
<u>Cost</u>			
Balance as of January 1, 2019	\$ 45,758	\$ -	\$ 45,758
Separate acquisition	5,358	-	5,358
Reclassification	431	-	431
Acquired through business combinations	-	26,811	26,811
Disposal	( 3,924)	-	( 3,924)
Net exchange differences	( <u>1,378</u> )	<u>-</u>	( <u>1,378</u> )
Balance as of December 31, 2019	<u>\$ 46,245</u>	<u>\$ 26,811</u>	<u>\$ 73,056</u>
<u>Accumulated amortization and impairment</u>			
Balance as of January 1, 2019	(\$ 23,124)	\$ -	(\$ 23,124)
Amortization	( 5,514)	( 5,288)	( 10,802)
Disposal	2,298	-	2,298
Net exchange differences	<u>776</u>	<u>-</u>	<u>776</u>
Balance as of December 31, 2019	(\$ <u>25,564</u> )	(\$ <u>5,288</u> )	(\$ <u>30,852</u> )
Net profit as of December 31, 2019	<u>\$ 20,681</u>	<u>\$ 21,523</u>	<u>\$ 42,204</u>

Amortized expenses were calculated on a straight-line basis over estimated useful lives listed as follows:

Computer software	1~10 year(s)
Fair value of franchises and customer relationships	5 years

XIX. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Prepayments		
Prepayments for goods	\$ 47,844	\$ 37,356
Other prepayments	<u>67,449</u>	<u>47,712</u>
	<u>\$ 115,293</u>	<u>\$ 85,068</u>
Other current assets		
Temporary payments	\$ 122	\$ 154
Payments on behalf of others	<u>-</u>	<u>1,893</u>
	<u>\$ 122</u>	<u>\$ 2,047</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 64,161	\$ 41,228
Refundable deposit	<u>8,916</u>	<u>7,032</u>
	<u>\$ 73,077</u>	<u>\$ 48,260</u>

XX. Loans

(I) Short-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured loans</u>		
Line of credit loans	<u>\$ 772,658</u>	<u>\$ 965,312</u>

The interest rates of bank revolving loans were 0.73% to 4% and 1.2% to 5.22% on December 31, 2020 and 2019, respectively.

(II) Long-term loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Secured loans</u> (Note XXX)		
Bank loans	\$ -	\$ 350,000
Less: Portion due within one year	<u>-</u>	<u>-</u>
Long-term loans	<u>\$ -</u>	<u>\$ 350,000</u>

The bank loans were secured by pledging the company's owned land as collateral (Note 35). The maturity date of the loan is May 31, 2022. The bank loan was repaid in advance in November 2020.

As of December 31, 2019 the effective annual interest rate is 1.47%.

XXI. Bond payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
The second domestic unsecured convertible corporate bond	\$ -	\$ 595,000
Less: Discount on corporate bonds payable	<u>-</u>	<u>( 14,399)</u>
	<u>\$ -</u>	<u>\$ 580,601</u>
Third issuance of unsecured convertible corporate bonds in Taiwan	\$ 360,000	\$ -
Less: Discount on corporate bonds payable	<u>( 13,648)</u>	<u>-</u>
	<u>\$ 346,352</u>	<u>\$ -</u>

(I)The second domestic unsecured convertible corporate bond

The Company issued 6 thousand units of unsecured convertible bonds in New Taiwan Dollars in Taiwan on July 30, 2018 with a nominal amount of NT\$100 thousand per unit and an interest rate of 0%, issued at a premium of 100.5% of the par value, or NT\$600,000 thousand; the total amount received is NT\$603,000 thousand.

1. Holders of each unit of corporate bonds per unit have the right to convert the Company's conversion corporate bonds into common stocks of the Company. The conversion period is from October 31, 2018 to July 30, 2021.
2. Where the abovementioned corporate bonds are not converted during the conversion period, the outstanding corporate bonds will be redeemed in cash at par value on July 30, 2021.
3. At the end of two years from the issuance date (July 30, 2020), bondholders have the right to sell the bonds back to the company at par value.

These convertible bonds include assets, liabilities and equity components; the equity component is recorded in capital surplus-stock options under equity. The equity component is initial recognized at the effective interest rate of 1.55%.

Issuance price (net of transaction costs of NT\$ 5,625 thousand)	\$ 597,375
Equity component (less the equity transaction cost of NT\$242 thousand)	<u>( 25,738)</u>
Financial assets	<u>1,080</u>
Liability component (less the liability transaction cost of NT\$ 5,383 thousand)	<u>\$ 572,717</u>

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Liability component as of January 1, 2019	\$ 576,478
Interest calculated at the effective interest rate of 1.55%	8,944
Corporate bonds converted into ordinary shares	( 4,821)
Liability component as of December 31, 2019	<u>\$ 580,601</u>
Liability component as of January 1, 2020	\$ 580,601
Interest calculated at the effective interest rate of 1.55%	5,241
Financial liabilities	3,213
Reversal of corporate bonds	( 588,857)
Redemption of corporate bonds	( 198)
Liability component as of December 31, 2020	<u>\$ -</u>

As of December 31, 2019, the second domestic unsecured convertible corporate bonds of NT\$ 5,000 thousand were converted into 23 thousand common stock of the Company. As of December 31, 2020, the second domestic unsecured convertible corporate bonds have been fully redeemed/reversed.

(II) Third domestic unsecured convertible bonds

The company issued 7 thousand units of unsecured convertible bonds in NTD in Taiwan on August 4, 2020 with a nominal amount of NT\$100 thousand per unit and an interest rate of 0%, issued at a premium of 100% of the par value, or NT\$ 700,000 thousand; the total amount received is NT\$ 700,000 thousand.

1. Each unit of corporate bondholders has the right to convert the Company's converted corporate bonds into common stock of the Company. The conversion period is from November 5, 2020 to August 4, 2023.
2. Where the abovementioned corporate bonds are not converted during the conversion period, the outstanding corporate bonds will redeemed in cash at par value on August 4, 2023.

These convertible bonds include assets, liabilities and equity components; the equity component is recorded in capital surplus-stock options under equity. The equity component is initially recognized at the effective interest rate of 1.49%.

Issue price (minus transaction cost NT\$ 5,564 thousand)	\$ 694,436
Equity component (less transaction cost allocated to equity of NT\$ 210,000)	( 26,181)
Financial assets	<u>1,120</u>
Liability component (less the liability transaction cost of NT\$ 5,354 thousand)	669,375
Interest calculated at effective interest rate 1.49%	3,393
Corporate bonds converted into ordinary shares	( 326,416)
Liability component as of December 31, 2020	<u>\$ 346,352</u>

As of December 31, 2020, the third domestic unsecured convertible corporate bonds of NT\$ 340,000 thousand were converted into 3,586 thousand common stock of the Company.

XXII. Note Payables and Account Payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Notes payable		
Arising from operations	\$ <u>174,106</u>	\$ <u>183,304</u>
Accounts payable		
Arising from operations	\$ <u>1,566,068</u>	\$ <u>1,466,225</u>

The average credit period for accounts payable is approximately 120 days, and interest is not added to accounts payable. The combined company has established financial risk management policies to ensure that all payables are paid within the pre-agreed credit terms.

XXIII. Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current		
Other payables		
Equipment payment and construction payment payable	\$ 5,400	\$ 10,616
Payroll and bonus payable	105,418	87,445
Benefits payable	1,093	3,498
Remuneration payable to employees, directors and supervisors	32,862	32,246
Interest payable	1,224	4,160
Commissions payable	355	822
Customs and logistics fees payables	23,314	25,691
Cash dividends distributed by the Company payables	46,967	-
Others	<u>63,799</u>	<u>26,484</u>
	<u>\$ 280,432</u>	<u>\$ 190,962</u>

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other liability		
Temporary payment	\$ 25,915	\$ 7,036
Others	<u>20,682</u>	<u>8,109</u>
	<u>\$ 46,597</u>	<u>\$ 15,145</u>

XXIV. Equity

(I) Share capital

Common shares

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (in thousands shares)	<u>100,000</u>	<u>100,000</u>
Authorized capital stock	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>50,553</u>	<u>47,472</u>
Issued capital	<u>\$ 505,535</u>	<u>\$ 474,720</u>

On June 17, 2019, shareholders' meeting of the Company resolve to convert the surplus of NT\$79,082 thousand into capital, with a denomination amount of NT\$10 per share. The capital increase base date was August 21, 2019, and the paid-in capital after the capital increase is NT\$474,720.

The board of directors resolved to write off the untransferred treasury shares of 505 thousand shares on May 13, 2020, of which NT\$10 per share. The base date of the capital reduction was May 13, 2020, and the paid-in share capital after the capital reduction was NT\$ 469,670 thousand.

The change in the Company's equity is due to the conversion of some of the convertible bonds. For details, please refer to Note 21.

(II) Capital surplus

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May be used to offset deficits, appropriated as cash dividends or transferred to capital (1)</u>		
Stock issuance premium	\$ 331,432	\$ 334,996
Treasury share transactions	9	-
Premium on conversion of convertible bonds	649,791	347,883
Difference between the proceeds received from acquisition or disposal of shares to a subsidiary and its carrying amount	15,969	15,969

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	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>May only be used to offset deficits</u>		
Recognized value of changes in equity of ownership of subsidiaries (2)	\$ 78,314	\$ 77,730
Forfeited stock subscription	25,515	-
<u>Not for any purpose</u>		
Issuance of convertible bonds with recognized equity component	13,464	25,524
	<u>\$ 1,114,494</u>	<u>\$ 802,102</u>

1. This type of capital surplus may be used to cover loss or issue cash or replenish capital when there are no loss, but capital replenishment is restricted to the ratio of actual capital stock each year.
2. This type of capital surplus recognized as equity transaction effect due to changes in subsidiary equity, when the Company's has not acquired or disposed of subsidiary shares.

(III) Retained earnings and dividend policy

According to the company's articles of association, the laws and regulations of the Cayman Islands and listing regulations, in the case of a surplus in the company's annual final accounts, such surplus shall be first subject to taxation, reimbursement of accumulated deficit, followed by a provision for special reserve, if any. Unless the board of directors resolves to keep the remainder as retained earnings, any remainder may be distributed as stock dividend and cash dividend for the shareholders based on their shareholding ratios. Such distribution shall be proposed by the board of directors and submitted to the shareholders' meeting for resolution.

The company's dividend policy considers factors such as the company's stable growth, sustainable operation, capital requirements, sound financial structure, and maintenance of shareholders' equity. The total shareholder dividend shall be not less than 10% of the distributable surplus and may be distributed in stock or in cash, of which cash dividends shall account for no less than 50% of the total dividend distributed. If the company has incurred no loss, it may allocate all or part of the legal capital reserve and capital surplus in accordance with the laws or regulations of the competent authority in consideration of the company's financial, business and operating factors.

For distribution of dividends or bonuses in accordance with the preceding article, the company may, in accordance with the listing regulations, by resolution of the shareholders' meeting, issue all or a portion of the dividends and bonuses by issuing new shares; amounts less than one share may be distributed in cash.

For the valuation basis and actual distribution of the remuneration for employees and directors and supervisors, please refer to Note 26 [7] for remuneration of employees and directors and supervisors.



The shareholders' meetings approved the distribution of earnings for years ended December 31, 2019 and 2018 on June 15, 2020 and June 17, 2019 as follows:

	<u>2019</u>	<u>2018</u>
Special reserve	\$ 54,849	\$ -
Cash dividends	<u>\$ 118,680</u>	<u>\$ 98,853</u>
Stock dividend	<u>\$ -</u>	<u>\$ 79,082</u>
Cash dividend capital bonus for each share (NT\$)	\$ 2.5	\$ 2.5
Stock dividend capital bonus for each share (NT\$)	\$ -	\$ 2

The proposals to appropriate earnings for the years 2020 resolved by the board of directors are as follows:

	<u>2020 (As of September 31)</u> November 12, 2020
Date of resolution by the board of directors	
Special reserve	<u>\$ 32,358</u>
Cash dividends	<u>\$ 46,967</u>
Cash dividend capital bonus for each share (NT\$)	\$ 1

On March 31, 2021, the board of directors approved the distribution of earnings and the dividend per share for the year ended December 31, 2020 as follows:

	<u>2020</u>
Special reserve	( <u>\$ 52,040</u> )
Cash dividend (Note 1)	<u>\$ 162,876</u>
Stock dividends (Note 1)	<u>\$ 81,438</u>
Cash dividend capital bonus for each share (NT\$)	\$ 3
Stock dividend capital bonus for each share (NT\$)	\$ 1.5

Note 1: The equity calculated for shareholder dividends is the actual number of shares outstanding as of March 26, 2021 of 54,292 thousand shares.

The distribution of earnings for 2020 is subject to the resolution of the Stockholders' meeting to be held on June 28, 2021.

(IV) Non-Controlling Interests

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 17,172	\$ 16,481
Net profit for the period	( 922)	2,892
Other comprehensive income for the year		
Exchange differences on translation of foreign financial statements	383	210
Acquisition of the negative value of non-controlling interests in subsidiaries Emtron Company (Note 30)	-	( <u>2,411</u> )
Balance at the end of the year	<u>\$ 16,633</u>	<u>\$ 17,172</u>

(V) Treasury shares

<u>Reason of repatriate</u>	<u>Repurchase for Cancellation (in Thousand Shares)</u>
Number of shares as of January 1, 2020	-
Increase of the year	505
Decrease of the year	( 505)
Number of shares as of December 31, 2020	<u>          -</u>

1. In order to secure the Company's credit and shareholders' rights and interests, the board of directors of the Company determined to purchase and write off 1,000 thousand shares of treasury shares in accordance with Article 28-2 of the Securities Exchange Act in March 2020. As of the expiry date of the repurchase period, 505 thousand shares have been repurchased at a repurchase cost of NT\$ 38,469 thousand. In order to take into account the market mechanism and not affect the stock price, the Company repurchased it according to the stock price changes and trading volume status, therefore, the execution has not been completed.
2. The Company wrote off 505 thousand treasury shares in May 2020, which was based on the original purchase cost of NT\$38,469 thousand yuan, and the capital reserve was reduced in proportion to the wrote off equity - the stock issuance premium was NT\$ 3,564 thousand and the retained surplus was NT\$ 29,855 thousand. This cancellation has been approved by the Ministry of Economic Affairs and the change registration has been completed.

XXV. Revenue

	<u>2020</u>	<u>2019</u>
Revenue from contracts with customers		
Revenue from sales of goods	<u>\$ 5,471,250</u>	<u>\$ 5,042,657</u>

(I) Revenue from the sale of goods

1. Revenue from sales of goods derived from the sales of computer, communication, consumer electronics and automotive components. Because the customer has the right to use the product when the product is sold, and bears the risk of loss or damage to the product, the combined company recognizes the revenue and accounts receivable at that point.

(II) Contract Balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivable (Note X)	\$ 3,537	\$ 4,684	\$ 5,379
Accounts receivable (Note X)	<u>2,203,951</u>	<u>2,076,706</u>	<u>2,220,152</u>
	<u>\$ 2,207,488</u>	<u>\$ 2,081,390</u>	<u>\$ 2,225,531</u>
Contract liabilities - Current	<u>\$ 70,142</u>	<u>\$ 79,408</u>	<u>\$ 66,510</u>

(III) Disaggregation of Revenue from Customer Contracts

Please refer to Note 42 for information on revenue breakdown.

XXVI. Net profit of continuing operation unit

(I) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 4,358	\$ 7,165
Net lease investment	<u>838</u>	<u>737</u>
	<u>\$ 5,196</u>	<u>\$ 7,902</u>

(II) Other income

	<u>2020</u>	<u>2019</u>
Subsidy income (Note 29)	\$ 8,938	\$ 6,365
Others	<u>9,807</u>	<u>765</u>
	<u>\$ 18,745</u>	<u>\$ 7,130</u>

(III) Other profits and (losses)

	<u>2020</u>	<u>2019</u>
Profit (loss) of financial assets and financial liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	\$ 620	\$ -
Designated as financial assets at fair value through profit or loss	1,464	-
Designated as financial liabilities at fair value through profit or loss	179	( 2,489)
Foreign exchange loss - Net	( 43,577)	( 3,032)
Gains on disposal of real estate, plant, and equipment	26,363	592
Gains on disposal of affiliated companies	-	2,163
Loss from redemption and reversal of corporate bonds payables	( 5,961)	-
Others	<u>( 6,192)</u>	<u>( 10,693)</u>
	<u>(\$ 27,104)</u>	<u>(\$ 13,459)</u>

(IV) Finance cost

	<u>2020</u>	<u>2019</u>
Interest on bank loans	(\$ 25,025)	(\$ 43,747)
Interest on lease liabilities	( 5,085)	( 6,228)
Interest on convertible bonds	<u>( 8,634)</u>	<u>( 8,944)</u>
	<u>(\$ 38,744)</u>	<u>(\$ 58,919)</u>

(V) Depreciation and amortization expenses	2020	2019
Depreciation expenses summarized by function		
Operating costs	\$ 177,267	\$ 173,869
Operating expenses	<u>73,363</u>	<u>72,526</u>
	<u>\$ 250,630</u>	<u>\$ 246,395</u>
 Amortized cost summarized by function		
Operating costs	\$ 239	\$ 201
Operating expenses	<u>10,721</u>	<u>10,601</u>
	<u>\$ 10,960</u>	<u>\$ 10,802</u>
 (VI) Employee benefits	2020	2019
Short-term employee benefits	\$ 554,074	\$ 568,756
Benefits after retirement		
Defined contribution plans	<u>3,493</u>	<u>21,473</u>
Total employee benefit expenses	<u>\$ 557,567</u>	<u>\$ 590,229</u>
 Summarized by functions		
Operating costs	\$ 256,822	\$ 271,367
Operating expenses	<u>300,745</u>	<u>318,862</u>
	<u>\$ 557,567</u>	<u>\$ 590,229</u>

(VII) Remuneration of employees, directors and supervisors

In accordance with the regulations of the Articles of Incorporation, the Company deducts the pre-tax profits before the distribution of employees, directors, and supervisors' remuneration for the current year, and allocates the remuneration of employees, directors, and supervisors at a rate of no less than 0.5% and no more than 2%, respectively. Remunerations for employees and directors for 2020 and 2019 were resolved by the Board of Directors on March 31, 2021 and March 25, 2020 respectively.

Estimated ratio

	2020	2019
Remunerations for employees	1%	1%
Remunerations for directors and supervisors	1%	1%

<u>Sum</u>	<u>2020</u>	<u>2019</u>
	Cash	Cash
Remunerations for employees	\$ 4,686	\$ 2,648
Remunerations for directors and supervisors	4,686	2,648

If changes are made to the amount after the publication of the consolidated annual financial report, they apply in accordance with accounting estimation changes and will be included in the financial reports of the following year.

The amounts of employee remunerations distributed for the years ended December 31, 2019 and 2018 and those recognized in the consolidated financial statements are consistent.

For information on the Company's remunerations for employees and Directors as resolved by the Board of Directors, please visit the "Market Observation Post System" of Taiwan Stock Exchange.

(VIII) Foreign currency exchange (profit) and loss

	<u>2020</u>	<u>2019</u>
Total currency exchange gains	\$ 105,939	\$ 94,020
Total currency exchange losses	( 149,516)	( 97,052)
Net (loss) profit	( \$ 43,577)	( \$ 3,032)

XXVII. Income tax of continuing operation units

(I) Income tax recognized in profit or Loss

	<u>2020</u>	<u>2019</u>
Current tax		
Generated in the current year	\$ 111,430	\$ 62,235
Land value increment tax	1,369	-
Additional tax on undistributed earnings	1,167	1,096
Adjustments from the previous years	( 10,646)	( 10,591)
	<u>103,320</u>	<u>52,740</u>
Deferred income tax		
Generated in the current year	20,957	( 418)
Undistributed earnings of subsidiaries	<u>63,817</u>	<u>22,197</u>
	<u>84,774</u>	<u>21,779</u>
Income tax expenses recognized in gain or loss	<u>\$ 188,094</u>	<u>\$ 74,519</u>

Adjustments for accounting income and income tax expenses are as follows:

	<u>2020</u>	<u>2019</u>
Net income before taxes from continuing operations	\$ 643,017	\$ 336,858
Income tax expenses calculated as the product of income before income tax and the statutory tax rate	\$ 135,063	\$ 63,074
Non-deductible expenses	377	566
Tax-exempted income	( 1,369)	-
Effects on the deferred income tax of subsidiaries' earnings	63,817	22,197
Additional tax on undistributed earnings	1,167	1,096
Unrecognized deductible temporary difference	( 1,889)	( 3,423)
Land value increment tax	1,369	-
Others	205	1,600
Adjustments on income tax of prior periods	( <u>10,646</u> )	( <u>10,591</u> )
Income tax expenses recognized in gain or loss	<u>\$ 188,094</u>	<u>\$ 74,519</u>

The tax rate applicable to Long Dachang Company, a subsidiary of the combined company, is 20%; the Chinese subsidiary of the combined company, Liande Fine Materials Co., Ltd., obtained the local government's high-tech enterprise certificate on November 30, 2016 and November 7, 2019, and enjoys a 15% preferential tax rates between 2016 and 2022.

(II) Income tax assets and liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current income tax assets		
Tax refunds receivables	<u>\$ 13</u>	<u>\$ 13</u>
Current income tax liabilities		
Income tax payables	<u>\$ 52,906</u>	<u>\$ 26,001</u>

(III) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities were described as follows:

2020

<u>Deferred income tax assets</u>	<u>Opening balance</u>	<u>Recognized in gain or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Exchange differences</u>	<u>Balance at the end of the year</u>
Temporary differences					
Allowance for inventory valuation loss	\$ 7,370	(\$ 1,989)	\$ -	\$ 78	\$ 5,459
Allowance for doubtful accounts	4,372	( 2,170)	-	27	2,229
Exchange differences on translation of foreign operations	-	-	188	4	192
Unrealized exchange profits and losses	545	743	-	-	1,288

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	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
Deductible loss	\$ 1,180	\$ 1,906	\$ -	\$ -	\$ 3,086
Others	1,905	( 365)	-	25	1,565
Subtotal of deferred income tax assets	<u>\$ 15,372</u>	<u>( \$1,875)</u>	<u>\$ 188</u>	<u>\$ 134</u>	<u>\$ 13,819</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of investment gains and losses by foreign equity method	\$ 75,349	\$ 19,071	\$ -	\$ 1,661	\$ 96,081
Exchange differences on translation of foreign operations	5,350	-	( 5,328)	( 22)	-
Allowance for doubtful accounts	12	( 12)	-	-	-
Others	139,422	63,840	-	( 8,600)	194,662
Subtotal of deferred income tax liabilities	<u>\$ 220,133</u>	<u>\$ 82,899</u>	<u>( \$ 5,328)</u>	<u>( \$ 6,961)</u>	<u>\$ 290,743</u>

## 2019

	Opening balance	Recognized in gain or loss	Recognized in other comprehensive income	Exchange differences	Balance at the end of the year
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for inventory valuation loss	\$ 4,595	\$ 3,019	\$ -	(\$ 244)	\$ 7,370
Allowance for doubtful accounts	4,098	436	-	( 162)	4,372
Recognition of investment gains and losses by foreign equity method	8,784	( 8,679)	-	( 105)	-
Unrealized exchange profits and losses	-	545	-	-	545
Deductible loss	869	311	-	-	1,180
Others	2,501	14	-	( 610)	1,905
Subtotal of deferred income tax assets	<u>\$ 20,847</u>	<u>( \$ 4,354)</u>	<u>\$ -</u>	<u>( \$ 1,121)</u>	<u>\$ 15,372</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Recognition of investment gains and losses by foreign equity method	\$ 83,524	(\$ 5,190)	\$ -	( 2,985)	\$ 75,349
Exchange differences on translation of foreign operations	3,601	-	1,933	( 184)	5,350
Unrealized exchange profits and losses	454	( 454)	-	-	-
Allowance for doubtful accounts	12	-	-	-	12
Others	120,569	23,069	-	( 4,216)	139,422
Subtotal of deferred income tax liabilities	<u>\$ 208,160</u>	<u>\$ 17,425</u>	<u>\$ 1,933</u>	<u>( \$ 7,385)</u>	<u>\$ 220,133</u>

### (IV) Income tax approval status

For business income tax returns of LDC Company, part of the combined company, the filed cases before the year 2018 have been approved by the tax collection authority.

### XXVIII. Earnings per Share

	2020	Unit: NT\$ per share 2019
Basic earnings per share	<u>\$ 9.57</u>	<u>\$ 5.47</u>
Diluted earnings per share	<u>\$ 9.33</u>	<u>\$ 5.35</u>

For the calculation of earnings per share and the weighted average number of ordinary shares are as follows:

Net profit for the period

	<u>2020</u>	<u>2019</u>
Net profit attributable to owners of the Company	\$ <u>455,845</u>	\$ <u>259,447</u>
Net profit used in calculating basic earnings per share	\$ 455,845	\$ 259,447
Impact on ordinary shares with dilutive effect:		
after-tax interest on convertible bonds	<u>3,393</u>	<u>8,944</u>
Net profit used in calculating diluted earnings per share	\$ <u>459,238</u>	\$ <u>268,391</u>

Number of shares

	<u>2020</u>	Unit: Thousand shares <u>2019</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	47,634	47,467
Impact on ordinary shares with dilutive effect:		
Convertible bonds	1,557	2,705
Remunerations for employees	<u>52</u>	<u>24</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>49,243</u>	<u>50,196</u>

If the combined company chooses to offer employees remuneration by way of shares or cash, then while calculating the diluted earnings per share, assuming that the remuneration is paid in the form of stocks, the potential ordinary shares with dilutive effect will be included in the weighted average number of outstanding shares to calculate the diluted earnings per share. The dilutive effect of such potential ordinary stocks shall continue to be considered when calculating the diluted earnings per share before resolving the number of stocks to be distributed as employee remunerations in the following year.

XXIX. GOVERNMENT GRANTS

The Chinese subsidiary obtains financial subsidies from the local competent authority in accordance with the regulations. In 2020 and 2019, the amounts were recognized in other income at NT\$ 8,938 thousand and NT\$ 6,365 thousand.



XXX. Business Combinations

(I) Acquisition of subsidiaries

	<u>Main operating activities</u>	<u>Date of Acquisition</u>	<u>Ownership interest with voting power/Acquisition percentage (%)</u>	<u>Transfer consideration</u>
Emtron Company	Surface treatment of mechanical, electronic and automotive components	January 22, 2019	83.33%	<u>\$ 111,966</u>
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment	July 1, 2019	100%	<u>\$ 30,000</u>

The combined company's acquisition of Lianchuang Company and Liande Kinetic Company in 2019 respectively in order to continuously expand the combined company's stable operation of the production and supply chain of automotive parts in China and server cooling products manufacturing and sales operations in Taiwan.

(II) Transfer consideration

	<u>Lemtech Energy Solutions Corporation</u>	<u>Emtron Company</u>
Cash	\$ 15,000	\$ 111,966
Investment accounted for using equity method	<u>15,000</u>	<u>-</u>
	<u>\$ 30,000</u>	<u>\$ 111,966</u>

(III) Assets acquired and liabilities assumed on acquisition date

	<u>Lemtech Energy Solutions Corporation</u>	<u>Emtron Company</u>
Current assets		
Cash and cash equivalents	\$ 4,710	\$ 1,722
Accounts receivable and other receivables	11,096	13,619
Prepayments	458	895
Inventories	9,377	1,630
Prepaid expenses	-	1,983
NON-CURRENT ASSETS		
Property, plant, and equipment	4,138	41,456
Intangible assets	-	26,811
Long-term unamortized expenditures	-	2,405
Right-of-use assets	508	68,577
Other non-current assets	1,213	-

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	<u>Lemtech Energy Solutions Corporation</u>	<u>Emtron Company</u>
Current liabilities		
Accounts payable and other payables	(\$ 5,505)	(\$ 38,946)
Lease liabilities	( 510)	( 6,338)
Other current liabilities	( 33)	-
Non-current liabilities		
Long-term loans	-	( 66,036)
Lease liabilities	-	( 62,239)
Other non-current liabilities	( 37)	-
	<u>\$ 25,415</u>	<u>(\$ 14,461)</u>

(IV) Non-Controlling Interests

Emtron Company's non-controlling interest (16.67% of ownership interest) is measured in accordance with the identifiable assets entitled for the share of non-controlling interest on the acquisition date.

(V) Goodwill arising from the acquisition

	<u>Lemtech Energy Solutions Corporation</u>	<u>Emtron Company</u>
Transfer consideration	\$ 15,000	\$ 111,966
Investment accounted for using equity method	15,000	-
Plus: Fair value of identifiable net assets acquired	-	14,461
Minus: Fair value of identifiable net assets acquired	( 25,415)	-
Long-term liabilities paid for others	-	( 45,861)
Obtained negative value of non-controlling interests (16.67% ownership interest in Emtron Company)	-	( 2,411)
Goodwill arising on acquisition	<u>\$ 4,585</u>	<u>\$ 78,155</u>

The goodwill arising from the acquisition of Lemtech Energy Solutions Corporation and Emtron Company mainly comes from controlling the premium. In addition, the consideration paid for the business combination includes the expected overall effect of the business combination, profit growth, future market development, and value of employee of Lemtech Energy Solutions Corporation and Emtron Company. However, such benefits do not meet the recognition criteria for an intangible asset, thus they are not separately recognized.

Goodwill arising from the business combination is not expected to be a tax deduction item.

(VI) Net cash inflow from acquisition of subsidiary

	Lemtech Energy Solutions Corporation	Emtron Company
Consideration paid in cash	\$ 15,000	\$ 111,966
Less: Cash and cash equivalents acquired	( 4,710)	( 1,722)
	<u>\$ 10,290</u>	<u>\$ 110,244</u>

XXXI. Information on Cash flow information

(I) Non-cash transactions

Except for those disclosed in other Notes, the Group has invested and raised funds for the following non-cash transactions in 2020 and 2019:

The adjustment of cash payments for the purchase of real property, plant and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Added this year (including prepayment for equipment)	\$ 160,093	\$ 602,856
Changes in equipment payments and construction payments payable	<u>5,216</u>	<u>( 5,197)</u>
Cash amount paid for procurement of property, plants and equipment	<u>\$ 165,309</u>	<u>\$ 597,659</u>

(II) Changes in liabilities from financing activities

2020

	2020	<u>Non-cash flow changes</u>		2020
	<u>January 1</u>	<u>Cash flow</u>	<u>New lease</u>	<u>December 31</u>
Lease liabilities	<u>\$ 168,143</u>	<u>(\$ 57,516)</u>	<u>\$ 70,280</u>	<u>\$ 189,646</u>

2019

	2019	<u>Non-cash flow changes</u>		2019
	<u>January 1</u>	<u>Cash flow</u>	<u>New lease</u>	<u>December 31</u>
Lease liabilities	<u>\$ 124,803</u>	<u>(\$ 50,458)</u>	<u>\$ 41,610</u>	<u>\$ 168,143</u>

XXXII. Capital Risk Management

The combined company manages its capital based on the policy to ensure the continual operations of the entities in the combined company. By optimizing its debts and liabilities, the combined company can maximize return for stakeholders.

The combined company's capital structure consists of net debts (i.e. loans and corporate bonds less cash and cash equivalents) and equities (i.e. equity, capital reserve, retained earnings, and other equity).

The combined company is not subject to any other external capital requirements. The combined company's management periodically reassesses the combined company's capital structure; the inspection items include capital costs of various categories and related risks. The combined Company will distribute dividend, issue new stocks and new debts, repurchase shares, or repay old debts among other methods to balance its overall capital structure (in accordance with the recommendations of its management).

XXXIII. Financial Instruments

(I) Fair value information - financial instruments not measured at fair value  
The combined company's financial assets and financial liabilities whose carrying amounts are not measured at fair value are close to their fair value.

(II) Fair value of financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy  
December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Redemption rights of corporate bonds payable	\$ -	\$ -	\$ 1,224	\$ 1,224
Structured deposits	<u>-</u>	<u>8,788</u>	<u>-</u>	<u>8,788</u>
	<u>\$ -</u>	<u>\$ 8,788</u>	<u>\$ 1,224</u>	<u>\$ 10,012</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial liabilities at fair value through profit or loss (FVTPL)</u>				
Redemption rights of corporate bonds payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,392</u>	<u>\$ 3,392</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2020 and 2019.

2. Reconciliation of financial instruments at Level 3 fair value measurement  
2020

	<u>Derivatives instruments</u>
<u>Financial assets at fair value through profit or loss</u>	
Opening balance	\$ -
Recognized in gain or loss (other gains and losses)	1,464

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	<u>Derivatives instruments</u>
Addition	\$ 1,120
Disposal/settlement	( 1,360)
Balance at the end of the year	<u>\$ 1,224</u>
Changes in unrealized profits or losses of the year related to the assets held at the end of the year are recognized in profit or loss.	<u>\$ 1,464</u>
Financial liabilities at fair value through profit or loss (FVTPL)	
<u>Opening balance</u>	(\$ 3,392)
Recognized in gain or loss (other gains and losses)	179
Disposal/settlement	<u>3,213</u>
Balance at the end of the year	<u>\$ -</u>
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gains or losses.	<u>\$ 179</u>

2019

	<u>Derivatives instruments</u>
Financial liabilities at fair value through profit or loss (FVTPL)	
<u>Opening balance</u>	(\$ 910)
Recognized in gain or loss (other gains and losses)	( 2,489)
Disposal/settlement	7
Balance at the end of the year	(\$ 3,392)
Changes in unrealized benefits or losses in the current year related to liabilities held at the end of the year and recognized in gains or losses.	(\$ 2,489)

3. Valuation techniques and inputs of Level 2 fair value measurement

Category of Financial

<u>Instruments</u>	<u>Valuation Technique and Inputs</u>
Structured deposits	Discounted cash flow method: Estimate future cash flows based on observable interest rates at the end of the period and discount them at a discount rate that reflects credit risk.

4. Valuation techniques and inputs of Level 3 fair value measurement

Derivatives - Convertible corporate bond redemption rights are based on the use of binary tree convertible bond evaluation model to estimate the fair value, the significant unobservable input value adopted is the stock price volatility. When stock price volatility increases, the fair value of these derivatives will increase.

(III) Classification of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Measured at fair value through gain or loss		
Designated as fair value through profit and loss	\$ 1,224	\$ -
Mandatorily measured at fair value through profit or loss	8,788	-
Financial assets measured at amortized cost (Note 1)	3,890,742	3,146,641
<u>Financial liabilities</u>		
Measured at fair value through gain or loss		
Designated as fair value through profit and loss	-	3,392
Valuation of cost after amortization (Note 2)	3,149,083	3,743,292

Note 1: The balances include cash and cash equivalents, accounts receivable, notes receivable, other receivables, finance lease receivables and refundable deposits, which are measured at amortized cost.

Note 2: The balances include financial liabilities measured at amortized cost such as short-term loans, notes payable, accounts payable, other payables, long-term loans, corporate bonds payable, and guarantee deposits.

(IV) Objectives and policies of financial risk management

The main financial instruments of the combined company include cash and cash equivalent, accounts receivable, accounts payable, corporate bonds payable and loans. The financial management department of the combined company provides services to the business units, including coordinating operations in the domestic and international financial markets, and managing financial risks relating to the operations of the combined company based on the degree of risk and the degree of the breadth of the exposure. These risks include market risk (including exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk.

The financial management department reports monthly to the management of the combined company, and the management would carry out risk monitoring and policy implementation based on its duties and responsibilities to mitigate risk exposure.

1. Market risks

The combined company's activities expose it primarily to the financial risks of changes in foreign exchange rates (see (1) and the changes in interest rates (see (2) below).

The management and measurement of market risks of financial instruments and risk exposure of the combined company remain unchanged.

(1) Foreign currency exchange risk

The Group's sales and purchase transactions are denominated in foreign currency; as a consequence, the Group is exposed to the risk of fluctuation in the exchange rate.

For the monetary assets and liabilities of the combined company denominated in non-functional currencies on the balance sheet date (including those monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements), please refer to Note 40.

Sensitivity analysis

The combined company is mainly impacted by the exchange rate fluctuations in USD.

The following table includes the sensitivity analysis of the combined company's financial position under circumstances that the exchange rate of a foreign currency to NTD (the function currency) increases or decreases by 1%. The hypothetical increase of 100 basis point (1%) in exchange rates is used in the Management's internal sensitivity analysis report on currency exchange risks; it also reflects the reasonable range of change in exchange rates the management believes would be. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and the adjustment of their translation at the end of the period for a 1% change in exchange rate. A positive number in the table below indicates an increase in net profit before income tax that would result when the functional currency strengthens 1% against the relevant currency. For a 1% weakening of NTD against the relevant currency, the effect on the net profit before income tax would be the same amount in negative.

	Impact of USD	
	2020	2019
Increase in net profit before tax	\$ 4,555	\$ 1,387

The impact of profit and loss is mainly derived from the USD-denominated cash and cash equivalents, receivables, and payables that are still in circulation at the balance sheet date of the combined company and have not been hedged with cash flow.

(2) Interest rate risk

By taking out loans at both the fixed rate and the floating rate at the same time, the Group is exposing to interest rate risk. The policy of the combined company is to maintain floating-rate borrowings to reduce the risk of interest rate changes, and currently does not operate interest rate hedging tools. The management of the combined company will monitor the interest rate risk timely, and will take necessary measures to respond to the risk control caused by the huge changes in market interest rates if necessary.

The carrying value of financial assets and liabilities exposed to interest rate risk of the combined company on the balance sheet date are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rate risks with cash flow		
— Financial assets	\$ 1,674,397	\$ 1,046,790
— Financial liabilities	1,319,347	2,075,104

#### Sensitivity analysis

The sensitivity analysis below is based on the non-derivative instruments' interest rate risk exposure at the balance sheet date. For liabilities at floating interest rates, the analysis assumes they are outstanding throughout the reporting period if they are outstanding at the balance sheet date. The rate of change used when reporting interest rates within the Group to key management levels increased or decreased by 0.5%, which also represents the management's assessment on the reasonably possible scope of the interest rate. If interest rate increases/decreases by 0.5%, held other variables constant, the combined company's income before tax will increase/decrease by NT\$ 1,775 thousand and NT\$ 5142 thousand for 2020 and 2019, respectively.

#### 2. Credit risk

Credit risks refer to risks that cause financial loss of the combined company due to the counterparty's delay in performing contractual obligations. Due to the nature of the industry in which it operates, the combined company has no significant concentration of credit risk. The combined company has formulated a policy that when assessing the credit line granted to customers, it must obtain appropriate financial information from customers to conduct credit ratings of customers to ensure that sales services do not generate significant credit risk.

The maximum amount of credit risk of the combined company is the net amount of the carrying amount of financial assets after deducting the amounts that can be offset according to regulations and the impairment losses recognized in accordance with regulations without considering collateral and other credit enhancement policies.

The main objects of the accounts receivable and other receivables of the combined company are foreign-funded enterprises established in China and internationally renowned manufacturers. The credit risk management and impairment status are detailed in Note 10.

The bank deposits of the combined company and other investment in financial assets are mainly deposited in banks with good credit ratings assigned by international credit rating agencies, so this credit risk is not significant.



### 3. Liquidity risk

The combined company supports its business operations and reduces cash flow fluctuation through appropriate management and the maintenance of sufficient cash and cash equivalents. The combined company's management supervises bank financing conditions and ensures compliance with loan contracts.

The bank loans are a significant source of liquidity for the combined company. Please refer to (2) Financing limit below for the unfunded financing amount of the combined company as of December 31, 2020 and 2019.

#### (1) Liquidity and interest rate risk of non-derivative financial liabilities

The non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow. Therefore, the Consolidated Company may be required to repay a bank loan immediately and the possibility is listed in the table below and categorized into the earliest period line item disregard the probability of exercising such right on instance by the bank. The analysis of the maturity of other non-derivative financial liabilities is prepared in accordance with the agreed repayment date.

December 31, 2020

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities			
Bank loans	\$ 772,658	\$ -	\$ -
Notes payable	174,106	-	-
Accounts payable	1,566,068	-	-
Other payables	280,432	-	-
Lease liabilities	54,985	130,619	4,042
Corporate bonds payable	-	360,000	-
	<u>\$ 2,848,249</u>	<u>\$ 490,619</u>	<u>\$ 4,042</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Lease liabilities	<u>\$ 62,977</u>	<u>\$ 141,962</u>	<u>\$ 4,067</u>

December 31, 2019

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
<u>Non-derivative financial liabilities</u>			
Bank loans	\$ 965,312	\$ 350,000	\$ -
Notes payable	183,304	-	-
Accounts payable	1,466,225	-	-
Other payables	190,962	-	-
Lease liabilities	47,803	104,827	15,513
Corporate bonds payable	-	595,000	-
	<u>\$ 2,853,606</u>	<u>\$ 1,049,827</u>	<u>\$ 15,513</u>

Further information on the maturity analysis of lease liabilities is listed as follows:

	<u>Within 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Lease liabilities	<u>\$ 55,398</u>	<u>\$ 116,673</u>	<u>\$ 16,002</u>

(2) Credit limit

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank loan line		
— Amount used	\$ 772,658	\$ 965,312
— Amount unused	1,813,667	2,396,901
	<u>\$ 2,586,325</u>	<u>\$ 3,362,213</u>
Secured bank loan line		
— Amount used	<u>\$ -</u>	<u>\$ 350,000</u>

XXXIV. Related Party Transactions

All transactions, account balances, income, and expenses between the Company and its subsidiaries (related parties of the Company) are fully offset by intercompany netting and therefore are not shown in this Note. The transactions between the Group and other related parties are as follows.

(I) The names and relations of related parties

<u>Name of related party</u>	<u>Relationship with the combined company</u>
Aapico Lemtech	Affiliates
Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Affiliated companies (held 100% after acquisition on July 1, 2019)

(II) Operating revenue

<u>Accounting item</u>	<u>Category of related parties</u>	<u>2020</u>	<u>2019</u>
Sales	Affiliates	<u>\$ 7,331</u>	<u>\$ 9,582</u>

There are no significant differences between the terms and conditions of sales and collection for related parties and that of general transactions.

(III) Purchase of goods

<u>Category of related parties</u>	<u>2020</u>	<u>2019</u>
Affiliates	<u>\$ -</u>	<u>\$ 14,500</u>

There are no significant differences between the terms and conditions of purchase and payment for related parties and that of general transactions.

(IV) Account receivables from related parties (excluding loans extended to related parties and contract assets)

<u>Accounting item</u>	<u>Category of related parties</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	Affiliates	<u>\$ 3,625</u>	<u>\$ 667</u>

The related parties in circulation did not receive guarantees, and no loss allowances were set aside for receivables from related parties for the years ended December 31, 2020 and 2019.

(V) Remuneration to the management

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	<u>\$ 35,517</u>	<u>\$ 41,616</u>

The remuneration for directors and other key management is determined by the remuneration committee based on personal performance and market trends.

XXXV. Pledged Assets

The following assets have been provided as the collateral for financing borrowings:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank deposits-restricted (accounts for financial assets measured at amortized cost)	\$ 4,141	\$ 79,436
Land	<u>-</u>	<u>493,598</u>
	<u>\$ 4,141</u>	<u>\$ 573,034</u>

XXXVI. Material Contingent Liabilities and Unrecognized Contractual Commitments

Except for those disclosed in other Notes, significant commitments and contingencies of the combined company on the balance sheet date are as follows:

Contingent liabilities

The subsidiary of the combined company was served a civil complaint from King Slide Works Co., Ltd. (hereinafter referred to as "King Slide") on June 26, 2018. The complaint was filed with the Higher People's Court of Jiangsu Province on June 19, 2018 by King Slide, suing Lemtech Precision Material and Lemtech Slide Company for the production, manufacture, and sale of rail products without King Slide's license, infringing its patent rights, and request compensation of CNY 100 million, rights maintenance costs of CNY 183,090, and NT\$31,748. The attorney appointed for the case states that since Lemtech Precision Material mainly engages in the research and development, production, and sales of precision metal stamping components and toolings with the cooling module, automobile modules, and components and stamping toolings for other components. For rail products, it only produced stamping components, it is not a manufacturer or dealer of rail product, thus no infringement has occurred in this case. The rail product produced by Lemtech Slide Company is all subject to its relevant patents (some still in the application process), which by the attorney's initial judgment are different from that of King Slide. Furthermore, King Slide failed to produce evidence to prove its claim, thus the payment of compensation is unlikely. The case was first trialed in court on January 25, 2019. At present, the case is still in the process of the first instance trial, and the outcome of the case cannot be predicted.

King Slide filed infringement claims with the Higher People's Court of Jiangsu Province, and issued statement letters to the customers of Lemtech Precision Material, which had a negative impact on the reputation of Lemtech Precision Material. Therefore, the company represented Lemtech Precision Material and filed a claim with the Taiwan Ciaotou District Court on January 15, 2019.

XXXVII. Losses Due to Major Disasters: None.

XXXVIII. Other Matters

The combined company is affected by the global pandemic of COVID-19, which has caused the suspension of economic and commercial activities in various countries. After evaluating items such as operating conditions and capital use, the epidemic did not cause significant abnormal effects on the combined company, and sales and production activities related to operations were operating normally. However, the epidemic has directly affected global market operations. The combined company will also pay close attention to the follow-up impact of the epidemic, evaluate market changes immediately, and take relevant anti-epidemic measures timely.

XXXIX. Significant Events after the Balance Sheet Date: None.

XL. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following summary is presented in foreign currencies other than the functional currency. The exchange rates disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency.

Information on foreign currency-denominated assets and liabilities of significant influence is as follows:

December 31, 2020

Foreign currency assets	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 20,748	28.5595 (USD:NTD)	\$ 592,566
USD	24,271	6.5249 (USD:RMB)	693,173
RMB	2,235	4.3770 (RMB:NTD)	9,785
RMB	17	0.1533 (RMB:USD)	75
JPY	500	0.2763 (JPY:NTD)	138
JPY	67,745	0.0631 (JPY:RMB)	18,718
EUR	1	35.0200 (EUR:NTD)	32
EUR	2,842,557	8.0009 (EUR:RMB)	99,546
			<u>\$ 1,414,033</u>
<u>Foreign currency liabilities</u>			
<u>Monetary items</u>			
USD	18,509	28.5595 (USD:NTD)	\$ 528,611
USD	10,562	6.5249 (USD:RMB)	301,633
JPY	7,555	0.0631 (JPY:RMB)	2,087
EUR	1,850	8.0009 (EUR:RMB)	64,787
			<u>\$ 897,118</u>

December 31, 2019

Foreign currency assets	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Monetary items</u>			
USD	\$ 11,683	30.0325 (USD:NTD)	\$ 350,869
USD	18,256	6.9762 (USD:RMB)	548,287
RMB	3,218	4.3050 (RMB:NTD)	13,854
RMB	96,182	0.1433 (RMB:USD)	414,117
JPY	500	0.2760 (JPY:NTD)	138
JPY	72,875	0.0641 (JPY:RMB)	20,114
EUR	500	33.5900 (EUR:NTD)	16,795

(Continued)

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	Foreign currency	Exchange rate	Carrying amount
EUR	\$ 1,161	7.8026 (EUR:RMB)	\$ 38,998
PHP	46,129	0.5847 (PHP:NTD)	26,971
			<u>\$ 1,430,143</u>
Foreign currency liabilities			
<u>Monetary</u>			
<u>items</u>			
USD	13,943	30.0325 (USD:NTD)	\$ 418,732
USD	11,377	6.9762 (USD:RMB)	341,680
JPY	30,992	0.0641 (JPY:RMB)	8,554
			<u>\$ 768,966</u>

The combined company is mainly exposed to foreign currency exchange rate risks of RMB, USD, CZK, and PHP. The following information is aggregated in terms of the functional currency of the foreign currency held. The exchange rate disclosed is the exchange rate of the functional currency into the presentation currency. The realized and unrealized foreign currency exchange profits and losses that have a significant impact are as follows:

Functional currency	2020		2019	
	Functional Currency and Presentation Currency	Net exchange gains and losses	Functional Currency and Presentation Currency	Net exchange gains and losses
NTD	1.0000 (NTD:NTD)	\$ 4,226	1.0000 (NTD:NTD)	\$ 2,389
RMB	4.3770 (RMB:NTD)	( 44,762)	4.3050 (CNY:NTD)	1,145
USD	28.5595 (USD:NTD)	( 764)	30.0325 (USD:NTD)	( 7,030)
CZK	1.3303 (CZK:NTD)	( 2,795)	1.3249 (CZK:NTD)	992
PHP	0.5861 (PHP:NTD)	518	0.5847 (PHP:NTD)	( 528)
		<u>(\$ 43,577)</u>		<u>(\$ 3,032)</u>

XLI. Supplementary Disclosures

Information on (I) Significant Transactions and (II) Investees:

1. Financings provided (Attachment 1)
2. Endorsements/guarantees provided to others (Attachment 2)
3. Marketable securities held at the end of year (excluding investments in subsidiaries, affiliates and interest in joint ventures) (Attachment 3)
4. Accumulated purchase or disposal of individual marketable securities equal to or in excess of NT\$300 million or 20% of paid-in capital (None)
5. Acquisition of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (None)

6. Disposal of real estate at cost in excess of NT\$300 million or 20% of paid-in capital (Attachment 4)
  7. Purchases or sales to related parties of at least NT\$100 million or 20% of paid-in capital (Attachment 5)
  8. Accounts receivable from related parties equal to or in excess of NT\$100 million or 20% of paid-in capital (Attachment 6)
  9. Engage in derivative transactions (Note 7 and 33)
  10. Others: Business relationships, important transactions and the amounts between parent company and subsidiaries (Attachment 7)
  11. Information on investees (Attachment 8)
- (III) Information on investments in China:
1. Information on any investee company in China; disclose the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in China. (Attachment 9)
  2. Significant transactions with investee companies in China, either directly or indirectly through a third region, and their prices, payment terms, and unrealized gains or losses. (Attachment 9)
    - (1) Purchase amount and percentage, and the ending balance and percentage of payables.
    - (2) Sales amount and percentage, and the ending balance and percentage of payments receivables.
    - (3) Property transaction amount and the resulting gain or loss.
    - (4) Ending balance of endorsement, guarantee or collateral provided and purposes.
    - (5) The maximum balance, ending balance, interest rate range and total amount of interest of financing for the current year.
    - (6) Other transactions having a significant influence on profit or loss or financial status of the current year, such as providing or receiving services.
- (IV) Information on major shareholders: Names of shareholders with a shareholding ratio of 5% or more and the amount and proportion of shareholding. (Attachment 10)

## XLII. Segment Information

The information is provided to the main decision-maker to allocate resources and assess the performance of each department and focus on each type of product or service delivered or provided. information on the combined company's reporting segments is presented as follows:

Taiwan R&D segment

China manufacturing segment

Others

### Department revenues and the results of operations

- (I) The combined company's revenue and operational results by reportable segment are analyzed as follows:

#### 2020

	Taiwan R&D segment	China manufacturing segment	Others	Intercompany netting	Total
Revenue from external customers	\$ 804,053	\$ 3,082,679	\$ 1,584,518	\$ -	\$ 5,471,250
Intercompany revenue	<u>160,448</u>	<u>666,208</u>	<u>177,970</u>	<u>( 1,004,626)</u>	-
Department Revenue	<u>\$ 964,501</u>	<u>\$ 3,748,887</u>	<u>\$ 1,762,488</u>	<u>( \$ 1,004,626)</u>	<u>5,471,250</u>
Interest income	\$ 203	\$ 9,015	\$ 8,485	(\$ 12,507)	5,196
Other company's income					18,745
					\$ 5,495,191
Finance costs	709	25,076	25,466	(12,507)	\$ 38,744
Depreciation and amortization	12,566	212,436	36,588	-	261,590
Share of gains (losses) of affiliates accounted for using equity method	-	174,446	964,821	(1,139,604)	(337)
Income tax expenses (benefits)	21,148	99,655	67,291	-	188,094
Departments gain (loss)	<u>\$ 75,776</u>	<u>\$ 523,605</u>	<u>\$ 995,146</u>	<u>( \$ 1,139,604)</u>	<u>\$ 454,923</u>
Departments assets	<u>\$ 769,054</u>	<u>\$ 5,213,797</u>	<u>\$ 7,944,209</u>	<u>( \$ 7,535,341)</u>	<u>\$ 6,391,719</u>
Departments liabilities	<u>\$ 480,255</u>	<u>\$ 2,194,922</u>	<u>\$ 1,735,691</u>	<u>( \$ 611,751)</u>	<u>\$ 3,799,117</u>

#### 2019

	Taiwan R&D segment	China manufacturing segment	Others	Intercompany netting	Total
Revenue from external customers	\$ 303,453	\$ 3,130,947	\$ 1,608,257	\$ -	\$ 5,042,657
Intercompany revenue	<u>113,158</u>	<u>74,382</u>	<u>353</u>	<u>( 187,893)</u>	-
Department Revenue	<u>\$ 416,611</u>	<u>\$ 3,205,329</u>	<u>\$ 1,608,610</u>	<u>( \$ 187,893)</u>	<u>5,042,657</u>
Interest income	\$ 310	\$ 3,116	\$ 23,573	(\$ 19,097)	7,902
Other company's income					7,130
					\$ 5,057,689
Finance costs	198	53,559	24,259	(19,097)	\$58,919
Depreciation and amortization	7,547	218,373	31,277	-	257,197
Share of gains (losses) of affiliates accounted for using equity method	-	23,262	588,282	(611,223)	321
Income tax expenses (benefits)	7,290	43,327	23,902	-	74,519
Departments gain (loss)	<u>\$ 22,332</u>	<u>\$ 298,962</u>	<u>\$ 552,268</u>	<u>( \$ 611,223)</u>	<u>\$ 262,339</u>
Departments assets	<u>\$ 375,493</u>	<u>\$ 4,182,487</u>	<u>\$ 7,648,851</u>	<u>( \$ 5,980,824)</u>	<u>\$ 6,226,007</u>
Departments liabilities	<u>\$ 162,469</u>	<u>\$ 2,165,195</u>	<u>\$ 2,590,146</u>	<u>( \$ 662,296)</u>	<u>\$ 4,255,514</u>

Interdepartmental sales are based on market prices.

Segment profit refers to the profit earned by each segment, including the apportionable headquarters management cost and directors' remuneration, the share of profits and losses of affiliated companies that adopt the equity method, rental income, interest income, disposition of real estate, plant, and equipment profits and losses, foreign currency exchange net (profit) losses, financial instrument evaluation profits and losses, financial cost, and Income tax expenses. The assessment is provided to the main decision- maker to allocate resources to departments and assess their performance.



(II) Revenue from major products and services

The analysis of profits from the main products and services of the combined company's continuing business units is as follows:

	<u>2020</u>	<u>2019</u>
Computer, communication and consumer electronics	\$ 2,713,905	\$ 2,845,323
Motor vehicles	1,664,095	1,749,079
Building materials	62,913	76,140
Toolings and others	<u>1,030,337</u>	<u>372,115</u>
	<u>\$ 5,471,250</u>	<u>\$ 5,042,657</u>

(III) Regional information

The combined company mainly operates in two areas - Taiwan and China.

Revenue of the combined company's continuing operations from external customers classified by the location of the business and the non-current assets is listed as follows:

	<u>Revenue from external customers</u>		<u>NON-CURRENT ASSETS</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Asia	\$ 4,740,212	\$ 4,562,467	\$ 1,753,613	\$ 2,260,969
America	447,348	289,472	-	-
Europe	<u>283,690</u>	<u>190,718</u>	-	-
	<u>\$ 5,471,250</u>	<u>\$ 5,042,657</u>	<u>\$ 1,753,613</u>	<u>\$ 2,260,969</u>

Non-current assets do not include deferred income tax assets.

(IV) Information of main customer

The annual revenues of 2020 and 2019 are NT\$5,471,250 thousand and NT\$5,042,657 thousand, the revenue from single customers of the company reaching more than 10% of the total revenue of the combined company are as follows:

	<u>2020</u>	<u>2019</u>
Customer F (Note 1)	\$ 1,041,466	\$ 1,132,423
Customer G (Note 1)	791,490	938,320
Customer C (Note 2)	<u>631,185</u>	<u>136,916</u>
	<u>\$ 2,464,141</u>	<u>\$ 2,207,659</u>

Note 1: This is revenue from electronics categories.

Note 2: This is revenue from molds and other categories.

Lemtech Holdings Co., Limited and its subsidiaries  
Loans extended to others  
2020

Attachment 1

Unit: Unless Specified Otherwise  
, NTD thousands.

No. (Note 1)	Lending company	Borrower	General ledger account	Related party or not	Maximum Balance for the Period	Balance at the end of period (Note 2)	Actual expenditure	Interest range	Nature of loan	Business transaction amount	Reason for short-term financing	Allowance for bad debts recognized	Collateral		Financing limit for each borrower (Note 3)	Total loan limit (Note 3)	Remarks
													Name	Value			
0	Lemtech Holdings Co., Limited	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	\$ 27,225	\$ -	\$ -	3%-4%	Necessity of short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 1,030,388	\$ 1,030,388	
1	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material	Other receivables	Yes	203,228	-	-	3%	Necessity of short-term financing	-	Operating capital	-	-	-	1,079,224	1,079,224	
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	Other receivables	Yes	75,625	71,200	71,200	5%	Necessity of short-term financing	-	Operating capital	-	-	-	1,079,224	1,079,224	
1	Lemtech Global Solution Co. Ltd.	Lemtech Industrial Services Ltd	Other receivables	Yes	15,125	-	-	4%	Necessity of short-term financing	-	Operating capital	-	-	-	1,079,224	1,079,224	
2	Lemtech Precision Material	Zhenjiang Yelianchuang Surface Treatment Technology Co., Ltd.	Other receivables	Yes	153,265	153,195	153,195	5%	Necessity of short-term financing	-	Operating capital	-	-	-	1,116,746	1,116,746	
2	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co.,Ltd	Other receivables	Yes	65,685	65,655	-	5%	Necessity of short-term financing	-	Operating capital	-	-	-	1,116,746	1,116,746	

Note 1: Explanations for the numbering column are as follows:

- (1) The issuer is coded 0.
- (2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: If a public company extend loans by submitting each loan for the board resolution in accordance with Paragraph 1, Article 14 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, although the drawdown had not been made, the amount resolved by the board shall be included in the balance announced in order to disclose the risks borne; however, if subsequently the amount is repaid, the balance after repayment shall be disclosed to reflect the adjustment of risk. If a publicly company authorized the chairman of the board of directors to extend loans in installments or to make a revolving credit line within a certain amount and within a period of one year in accordance with Article 14 (2) of the regulation, the loan limit resolved by the board shall be the reported balance. Although the amount may subsequently be repaid, considering the that further installments may be made, the loan limit resolved by the board shall still be the reported balance.

- Note 3: (1) The loan limit to others is approved by the shareholders' meeting of Lemtech Holdings Co., Limited in accordance with the Operational Procedures for Loaning Funds to Others: For loans extended to companies with business ties, 1. the loan limit shall not exceed 20% of the company's net worth; amount of individual loans shall not exceed the total amount of trading between the parties in the most recent year. The amount of trading means the sales or purchasing amount between the parties, whichever is higher. 2. Where the extension of loans for companies with short-term financing needs is necessary, the total amount of loan extended shall not exceed 40% of the company's net value; the amount extended for each individual loans shall not exceed 40% of the company's net value.
- (2) According to the above regulations, the maximum value of short-term financing extended by Lemtech Holdings Co., Limited out of necessity is net value of NT\$2,575,969 thousand x 40% = NT\$1,030,388 thousand; the limit for a single entity is NT\$2,575,969 thousand x 40% = NT\$1,030,388 thousand.
  - (3) According to the above regulations, the maximum value of short-term financing extended by Lemtech Global Solution Co. Ltd. out of necessity is net value of NT\$2,698,060 thousand x 40% = NT\$1,079,224 thousand; the limit for a single entity is NT\$2,698,060 thousand x 40% = NT\$1,079,224 thousand.
  - (4) In accordance with the above regulations. According to the above regulations, the maximum value of short-term financing extended by Lemtech Precision Material (China) Co., Ltd (China) out of necessity is net value of NT\$2,791,866 thousand x 40% = NT\$1,116,746 thousand; the limit for a single entity is NT\$2,791,866 thousand x 40% = NT\$1,116,746 thousand.

Lemtech Holdings Co., Limited and its subsidiaries  
Endorsement/guarantee provided for others  
2020

Attachment 2

(In Thousands of NTD, Unless Stated Otherwise)

No. (Note 1)	Endorsement/guarantee provider name	Subject of endorsements/guarantees		Limit on endorsements/gua rantees provided for a single party	Maximum balance for this period	Endorsement and guarantee closing balance	Actual expenditure	Amount of endorsement/guar antee collateralized by properties	Ratio of Accumulated Endorsements/G uarantees to Net Worth per Latest Financial Statements (%)	Endorsements/Gu arantees Maximum limit	Guarantee provided by parent company to a subsidiary	Guarantee provided by a subsidiary	Guarantee provided to subsidiar ies in China
		Name	Relationship (Note 2)										
0	Lemtech Holdings Co., Limited	Kunshan Lemtech Slide Technology Co., Ltd.	2	\$ 3,091,163	\$ 30,250	\$ 28,480	\$ 28,480	\$ -	1.11%	\$ 7,727,907	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	2	3,091,163	234,532	119,068	119,068	-	4.62%	7,727,907	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	2	3,091,163	469,920	469,920	288,901	-	18.24%	7,727,907	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material	2	3,091,163	363,000	341,760	199,360	-	13.27%	7,727,907	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Energy Solutions Corporation	2	3,091,163	30,020	28,480	28,480	-	1.11%	7,727,907	Yes	No	No
1	Lemtech Technology Limited	Lemtech Holdings Co., Limited	3	538,570	151,250	142,400	142,400	-	31.72%	1,346,424	No	Yes	No
2	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co.,Ltd	4	3,350,239	131,370	131,310	131,310	-	4.70%	8,375,598	No	No	Yes

Note 1: Explanations for the numbering column are as follows:

- (1) The issuer is coded 0.
- (2) Investees are numbered consecutively from 1 in the order presented in the attachment above.

Note 2: The relationships between endorers/guarantors and endorsees/guarantees are categorized into the following 7 types. Please specify the type.

- (1) A company that has business transactions with the Company.
- (2) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (3) Companies that directly and indirectly holds more than 50 percent of the voting shares in the Company.
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company fulfills its contractual obligations by providing mutual endorsement/guarantee for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) All capital contributing shareholders make endorsement/guarantee for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: (1) The endorsement/guarantee limit is determined by Lemtech Global Solution Co. Ltd. in accordance with Article 36 and 38 of the Securities and Exchange Act and Operational Procedures for Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by Lemtech Global Solution Co. Ltd. shall not exceed 300% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 120% of the net worth of the current period. If the endorsement is guaranteed by the business relationship, the amount of endorsement shall not exceed the total amount of transactions with the company in the most recent year (the number of goods purchased or sold between the two parties, whichever is higher). The net worth shall be based on the most current financial statements audited or reviewed by the certified public accountants. Endorsements and guarantees not exceeding 10 percent of this company's net worth may be made between companies in which the company directly and indirectly holds 90% voting interest. However, endorsements and guarantees made between companies in which the company directly and indirectly holds 100% voting interest shall not be subject to the above restriction.

- (2) According to the above regulations, the maximum limit for guarantee for endorsement by Liande Holding Co., Ltd. is 2,575,969 thousand x 300% = 7,727,907 thousand; the limit for endorsement guarantee for a single enterprise is 2,575,969 thousand x 120% = 3,091,163 thousand.  
According to the above provisions, the maximum limit for Lemtech Technology Limited's external endorsement guarantee is 448,808 thousand x 300% = 1,346,424 thousand; the limit for endorsement guarantee for a single enterprise is 448,808 thousand x 120% = 538,570 thousand.  
According to the above regulations, the maximum limit for guarantee for endorsement by Lemtech Precision Material (China) is 2,791,866 thousand x 300% = 8,375,598 thousand; the limit for endorsement guarantee for a single enterprise is 2,791,866 thousand x 120% = 3,350,239 thousand.

Lemtech Holdings Co., Limited and its subsidiaries  
 Securities Held at End of Period  
 December 31, 2020

Attachment 3

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

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remarks
				Number of Shares (in Thousands)	Carrying amount	Shareholding percentage	Fair value	
Lemtech Precision Material (China) Corporation	Structured deposits - structured deposits of DBS Bank	-	Financial assets at fair value through profit or loss	-	\$ 8,788	-	\$ 8,788	-

Lemtech Holdings Co., Limited and its subsidiaries  
 Disposal of Real Estate Amounting to NT\$300 Million or 20% of the Paid-in Capital or More  
 2020

Attachment 4

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

Real Estate Company Disposal	Name of the real estate	Date of occurrence	Original Acquisition Date	Carrying amount	Transaction amount	Receivable Collection	Gains (Losses) on Disposal	Counterparty	RELATIONS	Disposal purpose	Basis of Reference for Price Determination	Other commitments
Lemtech Holdings Co., Limited	Land Nos. 274 and 289 of Hwaya Section, Guishan District, Taoyuan City	109.09.09	107.11.09	\$ 493,598	\$ 520,997	Full payment received	\$ 27,399	Sef Technology Co., Ltd.	None	Activated assets	Refer to market price of and professional appraisal report on the nearby real estate	None

Note 1: If the asset acquired is required to be disposed, the appraisal result shall be indicated on the column titled "Basis of Reference for Price Determination."

Note 2: paid-in capital refers to the paid-in capital of the parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the regulation regarding 20% of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of occurrence means the contracting date for the transaction, payment date, consignment trade date, transfer date, resolution date of the board of directors, or other dates on which the transaction party and amount can be ascertained, whichever is earlier.

Lemtech Holdings Co., Limited and its subsidiaries  
Amount of purchases from and sales to related parties reaching NT\$100 million or 20% of its paid-in capital  
2020

Attachment 5

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

Name of company selling or purchasing	Counterparty	RELATIONS	Transaction details				Situation and reason of why trading conditions are different from general trading		Accounts and notes receivable (payable)		Remarks
			Purchase/sale	Sum	Ratio to Total Purchase (sell)	Loan period	Unit price	Loan period	Balance	Ratio to total note or account receivables (payables)	
Lemtech Philippine Thermal System Inc.	Lemtech Cooling System Limited	Subsidiary	Sales	\$ 166,721	92.64%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable \$ 29,802	100%	
LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	Affiliates	Sales	106,917	11.69%	60 days	According to the company's transfer pricing policy system	-	Accounts receivable 32,905	7.51%	
Lemtech Precision Material	Lemtech Technology Limited	Parent company	Sales	189,181	8.48%	90 days	According to the company's transfer pricing policy system	-	Accounts receivable 74,461	6.70%	

Lemtech Holdings Co., Limited and its subsidiaries  
 Account receivables from related parties reaching NT\$100 million or 20% of its paid-in capital  
 December 31, 2020

Attachment 6

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

Name of company with accounts receivable on account	Name of the counterparty	RELATIONS	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amounts received from related parties in subsequent period	Allowance for loss amount
					Sum	Action taken		
Lemtech Precision Material	Zhenjiang Emtron Surface Treatment Limited	Affiliates	Other receivables \$ 156,843	Notes:	\$ -	-	\$ 13,798	\$ -

Notes: Categorized as other receivables, thus turnover rate is not calculated.

Lemtech Holdings Co., Limited and its subsidiaries  
Intercompany Relationships and Significant Intercompany Transactions  
2020

Attachment 7

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

No. (Note 1)	Name of the trader	Name of the transaction counterparty	Relationship (Note 2)	Conditions of transactions			
				Account	Sum	Terms of transaction	Percentage of Consolidated Total Revenue or Total Assets (%) (Note 3)
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	1	Other income	\$ 18,345	General Terms of Transaction	0.34%
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	1	Other receivables (payables)	74,529	General Terms of Transaction	1.17%
2	Lemtech Industrial Services Ltd.	Kunshan Lemtech Slide Technology Co., Ltd.	1	Purchase/Sales revenue	25,049	General Terms of Transaction	0.46%
3	Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	1	Account receivables (payment)	25,186	General Terms of Transaction	0.39%
3	Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	1	Sales revenue (purchase)	44,097	General Terms of Transaction	0.81%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Account receivables (payment)	74,461	General Terms of Transaction	1.16%
3	Lemtech Precision Material	Lemtech Technology Limited	1	Sales revenue (purchase)	189,181	General Terms of Transaction	3.46%
3	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co.,Ltd	3	Other receivables (payables)	39,340	General Terms of Transaction	0.62%
3	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co.,Ltd	3	Account receivables (payment)	55,325	General Terms of Transaction	0.87%
3	Lemtech Precision Material	Kunshan Lemtech Electronics Technology Co.,Ltd	3	Sales revenue (purchase)	68,340	General Terms of Transaction	1.25%
3	Lemtech Precision Material	Zhenjiang Emtron Surface Treatment Limited	3	Other receivables (payables)	156,843	General Terms of Transaction	2.45%
3	Lemtech Precision Material	Zhenjiang Emtron Surface Treatment Limited	3	Sales revenue (purchase)	12,450	General Terms of Transaction	0.23%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Account payables (receivables)	42,457	General Terms of Transaction	0.66%
4	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Purchase/Sales revenue	87,845	General Terms of Transaction	1.61%
5	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Account receivables (payment)	32,905	General Terms of Transaction	0.51%
5	LDC Precision Engineering Co., Ltd.	Lemtech Technology Limited	3	Sales revenue (purchase)	106,917	General Terms of Transaction	1.95%
5	LDC Precision Engineering Co., Ltd.	Lemtech Energy Solutions Corporation	3	Account receivables (payment)	11,541	General Terms of Transaction	0.18%
5	LDC Precision Engineering Co., Ltd.	Lemtech Energy Solutions Corporation	3	Purchase/Sales revenue	24,233	General Terms of Transaction	0.44%
5	LDC Precision Engineering Co., Ltd.	Kunshan Lemtech Slide Technology Co., Ltd.	3	Account payables (receivables)	13,464	General Terms of Transaction	0.21%
5	LDC Precision Engineering Co., Ltd.	Kunshan Lemtech Slide Technology Co., Ltd.	3	Purchase/Sales revenue	23,588	General Terms of Transaction	0.43%
6	Kunshan Lemtech Electronics Technology Co.,Ltd	Lemtech Philippine Thermal System Inc.	3	Account receivables (payment)	10,627	General Terms of Transaction	0.17%
6	Kunshan Lemtech Electronics Technology Co.,Ltd	Lemtech Philippine Thermal System Inc.	3	Sales revenue (purchase)	62,327	General Terms of Transaction	1.14%
7	Lemtech Cooling System Limited	Lemtech Philippine Thermal System Inc.	1	Account payables (receivables)	29,802	General Terms of Transaction	0.47%
7	Lemtech Cooling System Limited	Lemtech Philippine Thermal System Inc.	1	Purchase/Sales revenue	166,721	General Terms of Transaction	3.05%



- Note 1: The information on business dealings between the parent company and subsidiaries should be numbered in the "Code" column with the following coding method:
1. Parent company will be coded "0".
  2. The subsidiaries are coded from "1" in the order presented in the table above.
- Note 2: The transaction relationships with the counterparties are as follows. Please specify the type (the same transaction shall not be disclosed repetitively for transaction between the parent company and the subsidiaries or between the subsidiaries. For example, if the parent company has already disclosed its transaction with a subsidiary, the subsidiary does not need to disclose the information again; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, the other one does not need to disclose it again.)
1. Parent company to subsidiary.
  2. Subsidiary to parent company.
  3. Between subsidiaries.
- Note 3: For calculations of ratio of the transaction amount accounts to consolidated total revenue or total assets, where the item is either an asset or a liability, the ratio of the ending balance to the consolidated total assets shall be calculated; where the item is either a gain or a loss, the ratio of the aggregated amount at the end of the period to the consolidated total revenue shall be calculated.
- Note 4: The above transactions have been offset in the consolidated statements.
- Note 5: The significant transactions of this form may be determined by the company according to the principle of materiality.

Lemtech Holdings Co., Limited and its subsidiaries  
Name of investee, location, etc.  
2020

Attachment 8

Units: NT\$1,000

Investor company	Name of investees	Location	Principal business activities	Original investment amount		Balance at the end of the period			Net gain or loss of the investee	Recognized investment gain/loss of the current period	Remarks
				End of the period	End of last year	Shares	Ratio %	Carrying amount			
The Company	Controllable Lemtech Global Solution Co. Ltd.	Republic of Mauritius	General investment	\$ 112,397	\$ 112,397	2,500,000	100	\$ 2,698,060	\$ 374,697	\$ 374,697	Subsidiaries
The Company	Lemtech Cooling System Limited	Hong Kong	General investment	214,320	154,220	7,000,000	100	280,837	83,039	83,039	Subsidiaries
The Company	Lemtech Industrial Services Ltd	Samoa	Sales of electronics and computer peripheral components	6,583	6,583	1,425,000	57	34,649	3,748	2,137	Subsidiaries
Lemtech Cooling System Limited	Lemtech Energy Solutions Corporation (formerly Lemtech Cryomax System Corp.)	Taiwan	Manufacturing and wholesale of mechanical equipment, dies, electrical appliances and audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision equipment	30,000	30,000	3,000,000	100	12,503	( 13,334)	( 13,334)	Second-tier subsidiaries
Lemtech Cooling System Limited	Lemtech Philippine Thermal System Inc.	Philippines	Manufacturing, purchasing, sales, distribution, wholesale sales, and precision metal stamping tools, customized metal hinges, cooling modules, slides, mechanical components and other related items	75,227	6,100	11,000,000	100	56,272	( 7,457)	( 7,457)	Second-tier subsidiaries
Lemtech Precision Material (China)	Lemtech Technology Limited	Hong Kong	Sales of automotive, electronics and computer peripheral parts	597	597	20,000	100	448,808	89,029	89,029	Third-tier subsidiary
Lemtech Precision Material (China)	LDC Precision Engineering Co., Ltd.	Taiwan	Manufacturing and wholesale of electrical appliances, audio-visual products, other motors and electronic mechanical equipment, automobiles and their parts, and other optical and precision machinery	9,524	9,524	-	100	280,323	89,110	89,110	Third-tier subsidiary
Lemtech Precision Material	Lemtech Precision Material (Czech) s.r.o.	Czechia	Manufacture of automotive parts (sunroof, brakes, seat belts, airbags, etc.) and assemblies (drive shafts for steering wheel, etc.), supply of consumer electronics parts and server product	195,984	195,984	-	100	96,083	( 3,521)	( 3,521)	Third-tier subsidiary
Lemtech Technology Limited	Lemtech USA Inc.	USA	U.S. business development, business information collection, provision of market intelligence and industry information	1,502	1,502	50,000	100	462	( 235)	( 235)	Third-tier subsidiary
Lemtech Technology Limited	With significant influence Aapico Lemtech Co.,Ltd.	Thailand	R&D, production, manufacturing and assembly of automotive, electronics and computer peripheral parts	16,452	16,452	160,000	40	30,758	( 842)	( 337)	Investees recognized under the equity method

Note 1: Please refer to Attachment 8 for information on investee in China.

Lemtech Holdings Co., Limited and its subsidiaries  
Information on investments in China  
2020

(Attachment 9)

Unit: Thousand of NTD; foreign currency (thousand)

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The Company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Remit	Regain						
Zhenjiang Emtron Surface Treatment Limited	Surface treatment of mechanical, electronic and automotive components	\$ 65,043 (RMB14,352)	83.33% equity held by Lemtech Holdings Co., Limited	\$ -	\$ -	\$ -	\$ -	(\$ 15,201)	83.33	(\$ 14,998)	\$ 27,444	\$ -
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	286,242 (RMB66,000)	99.81% equity held by Lemtech Global Solution Co. Ltd.	-	-	-	-	421,152	99.81	420,350 (Note)	2,786,561	-
Lemtech Precision Material	Production and design of various types of fine blanking die, non-metal die-casting toolings, computer connectors, computer cooling modules and other new electronic plug-ins, sales of self-produced products, etc.	286,242 (RMB66,000)	0.19% equity held by Lemtech Holdings Co., Limited	-	-	-	-	421,152	0.19	802 (Note)	5,305	-
Kunshan Lemtech Slide Technology Co., Ltd.	Design and production of slide rails, shafts and related accessories, and sales of self-produced products, etc.	69,758 (RMB15,000)	100% invested by Lemtech Industrial Services Ltd.	-	-	-	-	10,142	100	10,142	58,609	-
Kunshan Lemtech Electronics Technology Co.,Ltd	R&D, manufacturing of electronic components, special electronic materials, and thermal modules, sales of self-produced products, and wholesale, import and export of products similar to those produced by the company and their raw materials and mechanical equipment	60,990 (RMB14,060)	100% owned by Lemtech Cooling System Limited	-	-	-	-	112,236	100	112,236 (Note)	175,942	-

(Continued)

(Continued from previous page)

Investee Company	Principal business activities	Actual paid-in capital	Method of investment	Beginning balance of accumulated outflow of investment from Taiwan	Remittance or recovery of investment amount in the current period		Ending balance of accumulated outflow of investment from Taiwan	Net gain or loss of the investee	The Company's percentage of ownership directly or indirectly %	Investment gains (losses) recognized in the current period	Carrying amount of investment	Investment revenue transferred back to Taiwan as of the end of the period
					Remit	Regain						
Lemtech Electronic Technology (Changshu) Co., Ltd. (hereinafter referred to as Lemtech (Changshu) Company)	Electronic component manufacturing, electronic component wholesale, electronic special material manufacturing, electronic special material sales, electronic special material research and development, lighting equipment manufacturing, lighting equipment sales, manufacturing of auto parts and accessories, manufacturing of solar equipment and components, sales of solar equipment and components, manufacturing of computer software and hardware equipment, sales of communication equipment	\$ 43,305 (RMB10,009)	100% owned by Lemtech Cooling System Limited	\$ -	\$ -	\$ -	\$ -	(\$ 2,500)	100	(\$ 2,500)	\$ 41,228	\$ -

Notes: The investment gain (loss) is recognized in accordance with the parent company's financial statements for the same period audited by a certified public accountant.

2. Limit on the amount of investment in China

Accumulated investment remitted from Taiwan to China at the end of the period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Upper limit on the amount of investment in China authorized by MOEAIC
\$ -	Not applicable	Not applicable

3. Major transactions with any investee company in mainland China directly or indirectly through a third region: Attachment 7.
4. Endorsements, guarantees or provision of collateral directly or indirectly between the company and the investees in China through business in a third region: Attachment 2.
5. Financing extended directly or indirectly between the company and the investees in China through business in a third region: Attachment 1.
6. Other transactions that have significant influence on the profits and losses or financial status of the current period: none.

Lemtech Holdings Co., Limited and its subsidiaries  
Information on Major Shareholders  
December 31, 2020

Attachment 10

Shareholder's name	Shareholding	
	Shareholding (shares)	Shareholding percentage
Hsu, Chi-Feng	7,288,906	14.41%
Chan Kim Seng Maurice	5,133,708	10.15%
CTBC BANK CO., LTD IN CUSTODY FOR Yehang Investment Account	4,999,921	9.89%

Notes: The major shareholder information in this table is based on Taiwan Depository & Clearing Corporation's data of shareholders who hold more than 5% of the Company's ordinary shares and preferred stock (including treasury shares), for which electronic registration and delivery were completed, on the last business day of the quarter. Share capital indicated in the Company's consolidated financial statements may differ from the actual number of shares that have been issued and delivered without physical registration as a result of the different basis of preparation.