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Largan Precision Co., Ltd

2020 Annual Report

(Translation)

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This is a translation of the 2020 Annual Report of Largan Precision Co., Ltd. The translation is for reference only. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Printed April 27th, 2021

Largan Precision Co., Ltd.

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Adam Lin

CEO

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Deputy Spokesperson

Josephine Huang

Deputy Manager

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Corporate Headquarters and Factories

Head office: No. 11, Jingke Road, Nantun District, Taichung City, Taiwan

Telephone: 04-36002345

Factories: No. 4, Gongyequ 16th Road, Taichung City, Taiwan

Telephone: 04-36002345

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Telephone: 04-36001825

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Tel: (02) 2504-8125

Certified Public Accountant (CPA) and accounting firm for the financial statements of the most recent year:

CPA: Shyhhuar Kuo & Chun-Yuan Wu

Company: KPMG Certificated Public Accountants

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Offshore secondary exchange and disclosure information: Not Applicable

Company Website: <http://www.largan.com.tw>

Largan Precision Co., Ltd.

Annual Report Contents

	Page Number
1. Letter to Shareholders.....	1
2. Company Profile.....	2
3. Corporate Governance Report.....	4
3.1. Company organization.....	4
3.2. Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of departments and divisions.....	6
3.3. Implementation of Corporate Governance	21
3.4. Information on CPA fees	41
3.5. Replacement of CPAs.....	42
3.6. Company's Chairman, President, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated company	43
3.7. Equity transfer or changes in equity pledged by the Company's Directors, Supervisors, managerial officers or shareholders with shareholding percentage exceeding 10% in the most recent fiscal year up to the publication date of the Annual Report	44
3.8. Information on the relationship between the top 10 shareholders of the Company	45
3.9. Information on the number of shares of the companies invested by the Company, its Directors, Supervisors and managerial officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding	46
4. Funding Status.....	47
4.1. Company capital and issuance of shares	47
4.2. Issuance of corporate bonds	51
4.3. Preferred shares	51
4.4. Overseas depository receipt.....	51
4.5. Issuance of employee stock options	51
4.6. Restrictions on employee shares and mergers, acquisitions or issuance of new shares for the acquisition of shares of other companies	51
4.7. Implementation status of the capital utilization plan.....	51
5. Operational Highlights	52
5.1. Business activities	52
5.2. Overview of market, production and sales	56
5.3. Number of employees during the two most recent years	60
5.4. Environmental protection expenditures.....	61
5.5. Labor relations.....	61
5.6. Important contracts.....	66
6. Financial Highlights	67
6.1. Condensed Balance Sheet and Condensed Consolidated Income Statement for the Last Five Years	67
6.2. Financial Analysis for the Last Five Years	67
6.3. 2020 Supervisors' Review Report for the Financial Report	74
6.4. Consolidated Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes	75
6.5. Parent Company Only Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes.....	144
6.6. Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliate companies in the most recent year and as of the publication date of this Annual Report	219
7. Review and Analysis of Financial Position and Financial Performance, and Risk Management	220
7.1. Financial position analysis	220
7.2. Financial performance	220
7.3. Cash flow.....	221

7.4.	Impact of major capital expenditures on the Company's financial operations for the most recent fiscal year	221
7.5.	Reinvestment policies, main reasons for profits/losses generated thereby, improvement plans, and investment plans for the coming year	221
7.6.	Risk management and assessment.....	221
7.7.	Other material matters	223
8.	Special Notes	224
8.1.	Information on affiliate companies.....	224
8.2.	Private placement of securities of the past year as of the publication date of this Annual Report	230
8.3.	Holding or disposal of the Company's shares by the subsidiaries of the most recent year as of the publication date of this Annual Report.....	230
8.4.	Other necessary supplementary items to be included.....	230
9.	Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year as of the publication date of this Annual Report.....	231

1. Letter to Shareholders

In 2020, with the increasing penetration rate of smartphones, the growth of the market had started to plateau. The Company's 2020 business results and 2021 business plan are summarized below:

- 2020 Business Report
 - (1) Business results: Largan Precision's consolidated revenue in 2020 amounted to NT\$55,944,489 thousand, which was a 8% decline over NT\$60,745,008 thousand in 2019. The net profit after tax was NT\$24,534,131 thousand, which was a 13% decline over NT\$28,263,082 thousand in 2019. The net profit after tax per share was NT\$182.90.
 - (2) Financial performance and profitability: Please refer to the financial statements in the attachment for the financial overview of 2020.
 - (3) Research and development: The Company invested a total of NT\$3,794,356 thousand in research and development for the current year, which represented a 1% growth over NT\$3,764,448 thousand in the previous year.
- 2021 Business Plan
 - (1) Business strategy: Largan Precision upholds the business philosophy of "innovation, professionalism, speed, and flexibility." All employees continuously pursue discipline and growth in the face of a changing business environment, as they commit themselves to product development and quality improvement to create ongoing profit and growth.
 - (2) Production and sales forecast: The Company shall remain focused on the production and sales of mobile phone camera lenses, and actively enhance production technology and output, with the aim of maintaining the Company's advantages in production cost and making overall production and sales more competitive.
 - (3) Research and development plans: The Company shall continue to conduct research and development in mobile phone camera lenses. We will continue to expand our R&D team, product range, add new product lines, and improve the scale and quality of products. We shall also commit ourselves to the development of other product applications and improvement of manufacturing capabilities to maintain long-term competitiveness in the industry.

Largan Precision shall continue to work hard and adopt a spirit of constant innovation and in the production of each product. We shall fully develop the Company's core expertise and continue to strengthen the Company's competitiveness in all aspects to respond to the competitive environment and overall business environment. At the same time, the Company complies with regulatory requirements and adopts policies and measures in response to changes in the legal environment. We hereby express our most sincere gratitude for the support of all customers, suppliers, shareholders, and employees.

Chairman: En-Chou Lin

2. Company Profile

(1) Date of founding: April 17, 1987

(2) Addresses and telephone numbers of the head office, branch offices, and plants:

Head office:	No. 11, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
Branch office:	None	
Factories:	No. 4, Gongyequ 16th Road, Taichung City, Taiwan	Telephone: 04-36002345
	No. 14, Gongyequ 23rd Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
	No. 11, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
	No. 13, Jingke Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36002345
	No. 7, Jingke 2nd Road, Nantun District, Taichung City, Taiwan	Telephone: 04-36001825

(3) Company history

1987 Largan Precision Co., Ltd. was founded with a capital of NT\$10 million. The Company specialized in lenses, and viewfinders for scanners, cameras, projectors.

1989 Cash capital increase of NT\$500 thousand; paid-up capital increased to NT\$10.5 million.

1990 Completed and relocated to new factory in Taichung Industrial Park.
Capitalized NT\$60.9 million of earnings; paid-up capital increased to NT\$71.4 million.

1991 Leading Taiwanese company to introduce ultra-precision machining for aspherical lenses and developed related manufacturing skills. Successful mass production of the plastic aspherical lens in the same year.

1992 Cash capital increase of NT\$12.6 million; paid-up capital increased to NT\$48 million.
First in Taiwan to develop hybrid lenses for traditional cameras for mass production.

1993 Received the New Leading Product Development Program Gong (82) No. 2 grant from the Industrial Development Bureau Ministry of Economic Affairs. Started the New Leading Product Development Program for "manufacturing development program of cameras fitted with auto-focusing F35-70 mm zoom lenses".

1995 Awarded "Top Ten Companies in Industrial Automation in 1995" by the Ministry of Economic Affairs. The former President of R.O.C. visited the Company's headquarters.
Invested in Largan (Hong Kong) Limited and new materials processing factory in Dongguan in order to increase productivity, reduce cost, and expand market share.

1997 Introduced electrical discharge machining and ultra-precision CNC machining equipment from Japan to improve R&D technology and provide superior products.
Capitalized NT\$10 million of earnings and NT\$28 million of capital reserel; paid-up capital increased to NT\$122 million.
First in Taiwan to develop hybrid lenses for successful applications in scanners/barcodes.
Successfully developed optical components for projectors.

1998 Invested in Largan Digital Co., Ltd. to expand into the emerging industry of digital cameras.
Capitalized NT\$38 million of earnings; paid-up capital increased to NT\$160 million.
Successfully entered mass production of scanner hybrid lenses.
First in Taiwan to develop 2X zoom viewfinder for mass production.
Successfully developed hybrid lenses for digital cameras.
Successfully developed precision optical components for SVCD and VCD.

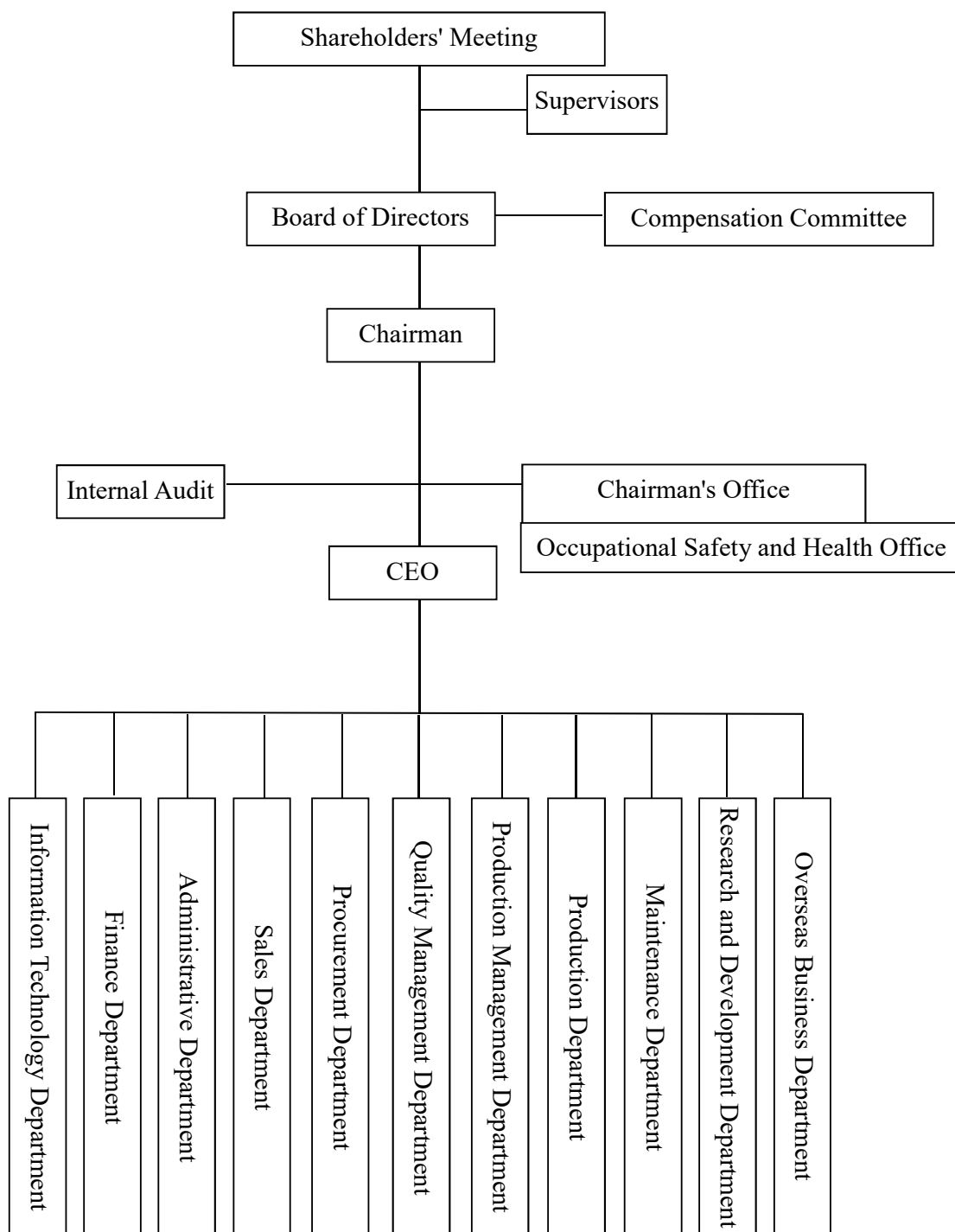
1999 Invested in IBM hardware and Data Systems Consulting ERP system to integrate internal procedures of affiliated companies and subsidiaries and facilitate effective use of comprehensive resource systems.
Successfully developed 4000 dpi scanner lens.
Successfully developed the world's first 600 dpi scanner hybrid lens.
Successfully developed autofocus module for digital camera.

2000	Successfully developed high-precision optical components and assemblies applied in DVDs. Capitalized NT\$60 million of earnings and NT\$80 million in cash; paid-up capital increased to NT\$300 million. The Company became publicly listed. First in Taiwan to develop 4X zoom viewfinder for mass production.
2001	Passed ISO 9001 quality certification. Capitalized NT\$233,434,000 of earnings and employee bonus. Issued new shares through a capital increase to merge Largan Optronics Co., Ltd. to sustain growth and scale to enhance the Company's competitiveness. Paid-up capital increased to NT\$621,621,640.
2002	Publicly listed on the Taiwan Stock Exchange (TWSE) on March 11. Capitalized NT\$233,182,590 of earnings and employee bonus; paid-up capital increased to NT\$854,804,230. The establishment of the Company's headquarters was approved in September. Successfully developed zoom lenses for projectors. Successfully developed camera lenses for mobile phones. Successfully developed 3.0 megapixels 3x zoom digital camera lens.
2003	Capitalized NT\$104,021,920 of earnings and employee bonus; paid-up capital increased to NT\$958,826,150. Invested in Suzhou Largan Co., Ltd. through NET International Trading Limited to expand production capacity and reduce manufacturing cost. Successfully developed 3X Zoom lens for digital cameras. Successfully developed 1.3 megapixels lens for mobile phones.
2004	Expanded floor space in plant #1. Capitalized NT\$115,422,610 of earnings and employee bonus; paid-up capital increased to NT\$1,074,248,760.
2005	Successfully developed 2.0 megapixels autofocus lens for mobile phones. Capitalized NT\$71,902,440 of earnings and employee bonus; paid-up capital increased to NT\$1,146,151,200. Successfully developed 3.0 megapixels autofocus lens for mobile phones.
2006	Expanded floor space in Plant #2. Capitalized NT\$67,121,210 of earnings and employee bonus; paid-up capital increased to NT\$1,213,272,410.
2007	Completed development of 5.0 megapixels autofocus lens for mobile phones. Capitalized NT\$33,914,470 of earnings and employee bonus; paid-up capital increased to NT\$1,257,186,880.
2008	Entered mass production of 5.0 megapixels lens for mobile phones Capitalized NT\$44,145,930 of earnings and employee bonus; paid-up capital increased to NT\$1,301,332,810.
2009	Completed development of 8.0 megapixels autofocus lens for mobile phones. Capitalized NT\$521,642,990 of earnings and employee bonus; paid-up capital increased to NT\$1,341,401,970. Inaugurated new plant in the Precision Machinery Innovation Technology Park. Became the first company to mass produce EDOF lenses for mobile phones. Entered mass production of 8.0 megapixels lens for mobile phones
2012	Completed development of 12.0 megapixels autofocus lens for mobile phones. Inaugurated new plant in the Precision Machinery Innovation Technology Park. (Plant #5)
2014	Obtained industrial land in phase 1 of the Taichung City Precision Machinery Innovation Technology Park.
2017	Inaugurated new plant in the Precision Machinery Innovation Technology Park. (Plant #7)

3. Corporate Governance Report

3.1 Company organization

3.1.1 Company organization chart



3.1.2 Responsibilities and functions of major departments

Major Department	Responsibilities and Functions
Chairman's Office	Oversees the planning and execution of the Company's operations and implements continuous supervision and improvement of various internal controls.
Internal Audit	Inspects and evaluates the Company's internal control system and provides analyses and recommendations.
Occupational Safety and Health Office	Formulates, plans, and promotes safety and health management issues and instructs related departments on its implementation.
Information Technology Department	Responsible for the integration, establishment, and maintenance of the Company's IT system.
Finance Department	Responsible for finances, accounting, shareholder services, and taxation affairs.
Administrative Department	Responsible for human resources, general affairs, employee welfare, and labor relations.
Sales Department	Responsible for product marketing, market research, and customer after-sales services.
Procurement Department	Responsible for procurement of raw materials, equipment, and consumables.
Quality Management Department	Responsible for inspection of raw materials, production, and finished goods , and other quality assurance operations.
Production Management Department	Responsible for production planning, raw materials management, outsourcing, and shipment.
Production Department	Responsible for the production of various optical components.
Maintenance Department	Maintenance and repairs of machinery and inspection equipment.
Research and Development Department	New product optical design. Improvement of production technology. Design and development of molding and tooling technology.
Overseas Business Department	Responsible for production, quality assurance, and services for overseas businesses.

3.2 Information on Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of departments and divisions

3.2.1 Directors and Supervisors

April 12, 2021

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Concurrently Held at the Company and Other Companies	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative			Note 2
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Chairman	Taiwan	Mao Yu Commemorate Co., Ltd.	-	2019.06.12	3 years	2019.6.12	8,672,968	6.47%	18,910,616	14.10%	-	-	-	-	-	-	-	-	-	None
	Taiwan	Representative: En-Chou Lin	Male	2019.06.12		1987.4.4 Note 1	2,861,142	2.13%	540	0.00%	-	-	7,790,106	5.81%	Degree in Insurance and Banking, Tamkang University Vice President, Largan Digital Co., Ltd.	Vice President of Largan Precision, Chairman of Antai International Limited, Director of Astro International Limited, Chairman of Largan (Dongguan) Optronic Ltd., Director of Largan (Hong Kong) Limited, Director representative of Net International Trading Limited, Director of Largan Medical Co., Ltd., Chairman representative of Ba Fang Co., Ltd., Director of NEO (Shanghai) Medical Technology Co., Ltd., Director of LHT, Supervisor of Mao Yu Commemorate Co., Ltd.	Director Vice Chairman	Yao-Ying Lin En-Ping Lin	Father-son Brothers	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Concurrently Held at the Company and Other Companies	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative			Note 2
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Vice Chairman	Taiwan	Representative: En-Ping Lin	Male	2019.06.12		2007.6.15	3,379,506	2.52%	8,000	0.01%	-	-	6,011,652	4.48%	Master of Business Administration, Dominican University	CEO of Largan Precision, Director of Largan (Hong Kong) Limited, Director of Largan (Dongguan) Optronic Ltd., Chairman of Largan Digital Co., Ltd., Chairman of Largan Medical Co., Ltd., Director of Alpha and Beta, Director of LHT, Director representative of Largan Health Technology Co., Ltd., Director of Largan Health AI-Tech Co., Ltd., Director of Mao Yu Commemorate Co., Ltd.	Director Chairman	Yao-Ying Lin En-Chou Lin	Father-son Brothers	None
Director	Taiwan	Representative: Yao-Ying Lin	Male	2019.06.12		1993.7.3	1,526,036	1.14%	No shares held	0.00%	-	-	2,526,036	1.88%	Degree in Agricultural Chemistry, National Chung Hsing University	Director of Largan Medical Co., Ltd., Chairman of Mao Yu Commemorate Co., Ltd.	Chairman Vice Chairman	En-Chou Lin En-Ping Lin	Father-son	None
Director	Taiwan	Shih-Ching Chen	Male	2019.06.12	3 years	1993.7.3	6,756,831	5.04%	6,756,831	5.04%	6,625,569	4.94%	-	-	Degree in Mechanical Engineering, National Cheng Kung University	Director of Largan Digital Co. Ltd., Director of Largan Medical Co., Ltd.,	Supervisor	Tsui-Ying Chang	Spouse	None
Director	Taiwan	Ming-Yuan Hsieh	Male	2019.06.12	3 years	1996.10.20	3,606,585	2.69%	3,606,585	2.69%	-	-	-	-	Degree in Applied Mathematics, Feng Chia University	None	-	-	-	None
Independent Director	Taiwan	Shan-Chieh Yen	Male	2019.06.12	3 years	2016.6.8	No shares held	0.00%	No shares held	0.00%	-	-	-	-	Taichung Industrial High School, Electrical Engineering Assistant Vice President, Largan Precision	None	-	-	-	None

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Concurrently Held at the Company and Other Companies	Other Supervisory or Director Roles Held by a Spouse or Second-Degree Relative			Note 2
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Independent Director	Taiwan	Ming-Hua Peng	Male	2019.06.12	3 years	2016.6.8	56,604	0.04%	56,604	0.04%	-	-	-	-	Ming Chi Institute of Technology, Mechanical Engineering Assistant Vice President, Largan Precision	None	-	-	-	None
Supervisor	Taiwan	Chung-Jen Liang	Male	2019.06.12	3 years	2004.6.10	2,091,721	1.56%	2,091,721	1.56%	924	0.00%	8,000	0.01%	Degree in Finance, National Chengchi University	Supervisor of Largan Medical Co., Ltd., Supervisor of Largan Digital Co. Ltd.	-	-	-	None
Supervisor	Taiwan	Tsui-Ying Chiang	Female	2019.06.12	3 years	2001.7.16	6,625,569	4.94%	6,625,569	4.94%	6,756,831	5.04%	-	-	Degree in German, Tamkang University	None	Director	Shih-Ching Chen	Spouse	None

Note 1: En-Chou Lin did not serve as a Director from July 3, 1993 to November 11, 1997.

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed.

Table 1: Major shareholders of the corporate shareholder

April 12, 2021

Name of corporate shareholder	Major shareholders of the corporate shareholder
Mao Yu Commemorate Co., Ltd.	En-Ping Lin(31.79%)、En-Chou Lin(21.72%)、Feng-Chen Kao(19.43%)、Yao-Ying Lin(8.73%)、En-Ping Lin Trust Account(10.96%)、En-Chou Lin Trust Account(7.37%)

Table 2: Professional qualifications and independence of the Directors and Supervisors

Criteria	Meet the following professional qualification requirements, together with at least 5 years of work experience			Independence criteria (Note 1)												Number of other public companies in which the individual is concurrently serving as an independent director
	An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Area 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																
Mao Yu Commemorate Co., Ltd. Representative: En-Chou Lin			v									v		v		-
Mao Yu Commemorate Co., Ltd. Representative: En-Ping Lin			v									v		v		-
Mao Yu Commemorate Co., Ltd. Representative: Yao-Ying Lin			v							v		v		v		-
Shih-Ching Chen			v						v	v		v	v	v	v	-
Ming-Yuan Hsieh			v	v			v	v	v	v	v	v	v	v	v	-
Shan-Chieh Yen			v	v	v	v	v	v	v	v	v	v	v	v	v	-
Ming-Hua Peng			v	v	v	v	v	v	v	v	v	v	v	v	v	-

Name	Criteria	Meet the following professional qualification requirements, together with at least 5 years of work experience	Independence criteria (Note 1)												Number of other public companies in which the individual is concurrently serving as an independent director	
		An instructor or higher position in a private or public college or university in the field of business, law, finance, accounting, or the business sector of the Company	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work Experience in the Area 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
Chung-Jen Liang			v	v				v	v	v		v	v	v	v	-
Tsui-Ying Chiang			v	v				v	v	v	v	v		v	v	-

Note 1: Tick the appropriate corresponding boxes if a Director or Supervisor meets the following criteria during his/her term of office and two years prior to the date elected.

- (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, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with 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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same

person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).

- (8) Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

3.2.2 President, Vice Presidents, Assistant Vice Presidents, and managers of departments or divisions

April 12, 2021

Title	Nationality	Name	Gender	Date Appointed	Number of Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Concurrently Held at the Company and Other Companies	Other Managerial Roles Held by Spouse or Second-Degree Relative			Note 2
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
CEO	Taiwan	En-Ping Lin	Male	2007.06.15	8,000	0.01%	-	-	6,011,652	4.48%	Master in Business Administration, Dominican University	Director of Largan (Hong Kong) Limited., Director of Largan (Dongguan) Optronic Ltd., Chairman of Largan Digital Co., Ltd., Chairman of Largan Medical Co., Ltd., Director of Alpha and Beta, Director of LHT, Director representative of Largan Health Technology Co., Ltd., AI-Tech Co., Ltd., Director of Mao Yu Commemorate Co., Ltd.	Vice President	En-Chou Lin	Brothers	None
Vice President	Taiwan	En-Chou Lin	Male	1987.04.17	540	0.00%	-	-	7,790,106	5.81%	Degree in Insurance and Banking, Tamkang University Vice President, Largan Digital Co., Ltd.	Chairman of Amtai International Limited, Director of Astro International Limited, Chairman of Largan (Dongguan) Optronic Ltd., Director of Largan (Hong Kong) Limited., Director representative of Net International Trading Limited, Director of Largan Medical Co., Ltd, Chairman representative of Ba Fang Co., Ltd., Director of NEO (Shanghai) Medical Technology Co., Ltd., Director of LHT, Supervisor of Mao Yu Commemorate Co., Ltd.	CEO	En-Ping Lin	Brothers	None

Title	Nationality	Name	Gender	Date Appointed	Number of Shares Held		Shares Held by Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Concurrently Held at the Company and Other Companies	Other Managerial Roles Held by Spouse or Second-Degree Relative			Note 2
					Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relationship	
Vice President	Taiwan	Chung-Shih Lin	Male	2005.06.01	4,000	0.00%	-	-	-	-	Degree in Industrial Engineering, Tunghai University	Director of Largan (Dongguan) Optronic Ltd., Director representative of Largan Health Technology Co., Ltd., Director of LHT	-	-	-	None
Chief Technology Officer/ Vice President	Taiwan	Yu-Chih Huang	Male	2010.01.01	94,228	0.07%	-	-	-	-	Master in Power Mechanical Engineering, National Tsing Hua University	None	-	-	-	None
Assistant Vice President	Taiwan	Sheng-Lien Wang	Male	2011.04.01	0	0	-	-	-	-	Degree in Industrial Engineering, Feng Chia University	Director of LHT, Director of NEO (Shanghai) Medical Technology Co., Ltd.	-	-	-	None
Finance/ Accounting Director	Taiwan	Hsing-Ju Tsao	Female	2011.05.01	289	0.00%	-	-	-	-	Master in Accounting, National Chengchi University	Accounting Head of Largan Digital Co., Ltd. and Largan Medical Co., Ltd. Supervisor of NEO (Shanghai) Medical Technology Co., Ltd.	-	-	-	None

Note 1: Positions held as of the publication date of the Annual Report

Note 2: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, the reason, reasonableness, necessity, and response measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers) must be disclosed.

3.2.3 Compensation of Directors, Supervisors, President, and Vice Presidents

As of December 31, 2020
Unit: NT\$ thousands

Compensation for Directors and Independent Directors

Title	Name	Compensation of Directors				Ratio of total compensation (A+B+C+D) to net profit after tax (%)	Compensation earned as an employee				Ratio of the total sums of A, B, C, D, E, F, and G to the net profit after tax		Compensation received from invested companies other than the parent company	
		Compensation (A)	Severance Pay and Pension (B)		Directors' Remuneration (C)		Business Expenses (D)	Salary, Bonus and Allowances (E)	Severance Pay and Pension (F)	Employees' Compensation (G)				
			The Company	All Companies in the Financial Report						The Company	All Companies in the Financial Report	The Company		All Companies in the Financial Report
General Director	Chairman													
	Vice Chairman													
	Director													
	Director													
	Director													
Independent Director	Director													
	Director													

1. Please describe the policy, system, standard, and structure of compensation to independent directors, and the correlation between duties, risk, and time input with the amount of compensation:

Director compensation is determined by the Compensation Committee and Board of Directors according to each Director's degree of participation and contribution to the Company's operations as authorized by the Company's Articles of Incorporation. According to the Articles of Incorporation, if the Company earns a profit, the Board may determine Directors' and Supervisors' compensation. Independent Director compensation is determined based on the risks associated with their duties and time input.

2. Other than as disclosed in the above table, the compensation earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

1. Please describe the policy, system, standard, and structure of compensation to independent directors, and the correlation between duties, risk, and time input with the amount of compensation: Director compensation is determined by the Compensation Committee and Board of Directors according to each Director's degree of participation and contribution to the Company's operations as authorized by the Company's Articles of Incorporation. According to the Articles of Incorporation, if the Company earns a profit, the Board may determine Directors' and Supervisors' compensation. Independent Director compensation is determined based on the risks associated with their duties and time input.

2. Other than as disclosed in the above table, the compensation earned by Directors providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the latest fiscal year: None.

Table of compensation ranges

Compensation Range for Each Director of the Company	Name of Director			
	Sum of the first 4 items (A+B+C+D) The Company	All Companies in the Financial Report	Sum of the first 7 items (A+B+C+D+E+F+G) The Company	All Companies in the Financial Report
Less than NT\$1,000,000	En-Chou Lin, En-Ping Lin, Yao-Ying Lin	Same as left	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Shan-Chieh Yen, Ming-Hua Peng	Same as left	Shan-Chieh Yen, Ming-Hua Peng	Same as left
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	-	-
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)	Shih-Ching Chen, Ming-Yuan Hsieh	Same as left	En-Chou Lin, En-Ping Lin, Yao-Ying Lin, Ming-Yuan Hsieh	Same as left
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	Shih-Ching Chen	Same as left
NT\$100,000,000 and above	Mao Yu Commemorate Co., Ltd.	Same as left	Mao Yu Commemorate Co., Ltd.	Same as left
Total	8(Including 1 Corporate Director)	8(Including 1 Corporate Director)	8(Including 1 Corporate Director)	8(Including 1 Corporate Director)

Compensation for Supervisors

As of December 31, 2020
Unit: NT\$ thousands

Title	Name	Compensation for Supervisors						Ratio of the total sums of A, B, and C to net profit after tax		Compensation received from invested companies other than subsidiaries or the parent company
		Compensation (A)		Remuneration (B)		Business Expenses (C)				
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	
Supervisor	Chung-Jen Liang	-	-	93,956	93,956	-	-	0.38%	0.38%	None
Supervisor	Tsui-Ying Chiang	-	-	-	-	-	-	-	-	-

Table of Compensation Ranges

Compensation Range for Each Supervisor of the Company	Names of Supervisor		
	The Company	Total of (A+B+C)	All Companies in the Financial Report
Less than NT\$1,000,000	-		-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-		-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-		-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-		-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-		-
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)	Chung-Jen Liang, Tsui-Ying Chiang		Same as left
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-		-
NT\$100,000,000 and above	-		-
Total	2		2

Compensation for President and Vice Presidents

As of December 31, 2020
Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances, etc. (C)		Employees' Compensation (D)				Ratio of the total sums of A, B, C, and D to the net profit after tax (%)		Compensation received from invested companies other than subsidiaries or the parent company
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	Cash	Stock	The Company	All Companies in the Financial Report	
CEO	En-Ping Lin	16,656	16,656	-	-	-	-	136,067	-	136,067	-	0.62%	0.62%	None
Vice President	En-Chou Lin													
Vice President	Chung-Shih Lin													
Chief Technology Officer	Yu-Chih Huang													

Table of Compensation Ranges

Compensation Range for the President and Vice Presidents of the Company	Name of the President and Vice Presidents	
	The Company	All Companies in the Financial Report
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	-	-
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-
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)	En-Chou Lin, En-Ping Lin, Chung-Shih Lin, Yu-Chih Huang	Same as left
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
NT\$100,000,000 and above	-	-
Total	4	4

Name of management to which employees' compensation are distributed, and the status of distribution

As of December 31, 2020

Unit: NT\$ thousands

Title	Name	Stock	Cash	Total	Ratio of total compensations to the net profit after tax (%)
CEO	En-Ping Lin	-	204,100	204,100	0.83%
Vice President	En-Chou Lin				
Vice President	Chung-Shih Lin				
Chief Technology Officer	Yu-Chih Huang				
Assistant Vice President	Sheng-Lien Wang				
Finance/Accounting Director	Hsing-Ju Tsao				

3.2.4 Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the Company's Directors, Supervisors, President and Vice Presidents as a ratio to the net profit after tax. Explanation on compensation policies, standards and procedures for determining compensation, and association with business performance and future risks:

1. Analysis of compensation to the Company's Directors, Supervisors, President and Vice Presidents as a ratio of net profit after tax in the most recent year

	Ratio of total compensation to net profit after tax (%)		Percentage change
	2020	2019	
Director	1.65%	1.53%	0.12%
Supervisor	0.38%	0.38%	-
President and Vice Presidents	0.62%	0.50%	0.12%

Note: 1. The Company's compensation for the Company's Directors, Supervisors, President, and Vice Presidents are determined pursuant to the Company's Articles of Incorporation and Managerial Officer Salary Standards. They are reviewed by the Compensation Committee and authorized by the Board of Directors. There were no material changes in the Company's payment to Directors and Supervisors. Total compensation for Directors to net profit after tax increased by 0.12%; Total compensation for Supervisors to net profit after tax was unchanged; Total compensation for the President and Vice Presidents to net profit after tax increased by 0.12%.

2. The Company's compensation for Directors and Supervisors is determined pursuant to Article 26 of the Company's Articles of Incorporation. If the Company sustains profit for the current year, it may set aside no more than 5% of profit as Director and Supervisor compensation. With regard to the procedures for determining the amount of compensation, the Company considers personal performance achievement rates and the level of contribution to the Company, while taking into account the Company's overall performance, future trends and business risks of the industry, to provide a reasonable level of compensation. Such performance evaluation and the reasonableness of salary and remuneration are reviewed by the Compensation Committee and the Board of Directors. The remuneration system is also reviewed constantly based on actual business operations and applicable laws.
3. The compensation of the President and Vice Presidents include salary and employees' compensation which shall be determined in accordance with their positions, responsibilities, and the Company's Managerial Officer Salary Standards. They are reviewed by the Compensation Committee and approved by the Board of Directors.

3.3 Implementation of Corporate Governance

3.3.1 Operations of the Board of Directors

The Company convened a total of 4 Board of Directors meetings in 2020. The attendance was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Rate of Attendance in Person (%)	Note (Note1)
Chairman	Mao Yu Commemorate Co., Ltd. Representative: En-Chou Lin	4	0	100%	Newly appointed
Vice Chairman	Mao Yu Commemorate Co., Ltd. Representative: En-Ping Lin	4	0	100%	Newly appointed
Director	Mao Yu Commemorate Co., Ltd. Representative: Yao-Ying Lin	4	0	100%	Newly appointed
Director	Shih-Ching Chen	4	0	100%	Re-elected
Director	Ming-Yuan Hsieh	3	0	75%	Re-elected
Independent Director	Shan-Chieh Yen	4	0	100%	Re-elected
Independent Director	Ming-Hua Peng	3	1	75%	Re-elected

Annotations:

1. (1) Items included in Article 14-3 of the Securities and Exchange Act and other dissenting or qualified opinions by other Independent Directors in record or the resolutions of the Board of Directors in a written statement: The resolutions of board meetings in 2020 contained no items specified in Article 14-3 of the Securities and Exchange Act.
(2) Other resolutions of the Board of Directors on which Independent Directors have dissenting or qualified opinions, and that were documented or issued through written statements: None.
2. Recusals of Directors due to conflicts of interests: The Directors recused themselves from discussion and voting on their salaries and compensation.
3. Implementation of self-evaluations by the Company's Board of Directors:

Assessment Interval	Assessment period	Scope	Assessment Method	Assessment Content
Annually	January 1, 2020 to December 31, 2020	Board of Directors, their individual members, and Functional Committees (including Compensation Committee)	Internal self assessment made by the Board of Directors, their individual members, and Functional Committees (including Compensation Committee)	The performance assessment of the Board of Directors includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Board of Directors, the composition and structure of the Board of Directors, selection and appointment of Directors and continuous education and internal control. The performance assessment of the Board members includes five major aspects: alignment of the goals and missions of the company, awareness of the duties of a director, participation in the operation of the company, management of internal relationship and communication, the director's professionalism and continuing education and internal control The performance assessment of the Functional Committee includes five major aspects: the degree of participation in the Company's operations, the decision-making quality of the Functional Committees, the composition and structure of the Functional Committee, selection and appointment of Committee members and continuous education and internal control.

4. Measures taken to strengthen the functions of the Board and the implementation status during the current and preceding fiscal year: The Company established the 4th Compensation Committee on July 22, 2019 to assist the Board of Directors to determine the salaries and compensation of Directors and managerial officers as well as to regularly review the performance of Directors and managerial officers and the Company's compensation policies, systems, standards, and structure.

Note 1 : The Company's Directors and Supervisors were re-elected on June 12, 2019.

3.3.2 Supervisors' participation in Board meetings

A total of 4 Board of Directors meetings were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in Person	Rate of Attendance in Person (%)	Note (Note 1)
Supervisor	Chung-Jen Liang	2	50%	Re-elected
Supervisor	Tsui-Ying Chiang	4	100%	Newly appointed

Annotations:

1. Composition and responsibilities of Supervisors:

(1) Communication between Supervisors and the Company's employees and shareholders (e.g. communication channels and methods): If Supervisors deem it necessary, they may actively communicate with employees and shareholders of the Company and the Company's employees may also propose opinions or file claims regarding their rights to the Supervisors.

(2) Supervisors' communication with internal auditor manager and CPAs (e.g. communication over the Company's financial and business status, the methods and results, etc.): After the Company's internal auditor manager completes the audit report, the Supervisors are requested to review the contents of the Report. The Company's certifying CPAs may explain the results of the audit of the financial report or internal control to the Directors and Supervisors in accordance with regulations and propose necessary recommendations. If the Supervisors have any questions, they may contact the CPAs at any time.

2. Opinions stated by a Supervisor while attending Board of Directors' meetings, the date, session, contents of the case discussed, resolution of the meeting, as well as the Company's disposition of opinions stated by the Supervisor: None.

Note 1 : The Company's Directors and Supervisors were re-elected on June 12, 2019.

3.3.3 Operations of the audit committee: Not applicable as the Company does not have an audit committee.

3.3.4 Implementation of corporate governance, deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviations

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	v		The Company has established the "Corporate Governance Best Practice Principles" and disclosed them on the Company's website.	No deviation
2. Shareholding structure & shareholders' rights				
(1) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to internal procedure?	v		(1) The Company has established a spokesperson and acting spokesperson system to ensure prompt disclosure of information that may affect shareholders' decision-making. The Company has also established a dedicated mailbox to process shareholders' suggestions or disputes.	No deviation
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those of major shareholders?	v		(2) The Company reports changes in the number of shares held by insiders (Directors, managers, and major shareholders holding more than 10% of the shares) monthly in accordance with applicable laws.	No deviation
(3) Does the Company establish and enforce risk control and firewall systems with its affiliated companies?	v		(3) The Company has established the Subsidiary Company Management Regulations to enforce risk control and firewall systems with affiliated companies.	No deviation
(4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	v		(4) The Company has established the "Procedures for Handling Material Inside Information" as the basis for handling and disclosing the Company's material information. The Procedures have been disclosed on the company's website.	No deviation
3. Composition and responsibilities of the Board of Directors				
(1) Does the Company establish and implement a policy for diversity for the composition of the Board of Directors?	v		(1) The Company has established the "Corporate Governance Best Practice Principles" and the Procedures for Elections of Directors and Supervisors to take into consideration diversity of the board members. Diversity policy is established for basic qualifications and professional knowledge based on the Company's operations, business model, and development requirements. The Company considers Directors' diversity in professional background (including	No deviation

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons																																																																							
	Yes	No	Summary																																																																								
			ability to make sound operational judgments, accounting and financial analysis capability, business management, crisis management, industry knowledge, understanding of international markets, and leadership ability) when appointing Directors. Of the 7 skills above, the Company targets for more than 70% of the board members to possess 4 skills or more. This target was achieved in this term of the Board of Directors. The implementation status of Board member diversity is provided below: <table><tr><th rowspan="2">Name</th><th colspan="7">Diversity in Capability</th></tr><tr><th>Ability to make sound operational judgments</th><th>Accounting & financial analysis capability</th><th>Business Management</th><th>Crisis management</th><th>Industry knowledge</th><th>Understanding of international markets</th><th>Leadership ability</th></tr><tr><td>En-Chou Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>En-Ping Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Shih-Ching Chen</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Yao-Ying Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Ming-Yuan Hsieh</td><td></td><td>v</td><td></td><td></td><td>v</td><td>v</td><td></td></tr><tr><td>Shan-Chieh Yen</td><td></td><td>v</td><td></td><td></td><td>v</td><td>v</td><td></td></tr><tr><td>Ming-Hua Peng</td><td></td><td>v</td><td></td><td></td><td>v</td><td>v</td><td></td></tr></table>	Name	Diversity in Capability							Ability to make sound operational judgments	Accounting & financial analysis capability	Business Management	Crisis management	Industry knowledge	Understanding of international markets	Leadership ability	En-Chou Lin	v	v	v	v	v	v	v	En-Ping Lin	v	v	v	v	v	v	v	Shih-Ching Chen	v	v	v	v	v	v	v	Yao-Ying Lin	v	v	v	v	v	v	v	Ming-Yuan Hsieh		v			v	v		Shan-Chieh Yen		v			v	v		Ming-Hua Peng		v			v	v		
Name	Diversity in Capability																																																																										
	Ability to make sound operational judgments	Accounting & financial analysis capability	Business Management	Crisis management	Industry knowledge	Understanding of international markets	Leadership ability																																																																				
En-Chou Lin	v	v	v	v	v	v	v																																																																				
En-Ping Lin	v	v	v	v	v	v	v																																																																				
Shih-Ching Chen	v	v	v	v	v	v	v																																																																				
Yao-Ying Lin	v	v	v	v	v	v	v																																																																				
Ming-Yuan Hsieh		v			v	v																																																																					
Shan-Chieh Yen		v			v	v																																																																					
Ming-Hua Peng		v			v	v																																																																					
(2) In addition to the Compensation Committee and Audit Committee established according to law, does the Company voluntarily establish other functional committees?		v	(2) The Company has established the Compensation Committee, and other corporate governance operations are assigned to other units based on their responsibilities. The Company shall establish an audit committee and other functional committees in accordance with regulations.	The Supervisors currently take on the duties of the Audit Committee																																																																							
(3) Does the company establish standards and methods for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the compensation and		v	(3) On October 28, 2019, the Board of Directors passed the "Rules for Board of Directors Performance Assessments", and established that the Company must conduct internal evaluations at least once a year, and submit the evaluation results to the Board, and use the results as a basis for determining the compensation and nomination of directors. 1. Internal performance evaluations:	No deviation																																																																							

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
nomination of individual directors?			Annual internal performance evaluations of the Board of Directors and the Compensation Committee are conducted by the Board members, the Functional Committee members and the relevant department. The scope of assessment for the Board of Directors include five aspects: level of participation in Company operations, improvement of the quality of the Board's decision making, composition and structure of the Board, nomination and continuing education of the directors as well as internal control. The scope of assessment for the Board members include five aspects: alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control. The scope of assessment for the functional committee will also include five aspects: participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions, makeup of the functional committee and election of its members and internal control. The annual performance evaluations were completed and reported to the Board on February, 22, 2021. The results were as follows: (1) The evaluations for the Board of the Directors and Board members were 100% completed in 2020, and the results were "Good". Overall, the performance of the Board of Directors and its members are effective. (2) The evaluations for the Compensation Committee were 100% completed in 2020, and the results were "Good". Overall, the performance of the Compensation Committee is effective. 2. The Company's Compensation Committee establishes and regularly reviews Director and manager performance as well as compensation policies, systems, standards, and structures. It also submits recommendations to the Board of Directors for discussion.	
(4) Does the Company regularly assess on the independence of CPAs?	v		(4) The Company's Board of Directors periodically evaluates the independence and competency of CPAs and obtain the CPAs' Statement of Independence. The Company verifies that the contents include compliance of all CPA	No deviation

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			personnel with the independence policy and prohibits any personnel from conducting insider trading and disseminating internal information. The evaluation standards are provided in Note 1 and was reported to the Board of Directors on February 22, 2021.	
4. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	v		The Board has approved the appointment of a dedicated corporate governance supervisor, whose qualifications meet the regulations of Paragraph 1 of Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The main duties of the corporate governance supervisor include providing information required by Directors and Supervisors, assisting Directors in complying with regulations, to convene Board meetings and shareholders' meetings in compliance with the law, and to assist Directors in their continuing education. Key corporate governance implementations include the following: 1. Four Boards meetings held in 2020. 2. One Annual General Meeting held in 2020. 3. Liability insurance filed for its Directors and the insurance renewal reported to the Board of Directors. 4. Assisted the Independent Directors in completing 6 hours of continuing education. 5. The corporate governance supervisor completed 18 hours of training in 2020, and the information disclosed on the Market Observation Post System. For the complete course information, please refer to Note 2.	No deviation
5. Does the Company set up channels of communication for stakeholders, dedicate a section of the Company's website for stakeholder affairs and adequately respond to stakeholders' inquiries on significant corporate social responsibility issues?	v		The Company has established a spokesperson system and a dedicated Stakeholders Section on the Company's website to provide the Company's latest information and important corporate social responsibility issues.	No deviation
6. Does the Company commission a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	v		The Company has appointed the Shareholder Service Department of Taishin International Bank as the Company's stock affair agency to manage affairs related to shareholders' meetings.	No deviation
7. Information disclosure (1) Does the Company establish a website to disclose information on financial operations and corporate governance?	v		(1) The Company has established a website in Chinese and English and regularly updates the financial, business, and corporate governance information.	No deviation
(2) Does the Company adopt other	v		(2) The Company has assigned dedicated personnel	No deviation

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)? (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly sales results, before the prescribed time limit?	v		to serve as the contact window for investors. Investors can download financial information from previous years and audio recordings of investor conferences from the website. The Company's website also discloses company information through links to the Market Observation Post System. (3) The Company has announced 2020 consolidated and parent financial statements on February 23, 2021. 2020 Q1, Q2, and Q3 financial statements, as well as monthly sales results have all been announced before the prescribed time limit.	No deviation
8. Does the Company disclose other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	v		1. The Company has established various benefit measures and formed an Employee Welfare Committee which provides benefits, allowances, and emergency relief funds for employees. 2. The Company provides the Directors and Supervisors with necessary legal information at all times. 3. The attendance of the Directors and Supervisors at the Company's Board of Directors meetings is satisfactory and they provide opinions on business operations when required. 4. The Company takes out liability insurance for the Directors and Supervisors each year. 5. The Company has set up an Investor Relations section and regularly updates related information for investors' reference. 6. The Company has a spokesperson, website, and established multiple channels to communicate and provide the Company's latest information.	No deviation
9. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.	v		The Company has established a corporate governance supervisor, and disclosed the main duties and key implementations of the supervisor in the Annual Report and the Company's website. The Company's financial reports have been disclosed within one day of the approval by the Board of Directors. Further improvements will be made if necessary, currently no material weaknesses have been noted.	Executed in accordance with related regulations of the competent authority

Note 1:

Evaluation item for the independence of CPAs	Evaluation results	Meet independence criteria
1. Direct or indirect material financial interests between the CPAs and the Company?	No	Yes
2. Financing or endorsements with the Company's Directors?	No	Yes
3. Close business relations with the Company?	No	Yes
4. Provide Non-audit services that may directly impact auditing tasks?	No	Yes
5. Serve as the Company's defense counsel or represent the Company in mediating conflicts with third parties?	No	Yes
6. Are family members or relatives of the Company's Directors, Supervisors, or other individuals in positions that could seriously impact the audit?	No	Yes
7. Employed by the Company or the Company's affiliated companies?	No	Yes

Note 2:

Date	Course Name	Hours	Organizer
2020/11/6	Analysis of the Practical Operation and Latest Interpretation and Implementation of the Company Act	6	The Institute of Internal Auditors-Taiwan
2020/10/29	The Legal Risks of Business Management and the Role of Internal Auditors	6	The Institute of Internal Auditors-Taiwan
2020/8/12	Analysis of the Latest Corporate Governance Trends and Implementation of the Control Environment	6	The Institute of Internal Auditors-Taiwan

3.3.5 If the Company has set up a compensation committee, its composition, responsibilities and operations should be disclosed:

1. Information on the members of the Compensation Committee

Title	Criteria	Meet the following professional qualification requirements, together with at least 5 years of work experience			Compliance of independence (Note)										Number of other public companies in which the member is also serving as a member of their compensation committee	Note
		Instructor or above in department of commerce/law/finance/accounting or other company affairs related subjects at public/private university/college	Judge, prosecutor, lawyer, accountant, or other professional practice or technician that must undergo national examinations and specialized license	Work experience in commerce, law, finance, accounting or other areas relevant to the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent Director	Shan-Chieh Yen			v	v	v	v	v	v	v	v	v	v	v	0	Re-elected
Independent Director	Ming-Hua Peng			v	v	v	v	v	v	v	v	v	v	v	0	Re-elected
Others	Sun-Yuan Chien			v	v	v	v	v	v	v	v	v	v	v	0	Re-elected

Note: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please tick in the appropriate corresponding boxes.

- (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, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with 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 one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the

- Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - (8) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
 - (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Compensation Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
 - (10) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

2. Operations of the Compensation Committee

- (1) The Company's Compensation Committee consists of 3 members.
- (2) Term of office for the current members of the Compensation Committee: July 22, 2019 to June 11, 2022. A total of 3 meetings were convened in 2019 and the attendance of the members was as follows:

Title	Name	Attendance in Person	Attendance by Proxy	Attendance Rate (%)	Note
Convener	Shan-Chieh Yen	3	0	100%	Re-elected
Member	Ming-Hua Peng	3	0	100%	Re-elected
Member	Sun-Yuan Chien	3	0	100%	Re-elected

Annotations:

1. If the Board of Directors chooses not to adopt or amend the recommendations made by the Compensation Committee, the date and session of the Board of Directors' meeting, resolutions, voting results and handling of opinions of the Compensation Committee by the Company should be disclosed (if the compensation approved by the Board of Directors is better than that of the Compensation Committee, the discrepancies and related reasons should be stated): None.
2. If the members of the Compensation Committee have any dissenting or qualified opinions on the resolutions of the Compensation Committee, where such opinions are documented or issued through written statements, the date and session of the meeting of the Compensation Committee, resolutions, all the members' opinions and handling of these opinions should be stated: None.
3. Discussions and results of resolutions of the Compensation Committee and the Company's handling of opinions of the committee members:
 First meeting of the Compensation Committee on February 11, 2020:
 - (1) Reviewed the Company's proposal for compensation distribution for employees, Directors, and Supervisors for 2019. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.
 - (2) Reviewed the Company's salary and remuneration for managerial officers in 2019. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.
 Second meeting of the Compensation Committee on April 10, 2020:
 - (1) Reviewed the Company's salary and remuneration for Directors and Supervisors and the distribution of compensation to Directors and Supervisors in 2019. Besides the individual members who did not participate in discussion or voting due to conflict of interests, the proposal was passed by the remaining members and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.
 Third meeting of the Compensation Committee on July 13, 2020:
 - (1) Reviewed the Company's proposal for compensation distribution for managerial officers for 2019. The chair of the Compensation Committee consulted all committee members in attendance. The proposal was passed unanimously and submitted for discussion in the Board meeting where it was approved by all Directors in attendance.

3.3.6 CSR implementation, deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and reasons:

Assessment Item	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Yes	No	Summary	
1. Implementing corporate governance Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	v		The Company has established the "Corporate Governance Best Practice Principles" and management policies in accordance with impacts to stakeholders associated with its operations, which has been approved by the Board. Adjustments are made according to company operations. For details please refer to the Company's CSR Report.	No deviation
2. Does the Company set up a dedicated (part-time) unit for promoting CSR? Is the unit empowered by the Board of Directors to implement CSR activities at the senior management level? Does the unit report the progress of such activities to the Board of Directors?	v		The Company has established a Corporate Social Responsibility Committee which has set out the "Corporate Governance Best Practice Principles". The Company's Vice President of Administration leads the Corporate Social Responsibility Committee and assembles representatives from each department to determine and carry out corporate social responsibility issues and annual objectives. Each department can report issues of concern to the Vice President and follow up on the effectiveness of response measures every six months. A report is submitted to the Board of Directors at the end of each fiscal year. For details please refer to the Company's CSR Report.	No deviation
3. Environmental issues (1) Does the Company establish a suitable environmental management system based on the nature of its industry?	v		(1) The Company has obtained ISO 14001:2015 certification and aims to reduce pollution and improve on environmental management to lower negative impacts to the environment. The Company has also obtained the OHSAS 18001 occupational health and safety certification, and carries out occupational hazard control to minimize the risk of accidents and to protect worker safety. The Company has established an environmental management system suitable for the industry and set up a dedicated team responsible for environmental management and protection.	No deviation
(2) Does the Company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	v		(2) The Company continues to improve upon recycling of resources, and through biological system processing, recycles around 80% of water used. Raw materials and waste from	No deviation

Assessment Item	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Yes	No	Summary	
(3) Does the Company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	v		manufacturing are reused to reduce waste of resources and improve recycling. (3) In response to climate change, the Company has evaluated risks brought by climate change (eg. fire, typhoons, electricity outage, etc), and continues to control risks that may negatively impact operations. Active measures are taken and policy adjustments made in response to climate risk.	No deviation
(4) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	v		(4) Water management: through recycling, separating water by quality, preventing pollution and increasing water usage efficiency, up to 90% of water can be recycled every year. Carbon emissions: Total carbon emissions in 2019 and 2020 (Scope 1 and 2)were 205,429.91MT and 221,788.78MT respectively. The Company aims to reduce energy consumption by 1% every year through improving greenery and improving equipment (eg. sensor lights, LED lighting) to control carbon emissions. Waste management: Total waste weighed 1,073MT in 2020. Under the Company’s policy to recycle resources, the Company aims to recycle up to 200MT of waste in 2021. In order to achieve this target, the Company has established “Procedures for Business Waste Management”, and set standards for the procedures to separate, collect, store and dispose of waste, so that even under increasing capacity, the Company can control waste increase and improve upon the threat to the environment by using these management measures. The Company recycles waste from manufacturing, and requests suppliers to recycle reusable products to reduce resource waste; around 72% of waste that was incinerated is now recycled instead. For details please refer to the Company’s CSR Report.	No deviation
4. Social issues				
(1) Does the Company set up management policy and procedures according to related laws and regulations and the International Bill	v		(1) The Company has established "Prevention of Non-Voluntary Labor", "Occupational Maternity Protection", "Sexual Harassment Prevention",	No deviation

Assessment Item	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Yes	No	Summary	
of Human Rights?			“Prevention of Unlawful Violation in the Performance of Duties” and "Complaint Management Procedures" in accordance with the International Bill of Human Rights, the RBA and Taiwan labor regulations. The contents include working hours, wages, humanitarian treatment, non-discrimination, freedom of association, and anti-bullying regulations.	
(2) Does the Company establish appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	v		(2) Employees are the Company’s important assets, and employee salary is determined based on the employee’s educational background, professional knowledge, skills, and working experience. The Company offers competitive compensation packages compared to industry players (1%-30% of profits are allocated to employee bonus), and also provides diverse benefits and a retirement plan in accordance with government regulations to attract and retain talent.	No deviation
(3) Does the Company provide employees with a safe and healthy work environment as well as regular classes on health and safety?	v		(3) The Company provides employees with a safe and healthy work environment and administers regular safety education for all employees. Regular health examinations are organized and professional doctors are available to provide employees with psychological and health consultancy services.	No deviation
(4) Does the Company establish an effective competency development career training program for employees?	v		(4) The Company provides multiple internal and external education and training programs and appoint professional instructors to give lectures from time to time on professional skills and technology.	No deviation
(5) Does the Ccompany comply with relevant regulations and international standards in customer health and safety, customer privacy, marketing and labeling of products and services, and does it establish consumer rights protection policies and complaint procedures?	v		(5) All of the Company’s products comply with relevant regulations and international standards, and the Company has established protection policies and a channel for complaints to protect customers’ or other stakeholders’ rights, health and safety. The Company processes and provides feedback internally regarding any complaints received.	No deviation
(6) Does the Company establish a	v		(6) The Company has established a	No deviation

Assessment Item	Implementation status			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Yes	No	Summary	
supplier management policy, does it require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?			supplier code of conduct, requiring suppliers to pass product quality certification, and to comply with "RBA Principles", "Anti-Slavery Agreement", "Prohibit Use of Conflict Minerals", "Regulations on the Safety Management of Hazardous Chemicals", and "Ethical Management Principles. The Company requires major suppliers to provide self evaluation on its implementation of corporate social responsibility. For details please refer to the Company's CSR Report.	
5. Does the Company refer to international reporting rules or guidelines to publish a CSR Report to disclose non-financial information of the Company? Has the said Report acquired third party verification?	v		The Company will publish a CSR Report according to GRI standards by June 2021, which will disclose non-financial information of the Company. Third party verification for the report will be acquired, and disclosed on the Company's website.	No deviation
6. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies", please describe any deviations between the principles and their implementation: The Company has established a CSR policy that encompasses ethics, labor, and other related regulations. The Company fulfills its social responsibilities in accordance with its business philosophy and vision for development.				
7. Other key information useful for explaining status of corporate social responsibility practices: (1) CSR governance framework: The highest-level manager of the Administration Department serves as the representative of the CSR organization and serves concurrently as the management representative. The officer shall convene a meeting at least once every six months with representatives assigned by the Human Resources, Sales, Procurement, Maintenance, Finance, R&D, Manufacturing, and Quality Management Departments to jointly promote and implement corporate social responsibility issues, and report the results of the implementation to the Board of Directors. (2) CSR operations and status of implementation: Industrial and academic collaboration: The Company donates equipment and regularly provides scholarships to improve students' practical skills.. The Company also arranges corporate lecturers to communicate with teachers and students in schools to enhance interactions and connections between the industry and academia. Social welfare: The Company provides donations for disaster relief or necessary resources for major disasters. Occupational training and job matching: The Company organizes related professional courses with the Taichung-Changhua-Nantou Regional Branch of the Workforce Development Agency and courses include training for unemployed laborers, youth occupational training, and on-the-job training for employees. After completion of training, the Company may employ these students through job matching mechanisms. (3) CSR implementation results: 1. The Company organized 13 campus seminars in 2020 for 1,125 participants (declined by 40% compared to 2019 as many campus seminars were canceled due to COVID-19 concerns.) 2. 2019-2020 donation details:				
2019	July	National Chung Hsing University Scholarship		Cash: NT\$100,000
	August, October	National Cheng Kung University Sponsorship Program		Cash: NT\$1.15 million
	November	Second Hand Household Items Donation		67 Boxes
2020	January	National Cheng Kung University Sponsorship Program		Cash: NT\$1.13 million
	August	National Chung Hsing University Scholarship		Cash: NT\$100,000
	September	Epidemic donations		Cash: NT\$100,000

Assessment Item			Implementation status		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
			Yes	No	
	November	National Tsing Hua University Sponsorship Program			Cash: NT\$1 million
		Second Hand Household Items Donation			50 boxes
	December	National Cheng Kung University Machinery Maintenance			Cash: NT\$1.2 million
3. Number of people employed in 2020 through professional training and job matching: 30 accepted.					

3.3.7 Compliance with ethical corporate management and measures implemented:

Assessment Item			Implementation status		Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons for Deviation
			Yes	No	
1. Stipulating policies and plans for ethical corporate management					
(1) Does the company establish an ethical corporate management policy approved by the Board of Directors, and declare its ethical corporate management policy and measures in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?			v		(1) The Company has established a "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Policy", which sets out unethical behavior, scope, reporting and disciplinary systems. The policy covers the Board of Directors, management, and employees, and requires all members to act ethically as a basic principle, and strictly prohibits any unethical conduct such as offering or receiving bribes.
(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?			v		(2) The Company has set out internal policies regarding unethical conduct, and has disclosed the "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Policy" on the Company website. To prevent unethical behavior, new recruit training includes protection of intellectual property and industry secrets. The Company requires suppliers, contractors, and other partners to sign written statements that they shall not conduct any illegal business activities or provide inappropriate benefits or bribes to the Company's employees. The Company has established a whistleblower system to provide personnel with channels to report

Assessment Item	Implementation status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons for Deviation
	Yes	No	Summary	
(3) Does the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	v		any inappropriate conduct. (3) The Company's "Ethical Corporate Management Best Practice Principles and Reporting and Complaint Policy" sets out procedures, guidelines for conduct for directors and employees. The Company has set up an internal complaint mailbox and a dedicated section to report unethical conduct. A dedicated team is responsible for investigating the truth of allegations. Incentives are given to whistleblowers, and identities are kept confidential to prevent inappropriate treatment. For details please refer to the Company's CSR Report.	No deviation
2. Implementing ethical corporate management (1) Does the Company assess the integrity records of its business partners, and specify ethical business policy in contracts with the partners?	v		(1) The Company requires all stakeholders with business transactions with the Company such as suppliers, contractors, and other partners to abide by the same ethical standards as the Company's employees, and submit written agreements that they shall not provide inappropriate interest or bribes. The Company also promotes relevant ethical guidelines to them periodically. The Board of Directors and management implement the ethical business principles in internal management and external business activities.	No deviation
(2) Does the Company establish a dedicated (part-time) unit under the Board of Directors for promoting ethical corporate management? Does the said unit regularly report (at least once a year) to the Board of Directors on the state of its activities?	v		(2) The Company's Board of Directors and management actively uphold the business principle for ethical management in both internal management and external business activities. The Company has formed audit and legal affairs units to ensure the legality of business activities, implement supervision mechanisms, and control various risks, and the state of these activities are reported to the Board of Directors regularly.	No deviation

Assessment Item	Implementation status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons for Deviation
	Yes	No	Summary	
(3) Does the Company establish policies preventing conflict of interests, provide proper channels of appeal, and enforce these policies and channels accordingly?	v		(3) The Company has established an internal complaint mailbox and provides a report section on the Company's website.	No deviation
(4) To implement relevant policies on ethical conducts, does the company establish effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	v		(4) The Company has established effective accounting and internal control systems to ensure the implementation of ethical management. The audit unit establishes annual audit plans for inspections based on risk assessment results. It also prepares an audit report for the Board of Directors.	No deviation
(5) Does the Company regularly organize internal and external training for ethical corporate management?	v		(5) New recruits are required to sign the Integrity Rules and Guideline to ensure they understand the Company's integrity policies and available channels to report inappropriate conduct. For details please refer to the Company's CSR Report.	No deviation
3. Status for enforcing whistleblowing systems in the Company				
(1) Does the Company establish a specific whistleblowing and reward system, set up convenient whistleblowing channels, and designate appropriate personnel to handle the investigations, depending on the identity of the person being reported?	v		The Company has established work rules and requires employees and partners to sign written statements regarding ethics, and has also established a whistleblowing system to provide employees or related personnel with channels for reporting any inappropriate conduct. The reports are processed personally by senior management designated by the Company. The Company has also established confidentiality and protection systems for whistleblowers to protect them from inappropriate treatment for their reports. Any violation of the Company's professional ethical standards are punished in accordance with the Rewards and Penalties Regulations. For details please refer to the Company's CSR Report.	No deviation
(2) Does the Company establish standard investigation operation and procedure for whistleblowing matters and relevant protective mechanisms?	v			
(3) Does the Company adopt protection against inappropriate disciplinary actions for the whistleblower?	v			
4. Enhancing information disclosure				
(1) Does the Company disclose the contents of its best practices for ethical corporate management and the effectiveness of relevant activities on its official website	v		The Company has disclosed related contents of the "Ethical Corporate Management Best Practice Principles and Reporting and Complaint	No deviation

Assessment Item	Implementation status			Deviation from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons for Deviation
	Yes	No	Summary	
or Market Observation Post System?			Regulations" on the company website.	
5. If the Company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies", describe any deviations between the principles and their implementation: None.				
6. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): None.				
3.3.8	Corporate governance principles, related guidelines, and the means of accessing this information: The Company's website http://www.largan.com.tw .			
3.3.9	Other material information that can enhance the understanding of the state of corporate governance at the Company: None.			

3.3.10 The following matters regarding the internal control system implementation status shall be disclosed:

1. Internal Control Statement

Largan Precision, Co., Ltd.
Internal Control System Statement

Date: February 22, 2021

This Internal Control System Statement is issued based on the self-assessment results of the Company for 2020:

- (1) The Company acknowledges that the Company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the Company has already established such a system. The objectives of internal control system include obtaining business benefits and efficiency (including profitability, performance, and protection of assets and safety); ensuring the reliability, timeliness, transparency, and regulatory compliance of reporting; and providing reasonable assurance.
- (2) The internal control system has inherent constraints, and no matter how comprehensive its design may be, an effective internal control system is only capable of providing adequate assurance for achieving the above-mentioned objectives. In addition, the effectiveness of the internal control system may change with the environment and different situations. Nevertheless, the Company's internal control system contains self-monitoring mechanisms and the Company takes immediate remedial actions in response to any identified deficiencies.
- (3) The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria adopted by the Governing Regulations are divided into 5 components in accordance with the procedures of management control: 1. Control Environment; 2. Risk Assessment; 3. Control Activities; 4. Information and Communication; and 5. Monitoring Activities. Each constituent element includes a number of categories. Please refer to "Governing Regulations" for details.
- (4) The Company has already adopted the aforementioned internal control system assessment items to evaluate the effectiveness of internal control system design and implementation.
- (5) Based on the above assessment results, the Company determined that the internal control system (covering monitoring and management of its subsidiaries) as of December 31, 2020 has been effectively designed and implemented and sufficient to ensure that the objectives below are achieved, including understanding the degree of achievement of operational effectiveness and efficiency objectives, reliable, timely and transparent reporting and compliance of applicable rules, laws, regulations and bylaws.
- (6) This statement of declaration shall be the primary content of the Company's Annual Report and prospectus, and shall be made available to the public. Falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- (7) This Statement was approved by the Board on February 22, 2021 where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Largan Precision, Co., Ltd.
Chairman: En-Chou Lin
President: En-Ping Lin

2. Where CPAs are commissioned to audit the Company's internal control systems, the audit report prepared by the CPAs shall be disclosed: None.

3.3.11 From the most recent fiscal year up until the date of publication of the Annual Report, explain any legal penalty against the company or its internal personnel, or any disciplinary actions by the company against its personnel for violation of the internal control system, where the result of such penalty could have a material effect on shareholder equity or securities prices, the penalty, material deficiencies, and condition of improvement shall be disclosed: None.

3.3.12 Material resolutions adopted by the Shareholders' Meetings and the Board meetings in the most recent fiscal year up to the publication date of this Annual Report:

1. Material resolutions adopted in the 2020 Shareholders' Meeting and implementation status

- Adoption of the 2019 Business Report and Financial Statements

Implementation status: Resolution passed.

- Adoption of 2019 earnings distribution proposal

Implementation status: August 17, 2020 was set as the ex-dividend record date and dividends were distributed on September 3, 2020. (Cash dividend per share was NT\$79.)

2. Important resolutions of the Board of Directors

Date of Meeting	Material Resolutions
2020.2.24	◆ Election of Chairman and Vice Chairman. ◆ Approved matters related to the convening of the 2020 General Shareholders' Meeting. ◆ Approved the compensation distribution for employees, Directors, and Supervisors for 2019. ◆ Approved the Company's salary and remuneration for managerial officers for 2019. ◆ Approved the 2019 Business Report and Financial Statements. ◆ Approved the Internal Control System Statement. ◆ Evaluation of the independence of CPAs. ◆ Approved release of managerial officer from non-compete restrictions. ◆ Appointed a Head of Corporate Governance. ◆ Amended the Company's "Rules and Procedures for Board of Directors' Meeting". ◆ Approved change of CPAs due to internal adjustments of duties in the certifying accounting firm.
2020.4.22	◆ Amended approved matters related to the convening of the 2020 General Shareholders' Meeting. ◆ Approved the 2019 cash dividend and earnings distribution proposal. ◆ Approved the Company's salary and remuneration for Directors,

Date of Meeting	Material Resolutions
	Supervisors, and the distribution of compensation to Directors and Supervisors for 2019.
2020.7.22	◆ Determined the ex-dividend date for the distribution of cash dividends. ◆ Approved the 2019 compensation distribution proposal for managerial officers reviewed by the Compensation Committee.
2020.10.26	◆ Approved the 2021 Business Plan. ◆ Approved the 2021 Audit Plan. ◆ Approved amendment to the “Management of the Procedures for Preparation of Financial Statements”. ◆ Established the “Procedures and Methods for Self-Assessment of Internal Control Systems”.
2021.2.22	◆ Approved matters related to the convening of the 2021 General Shareholders' Meeting. ◆ Approved the compensation distribution for employees, Directors, and Supervisors for 2020. ◆ Approved the Company's salary and remuneration for Directors, Supervisors, and managerial officers and the distribution of compensation to Directors and Supervisors for 2020. ◆ Approved the 2020 Business Report and Financial Statements. ◆ Approved the 2020 cash dividend and earnings distribution proposal. ◆ Approved the Internal Control System Statement. ◆ Evaluation of the independence of CPAs.

3.3.13 Major contents of any dissenting opinions on record or stated in a written statement made by Directors or Supervisors regarding key resolutions of the Board of Directors’ meeting in the most recent year up to the publication date of the Annual Report: None.

3.3.14 Summary of the resignation and dismissal of the Company's Chairman, President, Accounting Manager, Finance Manager, Head of Internal Audit and Head of Research and Development in the most recent fiscal year up to the publication date of the Annual Report: None.

3.4 Information on CPA fees

3.4.1 Information on the CPA’s professional fees

Name of the CPA Firm	Name of CPA		Audit period	Notes
KPMG Taiwan	Shyhhuar Kuo	Chun-Yuan Wu	January 1, 2020 to December 31, 2020	-

Amount range		Professional fee	Audit fees	Non-audit fees	Total
1	Less than NT\$2,000,000			v	
2	NT\$2,000,000 (inclusive) to NT\$4,000,000		v		v
3	NT\$4,000,000 (inclusive) to NT\$6,000,000				
4	NT\$6,000,000 (inclusive) to NT\$8,000,000				
5	NT\$8,000,000 (inclusive) to NT\$10,000,000				
6	More than NT\$10,000,000 (inclusive)				

3.4.2 Amount of non-audit fees and details of non-audit services:

Unit: NT\$thousands

Name of the CPA Firm	Name of CPA	Audit fees	Non-audit fees					Audit period	Notes
			System design	Business registration	Human resources	Others	Subtotal		
KPMG Taiwan	Shyhhuar Kuo	3,170	0	5	0	590	595	January 1, 2020 to December 31, 2020	TP Report, Group report by country, tax consultancy, review of annual report for Shareholders' Meeting totaling NT\$590 thousand.
	Chun-Yuan Wu								

3.4.3 Replacement of accounting firms and the annual audit expenses are less than that of the year prior to the change: None.

3.4.4 Audit expenses have decreased by 15% or more from the previous period: None.

3.5 Replacement of CPAs:

3.5.1 Former CPA

5.5.1 Former CPA			
Date of Change	January 31, 2020 and February 20, 2019		
Replacement reasons and explanations	January 31, 2020: Due to internal adjustments of duties in the certifying accounting firm, CPAs Tzu-Hsin Chang and Shyhhuar Kuo are replaced by CPAs Shyhhuar Kuo and Chun-Yuan Wu. February 20, 2019: Due to internal adjustments of duties in the certifying accounting firm, CPAs Tzu-Hsin Chang and Chun-Man Chen are replaced by CPAs Tzu-Hsin Chang and Shyhhuar Kuo.		
State whether the client or the CPAs have terminated the engagement or whether the client or the CPAs have rejected the engagement	Principal	CPA	Client
	Status		
	Termination initiated by the client	Not applicable.	
CPA declined to accept (continue) the engagement			
Opinion and reason for the issuance of audit reports containing opinions other than unqualified opinions in the most recent two fiscal years	Not applicable.		
Different opinions from the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit scope or procedures

		Others
	None	v
	Description	
Other disclosures (Matters that should be disclosed in accordance with Item 1-4 to 1-7, Subparagraph 6, Article 10 of the Regulations)	Not applicable.	

3.5.2 Succeeding CPA

Name of CPA Firm	KPMG Taiwan
Name of CPA	January 31, 2020: CPAs Shyhhuar Kuo and Chun-Yuan Wu February 20, 2019: CPAs Tzu-Hsin Chang and Shyhhuar Kuo
Date of appointment	January 31, 2020 and February 20, 2019
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	Not applicable.
The succeeding accountant's opinions in written form in response to the former accountant's opinions	Not applicable.

3.5.3 The former CPA's response for items specified in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Accounting Standards: Not applicable.

3.6 Company's Chairman, President, or any managerial officer in charge of finance or accounting matters who has, in the most recent year, held a position at the accounting firm of its CPA or at an affiliated company: None.

3.7 Equity transfer or changes in equity pledged by the Company's Directors, Supervisors, managerial officers or shareholders with shareholding percentage exceeding 10% in the most recent fiscal year up to the publication date of the Annual Report:

3.7.1 Changes to shares held by Directors, managerial officers, and shareholders holding more than 10% of shares:

Title	Name	2020		As of April 12, 2021		Note
		Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	Increase (decrease) in number of shares held	Increase (decrease) in number of shares pledged	
Corporate Director/ Major Shareholder	Mao Yu Commemorate Co., Ltd.	8,672,968	0	0	0	
Chairman Representative	En-Chou Lin	0	0	0	0	
Vice Chairman Representative (CEO)	En-Ping Lin	0	0	0	0	
Director Representative	Yao-Ying Lin	0	0	0	0	
Director	Shih-Ching Chen	0	0	0	0	
Director	Ming-Yuan Hsieh	0	0	0	0	
Independent Director	Shan-Chieh Yen	0	0	0	0	
Independent Director	Ming-Hua Peng	0	0	0	0	
Supervisor	Chung-Jen Liang	0	0	0	0	
Supervisor	Tsui-Ying Chiang	0	0	0	0	
Vice President	Chung-Shih Lin	0	0	0	0	
Chief Technology Officer/Vice President	Yu-Chih Huang	0	0	0	0	
Assistant Vice President	Sheng-Lien Wang	0	0	0	0	
Finance/ Accounting Director	Hsing-Ju Tsao	0	0	0	0	

3.7.2 Where the counterparty in the transfer of shares is a related party:

Name	Reason for transfer	Date of transaction	Counterparty	Relationship between the counterparty and the Company, its Directors, Supervisors, managerial officers and shareholders with shareholding percentage of over 10%	Number of shares	Transaction price
Mao Yu Commemorate Co., Ltd.	Merged (Note 1)	2020.2.24	Mao Yu Commemorate Co., Ltd. (Note 2)	Shares held by a Director in the name of other persons	8,672,968	-

Note 1: Original Corporate Director Mao Yu Commemorate Co., Ltd. was merged with Shih-An Co., Ltd. and dissolved, with Shih-An succeeding as the Corporate Director, and renamed Mao Yu Commemorate Co., Ltd.

Note 2: Company name was Shih-An Co., Ltd prior to name change.

3.7.3 Where the counterparty in the pledge of shares is a related party: None.

3.8 Information on the relationship between the top 10 shareholders of the Company:

Name	Personal shareholding		Shares held by spouse and minor children		Shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Note
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or name)	Relationship	
Mao Yu Commemorate Co., Ltd. Representative: Yao-Ying Lin	18,910,616	14.10%	-	-	-	-			
Shih-Ching Chen	6,756,831	5.04%	6,625,569	4.94%	-	-	Tsui-Ying Chiang	Spouse	-
Tsui-Ying Chiang	6,625,569	4.94%	6,756,831	5.04%	-	-	Shih-Ching Chen	Spouse	-
Government of Singapore Investment Corp. under the custody of Citibank (Taiwan) Limited	5,530,080	4.12%	-	-	-	-	-	-	
Ming-Yuan Hsieh	3,606,585	2.69%	-	-	-	-	-	-	-
Cathay Life Insurance Co., Ltd. Representative: Tiao-Kuei Huang	3,427,154	2.55%	-	-	-	-	-	-	-
Nanshan Life Insurance Co., Ltd. Representative: Tang Chen	2,644,000	1.97%							
Chung-Jen Liang	2,091,721	1.56%	924	0%	8,000	0.01%	-	-	-
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Saudi Arabian Monetary Agency	1,844,000	1.37%	-	-	-	-	-	-	-
The Overlook Partners Fund LP. under the custody of	1,820,000	1.36%	-	-	-	-	-	-	-

Name	Personal shareholding		Shares held by spouse and minor children		Shares held in the name of other persons		Familial relationships between top 10 shareholders who are either related parties, spouses, or relatives within the second degree of kinship, his/her/its title (or name) and relationships		Note
	Number of shares	%	Number of shares	%	Number of shares	%	Title (or name)	Relationship	
HSBC Bank									

3.9 Information on the number of shares of the companies invested by the Company, its Directors, Supervisors and managerial officers or a company directly or indirectly controlled by the Company and consolidated percentage of shareholding:

December 31, 2020
Units: 1,000 shares; %

Investee	Investment by the Company		Investments of Directors, Supervisors, managerial officers and directly or indirectly controlled businesses		Combined investment	
	Number of shares	%	Number of shares	%	Number of shares	%
Largan Digital Co., Ltd.	26,636	49.37	5,334	9.88	31,970	59.25

4. Funding Status

4.1 Company capital and issuance of shares

4.1.1 Sources of shares

Unit: Share; NT\$

Year/month	Issuance price	Authorized capital		Paid-in capital		Note		
		Number of shares	amount	Number of shares	amount	Sources of capital	Subscriptions paid with property other than cash	Others
98.7	10	200,000,000	2,000,000,000	134,140,197	1,341,401,970	Capital increase by earnings 2,602,665 shares Capital increase by employee bonus 1,404,251 shares Total new shares issued 4,006,916 shares	None	Note

Note: Jin-Guan-Zheng-I No. 0980034271 dated July 9, 2009

April 12, 2021; Unit: Share

Type	Shares	Authorized capital			Note
		Outstanding shares	Unissued shares	Total	
Registered common shares		134,140,197	65,859,803	200,000,000	-

4.1.2 Shareholder structure

April 12, 2021

Shareholder structure Number	Government institutions	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreigners	Total
Number of people	7	103	234	62,835	1,074	64,253
Number of shares held	3,411,516	9,342,536	21,643,746	42,861,541	56,880,858	134,140,197
Shareholding ratio	2.54%	6.96%	16.14%	31.96%	42.40%	100%

4.1.3 Distribution of equity ownership

The nominal value is NT\$10 per share

April 12, 2021

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	56,795	2,276,638	1.70%
1,000 to 5,000	6,340	10,391,080	7.75%
5,001 to 10,000	407	3,069,859	2.29%
10,001 to 15,000	164	2,081,441	1.55%
15,001 to 20,000	92	1,649,965	1.23%
20,001 to 30,000	88	2,183,245	1.63%
30,001 to 40,000	64	2,210,210	1.65%
40,001 to 50,000	45	1,991,729	1.48%
50,001 to 100,000	90	6,422,587	4.79%
100,001 to 200,000	74	10,733,267	8.00%
200,001 to 400,000	48	12,980,933	9.68%
400,001 to 600,000	21	10,145,860	7.56%
600,001 to 800,000	7	4,899,950	3.65%
800,001 to 1,000,000	3	2,611,819	1.95%
1,000,001 to 999,999,999	15	60,491,614	45.09%
Total	64,253	134,140,197	100.00%

4.1.4 List of major shareholders: Please refer to page 45 of the Annual Report.

4.1.5 Market price, net value, earnings, and dividends per share in the past two years

Item \ Year		2019	2020	As of April 12, 2021
Market value per share (Note 1)	Highest	5,200	5,210	3,590
	Lowest	2,880	2,945	2,770
	Average	4,224.13	3,856.86	3,170.13
Net asset value per share (Note 2)	Before distribution	942.25	1,049.67	1003.75
	After distribution	863.25	958.17 (Note 8)	-
Earnings per share	Weighted average shares		134,140,197	134,140,197
	Earnings Per Share (Note 3)	Before adjustment	210.70	182.90
		After adjustment	210.70	182.90
Dividends per share	Cash dividends		79	91.5 (Note 8)
	Stock dividends	Stock dividends from retained earnings	-	-
		Stock dividends from capital surplus	-	-
	Cumulative undistributed dividends (Note 4)		-	-
Return on investment analysis	Price-to-earnings ratio (Note 5)		20.05	21.09
	Price-to-dividend ratio (Note 6)		53.47	42.15
	Cash dividend yield (Note 7)		1.87%	2.37%

Note 1: The highest and lowest market price of the shares for each fiscal year are listed and the average market price for each fiscal year is calculated based on trading value and volume in each fiscal year.

Note 2: Please fill these rows based on the number of shares issued at the end of the fiscal year and the distribution plan approved at the shareholders' meeting in the subsequent fiscal year.

Note 3: If there are any retroactive adjustments needed due to stock grants, earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid dividends for the year to be accumulated to subsequent years in which there is profit, the Company should separately disclose the accumulated unpaid dividends up to that year.

Note 5: Price/earnings ratio = Average closing price per share for the current fiscal year / earnings per share.

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

Note 7: Cash dividend yield = cash dividend per share / current year average per share closing price.

Note 8: 2020 dividends distribution determined by resolution of Board of Directors on February 22, 2021.

4.1.6 Dividend policy and implementation status

1. Current Articles of Incorporation:

As the Company experiences constant changes in the business environment and is at a stage of stable growth, the Company's dividend policy depends on factors such as future fund requirements, long-term financial plans, future capital expenditures and maximization of shareholder interests. The Company may retain a portion of earnings based on operational requirements and the remaining amount shall be distributed in cash and stock dividends. The amount of dividends distributed to shareholders shall be no less than 10% of distributable earnings of the current year, and no less than 30% of the shareholders' dividends shall be in the form of cash.

2. The proposal for dividends distribution at the Shareholders' Meeting this year

Unit: NT\$ thousands

Shareholder dividends (cash)	12,273,828
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4.1.7 The impacts of issuing stock grants in this shareholder's meeting on the Company's operational performance and earnings per share: Not applicable.

4.1.8 Compensation of employees, Directors and Supervisors:

1. Quantity or scope of compensation for employees, Directors, and Supervisors as stipulated by the Articles of Incorporation:

In the event the Company makes profits (i.e. profit before tax and before compensation distribution to the employees, Directors, and Supervisors) in any fiscal year, it shall set aside 1% to 30% of the profits as employee compensation and no higher than 5% of the profits as Directors and Supervisors compensation. If there are cumulative losses, the Company shall reserve a sufficient amount to offset such losses.

Employees and Directors and Supervisors compensation shall be resolved by a majority vote at a Board of Director meeting attended by two thirds of the total number of Directors and shall be reported to the Shareholders' Meeting. The Board of Directors may resolve to distribute employee compensation in stocks or cash and the recipients may include employees of subsidiaries of the Company meeting certain requirements set by the Board of Directors.

2. The basis for estimating the amount of employees, Directors, and Supervisors compensation, for calculating the number of shares to be distributed as employees' compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The Company's compensation for employees and Directors and Supervisors for 2020 are NT\$4,416,600 thousand and NT\$331,245 thousand, respectively. The amounts are calculated based on the profit before tax, net the compensation for employees, Directors and Supervisors, and multiplied by the percentage set for employee and Directors and Supervisors compensation in the Articles of Incorporation. They are listed as operating cost or operating expenses for 2020. The appropriated employees' compensation and remuneration for Directors and Supervisors determined in the resolution of the Board Meeting are consistent with the recognized amount in the Company's 2020 Consolidated Financial Report.

3. Compensation proposal approved by the Board of Directors

(1) Information on the distribution of compensation for employees and Directors and

Supervisors passed by the Board of Directors on February 22, 2021:

Distribution status	(Unit: NT\$ thousands)
Employee compensation - cash	\$4,416,600
Director and Supervisor compensation - cash	\$331,245

The aforementioned estimate is the same as the expenses recognized for the year.

- (2) The amount of employees' compensation to be paid in stocks out of the current parent company only or individual financial report in terms of the sum of net profit after tax and employee compensation: Not applicable.

4. Actual distribution of compensation for employees, Directors, and Supervisors and where there were discrepancies the recognized compensations for employees and Directors, the difference, cause, and treatment of the discrepancy shall be described:

- (1) Distribution status

	(Unit: NT\$ thousands)
Employee compensation - cash	\$5,087,917
Director and Supervisor compensation - cash	\$381,594

- (2) No discrepancy between the actual distribution and the recognized amount

4.1.9 Company share repurchase status: None.

4.2 Issuance of corporate bonds: None.

4.3 Preferred shares: None.

4.4 Overseas depository receipt: None.

4.5 Issuance of employee stock options: None.

4.6 Restrictions on employee shares and status of New Share Issuance in Connection with Mergers and Acquisitions: None.

4.7 The following items are required for the implementation status of the capital utilization plan:

- (1) Plan: As of one quarter before the publication date of this Annual Report, previous issuance or private placement of marketable securities that have not been completed or completed but are yet to record any benefit within the past three fiscal years: None.
- (2) Implementation status: The implementation status of previous plans as of one quarter before the publication date of this Annual Report: Not applicable.

5. Operational Highlights

5.1 Business activities

5.1.1 Business scope

The Company's businesses include the research and development, design, production, sales and after-sales technical services for various optical lens modules and optoelectronic components. Products include the design, production, processing, and sales of lenses and optoelectronic components for smartphones, 3D structured light, ToF, in-display optical fingerprint recognition, drones, tablets, IP cameras, smart TVs, AR/VR lenses, IoT lenses, wearable devices, iris recognition lenses, medical instruments, and automobile lenses.

5.1.2 Main businesses

- (1) CE01010 Photographic and optical equipment manufacturing.
- (2) CQ01010 Die manufacturing.
- (3) F601010 Intellectual property
- (4) F113030 Wholesale of precision instruments
- (5) F401010 International trade.
- (6) I501010 Product designing
- (7) CF01011 Medical materials and equipment manufacturing.
- (8) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

5.1.3 Major product lines and their breakdown

Unit: NT\$ thousands

Year	2018		2019		2020	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Optical components	49,952,158	100.00%	60,745,008	100.00%	55,944,489	100.00%

5.1.4 Current products

Main products	Usage/functions
Optical lenses	Mainly used in mobile phone lenses, drone camera lenses, mobile 3D structured light lenses, tablets, motion-controlled gaming systems, laptop computer lenses, smart TV lenses, IP camera lenses, and automobile lenses.

5.1.5 New products planned and under development

The Company shall invest approximately 5% to 10% of revenue in R&D expenditures for 2020. However, spending shall be adjusted based on global market conditions and the Company's actual operations.

Future research and development will focus on improving the specifications of existing products, as well as actively developing the following mainstream products:

- (1) Automobile imaging lenses
- (2) Lenses for medical use
- (3) Security surveillance lenses
- (4) Large aperture/wide angle lenses
- (5) Full-focus lenses
- (6) Iris recognition lenses
- (7) Lenses for sports cameras
- (8) Lenses for drones
- (9) Low-pixel size lenses
- (10) Lenses with lower Z height
- (11) ToF lenses
- (12) In-display optical fingerprint recognition lenses
- (13) Freeform lenses
- (14) AR/VR lenses
- (15) IoT lenses

5.1.6 Industry overview

Current status and development of the industry: In the past, the optical components industry had maintained stable growth due to the development of products such as cameras, telescopes, and microscopes. However, the development of digital cameras and mobile phones in recent years has now led to rapid growth of optical components and lenses. This mainly began with the global digital camera market which took off in 2000 and led a new wave of imaging revolution. Growth exceeded market expectations and caused a continuous shortage of supply for optical components such as lenses over many years. The introduction and popularity of camera phones further intensified the need for lenses, and the development of multiple lenses on handheld devices has escalated this demand. Besides this imaging market, the optical industry has also expanded to automobiles and drones and as such, the industry is expected to continue to expand in the next few years.

Correlation with upstream, midstream, and downstream sections of the industry:

	Industry	Product
Optical materials (Upstream industries)	Optical glass industry	Optical glass blocks and pressed blanks
	Optical plastic industry	Plastic pellets such as PC, CR-39, and PMMA
Optical components (Midstream industries)	Optical components industry	Lenses, prisms, mirrors, filters, absorbing glass, and various lenses
Optical application products (Downstream products)	Traditional optical equipment	Glasses, cameras, telescopes, microscopes, projectors, vehicle lights
	Traditional imaging products	Photocopiers, fax machines, cameras

	Industry	Product
industries)	Consumer digital products	Digital cameras, digital video cameras, projectors, camera phones, tablet computers, wearable devices, sports cameras, drone cameras
	Consumer optical storage products	CD players, DVD players
	Computer peripheral digital products	Laser printers, image scanners, PC cameras, data projectors
	Computer peripheral optical storage devices	DVD-ROM drives
	Optical equipment industry	Spectrometers, optical spectrometers, interferometers
	Measurement equipment industry	Range finders, theodolites, tachymeter
	Medical, industrial, and commercial products	Medical lasers, laser processors, barcode scanners
	Others	Exposure equipment, ultraviolet curing equipment, lighting equipment, military night vision goggles
Peripheral industries	Coating materials industry, coating equipment industry, vacuum equipment industry, abrasive materials industry, grinding equipment industry, mold manufacturing industry, molding equipment industry, inspection equipment industry, photographic equipment industry, photographic processing industry	

Source: PIDA

Trends in product development: Optical products require a wide range of optical components including glass lenses, plastic lenses, spheric lenses, and aspheric lenses for different levels of precision and product applications. Due to requirements for smaller photoelectric imaging products, optical lenses have become increasingly miniaturized and moved toward mass production, higher quality, and lower prices. Meanwhile, consumer demand for high-resolution, wide angle, large aperture, and more lens pieces per camera have risen.

Competition: Consumer optical component manufacturers are mostly concentrated in Asia such as Japan, Korea, Mainland China, and Taiwan. Competitors differ in their product application and production technology. The Company believes that the only way to maintain long-term competitiveness is to continue to invest in research and development and expand production capacity.

5.1.7 Overview of technology and R&D

1. Research and development (R&D) expense in the most recent year as of the publication date of the Annual Report

Unit: NT\$ thousands

	2020	2021 Q1
R&D expense	3,794,356	922,375
Revenue	55,944,489	11,819,843
Percentage of expense to revenue	6.78%	7.8%

2. Successfully developed technologies and products
Technology and products successfully developed by the Company in the most recent year and as of the printing of the Annual Report

Item	Successfully developed technology and products
Phone Camera	Development of new 6P 21M AF mobile phone lens Development of new 6P 23M AF mobile phone lens Development of new 4P 13M AF mobile phone lens Development of new 6P 8M AF mobile phone lens Development of new 6P 24M AF mobile phone lens Development of new 5P 24M AF mobile phone lens Development of new 5P 20M AF mobile phone lens

Item	Successfully developed technology and products
	Development of new 5P 32M AF mobile phone lens Development of new 6P 48M AF mobile phone lens Development of new 6P 13M freeform mobile phone lens Development of new 6P 108M AF mobile phone lens Development of new 7P 40M AF mobile phone lens Development of new 7P 50M AF mobile phone lens Development of new 7P 50M freeform mobile phone lens Development of new 7P 200M AF mobile phone lens Development of new 8P 108M AF mobile phone lens Development of new 8P 50M AF mobile phone lens
Automobile rear view imaging lenses	Development of new 3P3G VGA wide angle design Development of new 6G 1.3M AF wide angle design Development of new 6G VGA wide angle design Development of new 8G VGA narrow angle design Development of the new 1G4P wide angle design Development of the new 2G2P wide angle design

5.1.8 Long-term and short-term business development plans

1. Short-term plans

(1) Production strategies

- A. Use existing production equipment to improve manufacturing technologies and yield to maximize output.
- B. Control and manage raw materials and finished products to prevent waste and loss.
- C. Fully implement ISO 9001 and 14000 and achieve quality goals.
- D. Use the Taiwan headquarters as a base to effectively use the advantages on both sides of the strait to provide customers with flexibility in applications, reduce costs, and strengthen market mobility and competitiveness

(2) Sales strategies

- A. Existing customers: Provide more competitive products and services and continue to cultivate key existing customers while developing and establishing long-term partnerships to increase market share in existing customers.
- B. Potential new customers: Use existing optical technology as the basis to actively develop potential customers for optical applications. Introduce and collaborate with customers' new product development projects to expand the market value of optical products, diversify operations, and avoid risks of excessive concentration in certain products.
- C. Product end-customers: Connect directly with end-customers to encourage system manufacturers to use the Company's products.

(3) Research and Development strategies

- A. Gain insight into future product development trends and jointly develop product specifications and participate in customers' preliminary product R&D plans. Respond to customers product demands to gain opportunities in the market.
- B. Actively invest in R&D of the latest optical/mechanical designs and expand development for all product applications.

(4) Business strategies

- A. Streamline the organization and strengthen project based organizational structure to improve efficiency of decision-making and operating performance.
- B. Talents are the foundation of the Company's competitiveness. The Company actively recruits outstanding talent, and conducts on-the-job training for employees internally to enhance the Company's competitive advantage
- C. Strengthen internal information systems to manage use and timeliness of information .

(5) Finance strategies

- A. Maintain a healthy financial structure to provide strong support for sales, production, and R&D.
- B. Plan long-term and short-term capital utilization to maximize returns with minimal risk.

2. Long-term plans

(1) Production strategies

- A. Implement the international division of labor and a flexible production to enhance business performance.
- B. Strengthen management by objectives and reduce inventory to improve the inventory turnover rate.
- C. Continue to enhance production technology to reduce production cost and improve yield rate and competitiveness.
- D. Continue to invest in automation and expand production capacity to alleviate rising labor costs and stabilize product quality.
- E. Continue to expand production capacity to satisfy market and customer demands.
- F. Enter different markets and obtain TS16949 certification.

(2) Sales strategies

- A. Consolidate marketing advantages and grasp opportunities in the market. Expand niche competitiveness and promote global marketing strategies and international market expansion.
- B. Seek major international manufacturers and form upstream and downstream strategic alliances. Commit to using the Company's strengths to satisfy customer demands and form partnerships to prevent destructive competition.
- C. Actively obtain long-term orders from international companies and stabilize revenue growth. Leverage opportunities to obtain key technology cooperation and new product development.

(3) R&D strategies

- A. Collaborate with major international companies in new technology to gain experience, develop talents, and strengthen R&D capacity.
- B. Monitor market product development trends and develop various miniature optoelectronic components and strengthen capabilities to improve product appearances and various mechanical designs.
- C. Actively seek out applications for the development of new materials for optoelectronic components to expand end applications and reduce costs.
- D. Apply for domestic and foreign patents in new technology to protect intellectual property rights and widen the technological lead.
- E. Actively develop new products for different sectors.

(4) Business strategies

- A. Monitor international business development trends and establish cross-border management organizations and structures to ensure the Company is more competitive internationally.
- B. Consolidate upstream and downstream information systems and connect closely with upstream suppliers and downstream customers so that all three parties benefit.

(5) Finance strategies

- A. Strengthen capital risk management.
- B. Execute sound financial planning and conform with the Company's business objectives and development plans to strengthen business performance and improve overall competitiveness.

5.2 Overview of market, production and sales

5.2.1 Market analysis

1. Sales regions for major products

Unit: NT\$ thousands

Region \ Year	2019		2020	
	Amount	Percentage	Amount	Percentage
Asia	60,573,486	99.72%	55,698,679	99.56%
Americas	171,288	0.28%	188,533	0.34%
Europe	234	-	57,277	0.10%
Total	60,745,008	100.00%	55,944,489	100.00%

2. Market supply and demand and market growth in the future

- (1) With continuous innovation in information technology, essentially all image output/input requires the use of various types of optical lenses or modules. These include digital cameras, telescopes, microscopes, photocopiers, fax machines, laser printers, scanners, barcode scanners, computer cameras, video cameras, surveillance cameras, televisions, projectors and video phones. Disc drives (CD/DVD players and CD/DVD-ROM drives) and optical communication components also require optical lenses. The products with the largest volume in 2018 are high-end lenses for mobile phones while the products with the highest growth are automotive imaging lenses, while demand for micro projector lenses, and drones will continue to grow.
- (2) Optical components are mainly used in products such as disc drives, digital cameras, and mobile phones. According to various market research, mobile phones is one product with the largest need for optical components. As demand for mobile phone cameras has increased, lens specifications have also continued to migrate while getting smaller at the same time. The key to success for manufacturers will depend on their ability to improve product precision and take advantage of opportunities in the market.

3. Competitive niches, favorable and unfavorable factors for long-term growth and countermeasures

Item	Competitive Niches and Favorable Factors	Unfavorable Factors	Countermeasures
1. Main businesses and development outlook	Our current products encompass new optical products and the continuous migration of consumer optoelectronic products helps the Company's development and expansion into a broader market.	The Company faces competition from other related industries, and competitors in the optical industry are now producing low-end products with quality similar to that of the Company's products.	The Company shall adopt pricing strategies based on the characteristic of different markets and products to reduce the price disparity for low-end products and provide customers with added value to improve competitiveness in the low-end market.
2. Position in the industry	The Company's fully-staffed and experienced R&D team and production quality have received wide acclaim from customers. The Company offers comprehensive product lines and provide customized lenses based on customers' demands.	Low-price competition from Mainland China and competitors have gradually reduced product cycles.	The Company shall develop the most advanced technologies, improve existing quality control, and maintain strong relationships with customers to maintain leadership. The Company shall also develop a wide portfolio of lenses to satisfy customer demands at various price points and accelerate the speed of development to gain market opportunities.
3. Supply situation of main raw materials	The Company maintains long-term relationships with raw materials suppliers which consist entirely of major domestic and foreign manufacturers, and as such have maintained stable	Market prices are controlled by major international manufacturers.	The Company invests in diverse materials for product development to meet changing demands in the market and reduce the supply risks of individual materials.

Item	Competitive Niches and Favorable Factors	Unfavorable Factors	Countermeasures
	relationships and regular supplies.		
4. Status of sales of main products	The Company's main products are lenses for mobile phones, followed by lenses for tablet computers. Customers consist entirely of major domestic and international companies and the Company has thus achieved stable growth in sales orders.	Shipment of mobile phone lenses account for a high proportion of shipments and it is difficult to diversify market and product risks.	The Company shall focus on the design and development of new products and expand into new sectors and applications for other optical products to increase product range and reduce risks.
5. Labor status of main production	Highly automated production equipment.	Labor cost has increased along with citizens' income, economic structure, and wages and benefits for entry-level workers in recent years.	The Company hires foreign workers to replenish manpower. The Company shall increase the level of automation to reduce demand for labor, and transfer labor-intensive and low-value-added products and processes to overseas regions with low labor costs.

5.2.2 Major applications and production process of primary products

1. Major applications of primary products

(1) Optical lenses

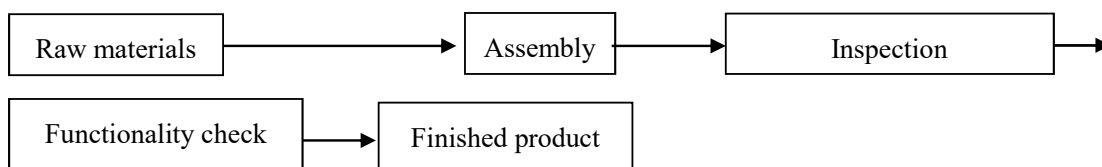
Main applications: Scanners, multifunction printers, mobile phones, drones, wearable devices, tablet computers, and smart TVs.

(2) Optical lens products

Main applications: DVD readers and optical mouse.

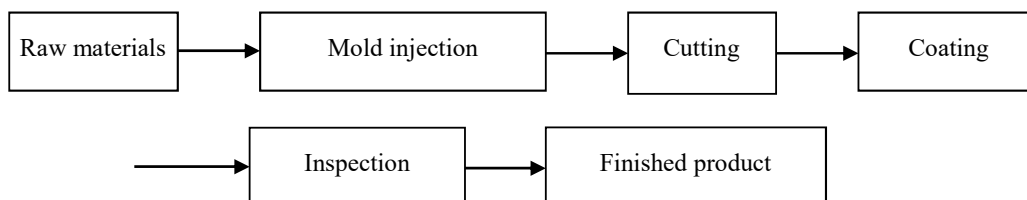
2. Manufacturing process of main products

(1) Optical lenses

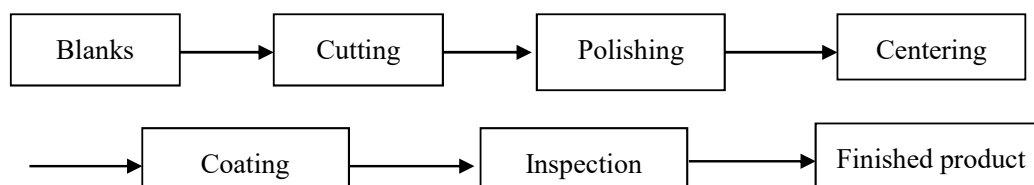


(2) Optical lenses

A. Plastics



B. Glass products



5.2.3 Supply status of main materials

Material	Supplier	Country	Supplier status
Engineering plastic	110185 110181 110059	Taiwan Taiwan Taiwan	All suppliers are renowned world-class companies with high quality, large volume and stable supply.

5.2.4 A list of customers accounting for more than 10% of sales for any given year within the last two years, their purchase amount and percentage, and explanation for changes (increase or decrease) in sales.

1. Information on customers accounting for 10% or more of the Company's total sales in either of the 2 most recent years:

Unit: NT\$ thousands

Item	2019				2020				2021 up to the end of the first quarter			
	Name	Amount	Percentage of net sales for the entire year (%)	Relationship with the Company	Name	Amount	Percentage of net sales for the entire year (%)	Relationship with the Company	Name	Amount	Percentage of net sales up to the previous quarter (%)	Relationship with the Company
1	623020	13,020,188	21	-	653003	8,147,679	15	-	653021	1,736,065	15	-
2	623045	11,371,169	19	-	623045	8,145,645	15	-	623045	1,556,730	13	-
3	653003	7,915,412	13	-	623020	6,940,779	12	-	-	-	-	-
	Others	28,438,239	47	-	Others	32,710,386	58	-	Others	8,527,048	72	-
	Net sales	60,745,008	100	-	Net sales	55,944,489	100	-	Net sales	11,819,843	100	-

Reasons for change: Mainly due to a decrease in revenue in 2020.

2. Information on suppliers accounting for 10% or more of the Company's total purchases in either of the 2 most recent years:

Unit: NT\$ thousands

	2019				2020				2021 up to the end of the first quarter			
Item	Name	Amount	Percentage of annual net purchase (%)	Relationship with the Company	Name	Amount	Percentage of annual net purchase (%)	Relationship with the Company	Name	Amount	Percentage of net purchase up to the previous quarter (%)	Relationship with the Company
1	110185	1,433,377	22	-	110185	1,388,850	22	-	110185	298,427	16	-
2	100236	899,313	14	-	100236	875,166	14	-	110181	247,407	13	-
3	100230	724,295	11	-	110181	686,220	11	-	110059	224,826	12	-
4	110181	617,843	10	-	-	-	-	-	100236	201,541	11	-

Reasons for change: Mainly due to a decrease in purchases in 2020.

5.2.5 Table of production volume in the two most recent years

Unit: 1,000 units; NT\$ thousands

Year Production Quantity and Value of Primary Products	2019			2020		
	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Optical Components	27,433,136	26,364,077	28,433,204	28,885,993	27,749,559	29,260,181

Note: Substitutable production capacity may be included in the production capacity.

5.2.6 Table of sales volume in the two most recent years

Unit: 1,000 units; NT\$ thousands

Year Sales Volume and Value of Main products	2019				2020			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Optical Components	231,890	601,162	8,946,499	60,143,846	244,039	519,132	8,952,234	55,425,357

5.3 Number of employees during the two most recent years

Year		2019	2020	As of April 12, 2021
Number of employees	Production	5,364	5,203	5,144
	Management	1,362	1,418	1,408
	R&D	993	1,082	1,075
	Total	7,719	7,703	7,627
Average age		30.05	31.22	31.23
Average years of services		3.94	4.72	4.69
Educational background distribution %	PhD	0.12%	0.10%	0.10%
	Masters	5.13%	5.49%	5.52%
	Bachelors	37.06%	40.08%	39.81%
	Senior high school	49.98%	48.23%	48.14%
	Below senior high school	7.71%	6.10%	6.43%

5.4 Environmental protection expenditures

Any losses suffered by the company in the most recent fiscal year and up to the Annual Report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimation cannot be made, provide the explanation: None.

5.5 Labor relations

(1) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor agreements and measures for preserving employee rights and interests

1. Benefits and implementation

1.1 The Company established the Employee Welfare Committee on April 1, 2000 in accordance with the "Employee Welfare Fund Act" to be responsible for allocating employee welfare funds and benefits.

1.2 The Company has subscribed to labor insurance and health insurance in accordance with relevant regulations and added group insurance to provide employees with various insurance payment privileges.

1.3 Where the Company generates profits at the end of the year, the Company shall pay taxes, make up for losses, and set aside dividends and surplus reserve. The Company shall distribute year-end bonuses to employees who have not committed acts of negligence in the entire year.

2. Allowances:

Benefits and subsidies for meals, weddings, pregnancy, funerals, hospitalization, travel, birthday, Labor Day, family day, and group insurance.

3. Social childcare measures:

3.1. In addition to distributing maternity benefits, the Company has established breastfeeding (breast milk collection) rooms in all plants and set up dedicated parking spaces for pregnant employees for prioritized use.

3.2. The Company has signed special contracts with nearby childcare centers (a total of 22 childcare centers and nurseries) to provide diverse options for employees.

3.3. In 2020, 107 employees had applied for unpaid parental leave.

4. Healthcare:

In addition to arranging professional nursing staff and appointing doctors to provide consultation services onsite each week, the Company has also supported rehabilitation evaluations for injured employees. In addition, the Company has exceeded regulatory labor requirements and provided annual health checks free of charge to employees.

5. Emergency aid:

5.1. The Company has established emergency relief guidelines to allow employees to apply for an emergency relief fund to maintain basic needs in the event of a major illness, long-term care required in the family, or damage to real estate that prevents the employee from attending work and family difficulties.

5.2. In 2020, the Company had provided financial aid amounting to NT\$600,000 for up to three employees who could not attend work due to major injuries and experienced family difficulties.

6. Pension system and implementation status

The Company's employees enjoy pension payment in accordance with labor insurance regulations. The Company has also established pension regulations in accordance with the Labor Standards Act and the Labor Pension Act. According to the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds, the Company

sets aside a certain ratio of the employees' salaries as retirement reserve each month in accordance with applicable laws and deposit the funds into the employees' dedicated personal pension account in the Bank of Taiwan or the Bureau of Labor Insurance.

6.1. An employee may apply for voluntary retirement in the event of any of the following conditions:

6.1.1 The employee has provided services for more than 15 years and is 55 years old or older.

6.1.2 The employee has provided services for 25 years or more.

6.1.3 The employee has provided more than 10 years of services and is 60 years old or older.

6.2. The Company may subject an employee to compulsory retirement in the event of any of the following conditions:

6.2.1 The employee is 65 years old or older.

6.2.2 The employee is mentally incapable or physically disabled and cannot continue to work.

6.3. Employee pension payment standards are as follows:

6.3.1 Employees who have provided services for less than 15 years are given two base points for every full year of service.

6.3.2 Employees who have provided services for more than 15 years are given one base point for every full year of service. The total number of base units shall be limited to 45. Less than half a year of service is considered half a year and less than a full year but more than half a year of service is considered a full year.

6.3.3 Where the employee subject to compulsory retirement is mentally incapable or physically disabled due to the performance of duties, the employee shall receive an additional 20% of pension in accordance with the two preceding subparagraphs.

6.3.4 The payment, collection, and calculation method for pension of employees who elect to adopt the "Labor Pension Act" system starting from July 1, 2005 are as follows:

a. The Company appropriates 6% of the employee's salary to the dedicated personal pension account at the Bureau of Labor Insurance in accordance with the personal salary appropriation classification table.

b. Pension collection and calculation methods shall be pursuant to the "Labor Pension Act".

6.4. The monthly average salary of an employee authorized for retirement shall be adopted as the standards for calculating employee pension base unit.

6.5. Voluntary retirees shall be required to fill out a retirement application which shall be implemented after approval.

6.6. For employees subject to compulsory retirement, the units shall report to obtain approval and notify the retiree to complete procedures.

6.7. Where a retiree meets requirements for voluntary retirement, the Company shall pay the total pension within 30 days of his/her retirement. Where the pension cannot be paid in full, the Company may report to the competent authority for approval and pay in installments.

6.8. Employees' right to request pension shall start in the month after retirement and it shall be extinguished if not exercised within five years.

6.9. Number of employees who have applied for retirement in 2020: 3.

7. Work environment and employees' personal safety

The Company's production, management, information, and safety and health units conduct safety and health risk assessments before building a new plant or refurbishing certain areas of a plant.

The Company achieves more with less if safety and health features are incorporated into the planning and design stage. The Company completes planning, design, and construction in accordance with various regulations, international regulations, and company standards for the audit unit to administer safety and health management.

With regard to operation safety and safety and health management, in addition to high-risk operation control, contractor management and construction safety management, chemical safety management, and occupational disaster analysis statistics, the Company also plans the operating environment evaluation, disaster emergency response procedures, and regular fire safety drills. In the event of a disaster, these measures shall be implemented to minimize damage and impact on the Company's property, people, society, and the environment.

8. Safety and Health Committee

The Company has established the Safety and Health Committee which convenes meetings each quarter to discuss environmental protection, safety, and health. The Company has also elected labor representatives in accordance with laws and provided managers and employees with official channels for communicating environmental protection, safety, and health issues. In response to the increase in scale of new plants, unit supervisors organize monthly meetings to discuss environmental protection, safety, and health issues to fulfill environmental protection, safety, and health management.

9. Fire safety

The Company organizes two self-defense fire safety group drills and an annual fire safety inspection each year to control operation safety risks and implement emergency response. The Company has also arranged firefighting teams in the districts to conduct employee education and training to promote awareness of fire safety. Potential disaster scenarios that may occur during the Company's operations are simulated and the effectiveness of emergency response measures are observed so that employees learn the basic skills for emergency evacuation and preliminary firefighting. The Company has established an effective system to assign disaster prevention tasks to minimize the damage caused by disasters to the lives and property of employees.

10. Safety and health management

The Company assigns unit supervisors or designated personnel to conduct safety and health hazard identification and risk assessment for related activities, products, and services. The Company also considers scale, nature, and other factors and has assigned management representatives to recommend occupational safety and health management plans as the basis for setting and reviewing policy goals and subjects. The plan is delivered to all company personnel and administered, maintained, and periodically reviewed to ensure its appropriateness. The Company also uses verification mechanisms in the ISO 14001 and OSHAS 18001 management systems and implement plan-do-check-action (PDCA) cycle to continue to improve the Company's environmental protection, safety and health management performance.

11. Emergency response center

The Company's plants have set up self-defense fire safety organizations and the emergency response center conducts immediate broadcasts in the event of irregularities or accidents and notify response teams to take instant action.

The emergency response center is equipped with the following facilities:

- 11.1. Emergency response information: Including the layout of the plant, layout of the equipment, and response procedure diagrams.
- 11.2. Fire safety and life preservation monitoring: The system includes the fire safety system, gas monitoring system, emergency smoke ventilation system, key area surveillance and video recording system, gas and chemical supply emergency

cut-off system, and broadcast systems.

- 11.3. Response equipment: The equipment includes various protective clothing, personal protective equipment, portable personal air breathing apparatus, portable detector, leakage treatment equipment, and warning equipment. In addition, as the emergency response center may be affected by disasters, the plants have established secondary emergency response centers at appropriate locations on the periphery. They are equipped with simpler response equipment with access to adequate information for continuing response operations where necessary.
- 11.4. Emergency aid equipment: The Company has set up AEDs, emergency shower equipment, eyewash equipment, and emergency backpacks and chemical disaster response packs at work sites in accordance with emergency aid practices.

The Company has set up infirmaries in all plants. The Company has assigned health professionals and specialist doctors to provide 24-hour emergency care and promote a wide range of healthcare services. In addition, the Company is committed to implementing hazard assessments, maternity protection plans as well as management plans that are committed to preventing cardiovascular diseases that may be caused by long working hours, night shifts, and rotating shifts with the aim to protect and promote employees' physical and mental health. Multiple physical and health promotion resources and related activities are organized to protect employees from workplace hazards and actively promote their health.

12. Occupational injury statistics and analysis

The occupational injury statistics and analysis data are based on the indicators for critical disabling injuries announced by the Ministry of Labor and Global Reporting Initiative G4 (GRI G4). The Company selects the disabling injury frequency rate (FR, number of injuries per million manhours worked), disabling injury severity rate (SR, number of work days lost per million manhours worked), and absenteeism rate (AR) as the basis for main statistics (statistical count excludes traffic accidents outside production plants).

The Company continues to establish a culture of safety to provide a safe and comfortable work environment. All individual occupational hazard cases are analyzed and the Company formulates and executes improvement solutions. Statistics on occupational hazard occurrence rates are compiled periodically and units with higher rates of occupational hazards and the categories of occupational hazards are analyzed. Incidents with higher severity, incidents across different units, or incidents that occur repeatedly are listed as key points for education and training.

Chemicals in the plants are managed based on their different characteristics. The Company has implemented management and control from storage to transportation, usage, and disposal such as classified storage, supply system security protection, process machinery and auxiliary equipment safety protection, hazard labeling and general knowledge rules, and personal protective equipment usage to effectively prevent exposure of personnel to chemicals.

The Company sets priorities for disaster rescue in accordance with emergency response strategies. The primary goal is to ensure the safety of the Company's employees, nearby plants, and residents and to prevent contaminating the environment. The second goal is to reduce property loss. Restoration of the Company's operations is the third priority. The Company believes that immediate response measures implemented in the event of a natural disaster or accident will not only minimize harm to personnel and environmental pollution but also greatly reduce loss of equipment and difficulties in recovering production. The Company values emergency response measures and conducts overall planning, execution, appraisal, and evaluation for improvements from the purchase of equipment and establishment of response procedures to strengthening personnel training and actual drills.

13. Human-factor hazards assessment and management

The Company provides employees training and education on engineering to establish correct safety awareness with regards to moving and designing machinery on the production lines. The Company has also implemented human-factor assessment and improvements for machinery maintenance and repairs that include cranes, lifting trolleys, and jigs for replacing components.

To prevent repetitive tasks from causing sores and pains, health service staff plan annual health checks and issue questionnaires to all employees regarding their discomforts and how it may affect their work. High-risk groups are identified and management measures are carried out. They also report to occupational safety and environmental protection units to implement human-factor identification and formulate improvement solutions.

14. Maternity health protection and management

To prevent the exposure of female employees to workplaces that may cause health hazards to mothers, the health center has established maternity health protection and management procedures. In addition to providing qualitative and quantitative risk assessments for operations that may pose health risks to mothers, the Company considers the different conditions of individuals and assign contracted specialist doctors to conduct comprehensive assessments. The Company then implements tiered management and onsite improvement measures to ensure the health of pregnant employees.

In addition to this, the Company has provided parking spaces for pregnant women and signed contracts with related stores for maternity needs. Questionnaires are distributed regularly and information provided regarding pregnancy and childrearing before pregnant employees take their maternity leave.

15. Implementing employee health examinations and management

The Company provides regular health examinations and special health examinations for employees that conduct special and hazardous operations. Health service staff and unit supervisors are responsible for providing lists of personnel that conduct such operations.

The costs of health examinations are borne by the Company, and the frequency and items in the health check exceed minimum regulatory requirements. Employees can also carry out additional health checks at their own cost (such as: endocrine systems, cardiovascular diseases). The Company aims to protect employee health, and prevent high risk diseases.

16. Corporate disease prevention plans for new contagious diseases

The Company believes employee health to be the foundation of sustaining normal corporate operations and it is the Company's responsibility to look after the physical and mental health of employees. Faced with potential threats of emerging diseases in the workplace, the Company's dedicated unit continues to monitor the occurrence of new contagious diseases across the world, evaluate their subsequent development, and formulate response plans for disease prevention in the workplace. For instance, Covid-19 has been a crucial target for prevention this year. Not only does the Company provide alcohol based hand sanitizers at appropriate locations, seating in the employee cafeteria has also been partitioned. All persons (including visitors) are required to wear masks when entering the factory, in order to reduce the risk of virus transmission.

During this virus outbreak, the Company monitors the health status of employees and visitors by issuing questionnaires. A dedicated mailbox is used so that employees can report any sickness or discomfort, and health service staff follow up on employees with potential exposure to the virus (travel, fever), to prevent risks of infection.

The Company also provides 14 days of paid leave for employees who are required to self quarantine at home, which exceeds regulatory requirements.

17. Continuous focus on seasonal influenza and other contagious diseases

The Company carefully responds to risks of outbreaks of seasonal influenza (H1N1, H3N2, A virus or B virus) each year and continue to manage occupational risks for various contagious diseases (e.g. tuberculosis and typhoid fever). Experience is accumulated from measures taken to avoid overreacting or insufficient preparation. Disease prevention information is announced on bulletin boards in every plant for

employee reference and disease prevention.

- (2) Losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclose an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:

The Company has adopted a people-centric management, and harmonious relations between labor and management have been established. There were no labor disputes or losses in the most recent year and up to the publication date of the Annual Report.

5.6 Important contracts:

Nature of Contract	Principal	Contract Start/End Date	Main Contents	Restrictive Terms
Construction contract	Te Chang Construction Co., Ltd.	2020.1	New Plant Construction Project of Plant 3 in Taichung Industrial Park.	-
Construction contract	Te Chang Construction Co., Ltd.	2020.11	New Plant Construction Project of Plant 4 in Taichung Industrial Park.	-
Construction contract	Lee Ming Construction Co., Ltd.	2020.11	New Plant Construction Project of Plant 9 in Taichung Industrial Park.	-

6. Financial Highlights

6.1 Condensed Balance Sheet and Condensed Consolidated Income Statement for the Last Five Years

6.1.1 International Financial Reporting Standards

Condensed Consolidated Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial data for the last five years (Note 1)					Financial data in the current year, as of March 31, 2021
		2020	2019	2018	2017	2016	
Current assets		119,399,271	111,630,060	101,306,345	88,136,397	74,342,664	125,139,003
Equity-accounted investments		272,601	229,512	209,445	160,594	92,224	269,004
Property, plant, and equipment		33,790,608	32,573,230	27,850,051	24,861,461	20,246,851	33,755,579
Intangible assets		112,794	101,741	80,566	84,159	34,828	97,693
Other assets		17,700,956	9,287,055	3,202,017	2,658,622	2,357,893	19,740,084
Total assets		171,276,230	153,821,598	132,648,424	115,901,233	97,074,460	179,001,363
Current liabilities	Before distribution	30,229,181	27,150,157	24,930,979	23,409,706	20,141,260	44,116,210
	After distribution	42,503,009 (Note 2)	37,747,233	34,052,512	33,134,870	28,659,163	Note 3
Non-current liabilities		244,891	277,530	117,874	94,296	90,685	241,952
Total liabilities	Before distribution	30,474,072	27,427,687	25,048,853	23,504,002	20,231,945	44,358,162
	After distribution	42,747,900 (Note 2)	38,024,763	34,170,386	33,229,166	28,749,848	Note 3
Equity attributable to owners of the parent company		140,802,158	126,393,911	107,599,571	92,397,231	76,842,515	134,643,201
Capital stock		1,341,402	1,341,402	1,341,402	1,341,402	1,341,402	1,341,402
Capital surplus		1,560,586	1,558,058	1,557,011	1,556,388	1,555,729	1,560,586
Retained earnings	Before distribution	139,645,983	125,636,027	106,503,622	91,870,266	74,432,221	132,687,400
	After distribution	127,372,155 (Note 2)	115,038,951	97,382,089	82,145,102	65,914,318	Note 3
Other equity		(1,745,813)	(2,141,576)	(1,802,464)	(2,370,825)	(486,837)	(946,187)
Total equity	Before distribution	140,802,158	126,393,911	107,599,571	92,397,231	76,842,515	134,643,201
	After distribution	128,528,330 (Note 2)	115,796,835	98,478,038	82,672,067	68,324,612	Note 3

Note 1: The financial data for the last five years have been audited and certified by CPAs.

Note 2: The 2020 earnings distribution has been approved by the Board of Directors.

Note 3: Earnings distribution is subject to the approval of the Board of Directors.

Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousands

Year	Financial data for the last five years (Note)					Financial data in the current year, as of March 31, 2021
Item	2020	2019	2018	2017	2016	
Operating revenue	55,944,489	60,745,008	49,952,158	53,127,510	48,351,791	11,819,843
Gross profit	37,472,234	41,940,620	34,351,475	36,855,930	32,421,250	7,652,192
Operating profit (loss)	32,032,118	36,499,337	29,611,940	32,093,302	27,913,957	6,346,889
Non-operating income and expenses	(338,351)	79,518	1,583,931	(133,781)	337,242	155,771
Profit before tax	31,693,767	36,578,855	31,195,871	31,959,521	28,251,199	6,502,660
Net profit from continuing operations for the period	24,534,131	28,263,082	24,369,534	25,975,623	22,733,025	5,315,245
Net profit for the period	24,534,131	28,263,082	24,369,534	25,975,623	22,733,025	5,315,245
Other comprehensive income (loss)(net of tax) for the period	468,664	(348,256)	557,347	(1,901,763)	(758,906)	799,626
Total comprehensive income for the period	25,002,795	27,914,826	24,926,881	24,073,860	21,974,119	6,114,871
Earnings per share	182.90	210.70	181.67	193.65	169.47	39.62

Note: The financial data of the last five years have been audited and certified by CPAs.

Condensed Parent Company Only Balance Sheet

Unit: NT\$ thousands

Year		Financial data for the last five years (Note 1)				
Item		2019	2019	2018	2017	2016
Current assets		106,462,765	92,358,323	72,191,515	62,529,852	47,889,108
Equity-accounted investments		13,802,157	20,309,368	30,107,282	27,482,428	27,117,248
Property, plant and equipment		33,542,417	32,286,239	27,487,598	24,426,973	19,798,137
Intangible assets		112,794	101,741	80,345	83,718	34,215
Other assets		17,688,537	9,271,574	3,175,080	2,643,901	2,333,367
Total assets		171,608,670	154,327,245	133,041,820	117,166,872	97,172,075
Current liabilities	Before distribution	30,561,621	27,655,804	25,324,375	24,675,423	20,238,954
	After distribution Note 2	42,835,449	38,252,880	34,445,908	34,400,587	28,756,857
Non-current liabilities		244,891	277,530	117,874	94,218	90,606
Total liabilities	Before distribution	30,806,512	27,933,334	25,442,249	24,769,641	20,329,560
	After distribution Note 2	43,080,340	38,530,410	34,563,782	34,494,805	28,847,463
Equity attributable to owners of the parent company		140,802,158	126,393,911	107,599,571	92,397,231	76,842,515
Capital stock		1,341,402	1,341,402	1,341,402	1,341,402	1,341,402
Capital surplus		1,560,586	1,558,058	1,557,011	1,556,388	1,555,729
Retained earnings	Before distribution	139,645,983	125,636,027	106,503,622	91,870,266	74,432,221
	After distribution Note 2	127,372,155	115,038,951	97,382,089	82,145,102	65,914,318
Other equity		(1,745,813)	(2,141,576)	(1,802,464)	(2,370,825)	(486,837)
Total equity	Before distribution	140,802,158	126,393,911	107,599,571	92,397,231	76,842,515
	After distribution Note 2	128,528,330	115,796,835	98,478,038	82,672,067	68,324,612

Note 1: The financial data of the last five years have been audited and certified by CPAs.

Note 2: The 2020 earnings distribution has been approved by the Board of Directors.

Condensed Parent Company Only Statement of Comprehensive Income

Unit: NT\$ thousands

Item	Financial data for the last five years (Note)				
	2020	2019	2018	2017	2016
Operating revenue	53,979,503	58,681,535	47,178,620	49,497,163	44,417,341
Gross profit	35,860,393	40,290,118	32,390,727	34,445,454	29,931,865
Operating profit	30,504,120	34,945,825	27,766,406	29,785,722	25,852,059
Non-operating income and expenses	972,592	982,583	3,147,331	1,871,196	2,095,816
Profit before tax	31,476,712	35,928,408	30,913,737	31,656,918	27,947,875
Net profit from continuing operations for the period	24,534,131	28,263,082	24,369,534	25,975,623	22,733,025
Net profit for the period	24,534,131	28,263,082	24,369,534	25,975,623	22,733,025
Other comprehensive income (loss) (net of tax) for the period	468,664	(348,256)	557,347	(1,901,763)	(758,906)
Total comprehensive income for the period	25,002,795	27,914,826	24,926,881	24,073,860	21,974,119
Earnings per share	182.90	210.70	181.67	193.65	169.47

Note: The financial data of the last five years have been audited and certified by CPAs.

6.1.2 Names of CPAs for the last five years and their audit opinions

	2020	2019	2018	2017	2016
Certifying CPA	Shyhhuar Kuo Chun-Yuan Wu	Tzu-Hsin Chang Shyhhuar Kuo	Tzu-Hsin Chang Chun-Man Chen	Tzu-Hsin Chang Chun-Man Chen	Chun-Man Chen Tzu-Hsin Chang
Audit Opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion	Unmodified opinion

6.2 Financial Analysis for the Last Five Years
International Financial Reporting Standards

Consolidated Financial Analysis

Year		Financial analysis for the last five years					Financial analysis in the current year, as of March 31, 2021
Item		2020	2019	2018	2017	2016	
Financial structure (%)	Debt ratio	17.79	17.83	18.88	20.28	20.84	24.78
	Long-term funds to property, plant and equipment ratio	417.41	388.88	386.78	372.03	379.98	399.59
Solvency	Current ratio (%)	394.98	411.16	406.35	376.50	369.11	283.66
	Quick ratio (%)	378.27	396.80	388.33	364.72	355.52	271.76
	Interest coverage ratio	13644.46	13434.29	-	-	-	13084.82
Operating performance	Receivables turnover rate (times)	4.24	4.55	3.75	3.50	3.62	4.84
	Average collection days	86	80	97	104	101	75
	Inventory turnover rate (times)	4.83	5.00	4.82	6.31	5.04	3.75
	Payables turnover rate (times)	11.95	11.42	7.84	8.02	6.70	10.72
	Average inventory turnover days	76	73	76	58	72	97
	Property, plant and equipment turnover rate (times)	1.69	2.01	1.90	2.36	2.40	1.40
	Total asset turnover (times)	0.34	0.42	0.40	0.50	0.53	0.27
Profitability	Return on assets (%)	15.09	19.73	19.61	24.39	25.11	12.14
	Return on equity (%)	18.36	24.16	24.37	30.70	32.42	15.44
	Pre-tax income to paid-in capital ratio (%)	2362.73	2726.91	2325.62	2382.55	2106.09	1939.06
	Net margin (%)	43.85	46.53	48.79	48.89	47.02	44.97
	Earnings per share (NT\$)	182.90	210.70	181.67	193.65	169.47	39.62
Cash flow (%)	Cash flow ratio	96.10	94.40	126.72	134.88	119.15	20.50
	Cash flow adequacy ratio	176.51	189.77	206.52	214.64	204.29	181.41
	Cash flow reinvestment ratio	11.31	11.27	17.60	21.71	17.49	5.72
Leverage	Operating leverage	1.43	1.36	1.42	1.32	1.35	1.50
	Financial leverage	1	1	1	1	1	1
The decrease in return on assets was mainly due to a decrease in net income.							
The decrease in return on equity was mainly due to a decrease in net income.							

Parent Company Only Financial Analysis

		Year	Financial analysis for the last five years				
Item		2020	2019	2018	2017	2016	
Financial structure (%)	Debt ratio	17.95	18.10	19.12	21.14	20.92	
	Long-term funds to property, plant and equipment ratio	420.50	392.34	391.88	378.64	388.59	
Solvency	Current ratio (%)	348.35	333.96	285.07	253.41	236.62	
	Quick ratio (%)	332.92	321.42	269.22	245.13	227.58	
	Interest coverage ratio	13551.03	13195.42	-	-	-	
Operating performance	Receivables turnover rate (times)	4.51	4.71	4.32	4.08	3.94	
	Average collection days	81	77	84	89	93	
	Inventory turnover rate (times)	5.33	5.63	5.44	8.16	6.53	
	Payables turnover rate (times)	8.26	8.08	4.76	4.82	3.87	
	Average inventory turnover days	68	65	67	45	56	
	Property, plant and equipment turnover rate (times)	1.64	1.96	1.82	2.24	2.26	
	Total asset turnover (times)	0.33	0.41	0.38	0.46	0.48	
Profitability	Return on assets (%)	15.06	19.67	19.48	24.24	24.81	
	Return on equity (%)	18.36	24.16	24.37	30.70	32.42	
	Pre-tax income to paid-in capital ratio (%)	2346.55	2678.42	2304.58	2359.99	2083.48	
	Net margin (%)	45.45	48.16	51.65	52.48	51.18	
	Earnings per share (NT\$)	182.90	210.70	181.67	193.65	169.47	
Cash flow (%)	Cash flow ratio	93.69	85.03	102.80	127.72	98.06	
	Cash flow adequacy ratio	160.42	159.87	174.64	181	171.23	
	Cash flow reinvestment ratio	11.15	9.91	13.27	21.92	12.99	
Leverage	Operating leverage	1.46	1.39	1.43	1.37	1.35	
	Financial leverage	1	1	1	1	1	
The decrease in return on assets was mainly due to a decrease in net income.							
The decrease in return on equity was mainly due to a decrease in net income.							

The formula is as follows:

1. Financial structure
 - (1) Deb ratio = Total liabilities / total assets.
 - (2) Ratio of long-term capital to property, plant, and equipment = (Total equities + non-current liabilities) / (Total net value of property, plant, and equipment).
 2. Debt-paying ability
 - (1) Current ratio = current assets / current liabilities
 - (2) Quick ratio = (current asset - inventories - prepaid expenses) / current liabilities.
 - (3) Interest coverage ratio = net profit before tax and interest / interest expenses.
 3. Operation performance
 - (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
 - (2) Average collection days = 365 / receivables turnover ratio.
 - (3) Inventory turnover rate = cost of sales / average inventory.
 - (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
 - (5) Average inventory turnover days = 365 / inventory turnover rate.
 - (6) Property, plant, and equipment turnover rate = net sales / average net property, plant, and equipment.
 - (7) Total asset turnover rate = net sales / average total assets.
- Profitability
- (1) Return on assets (ROA) = [gain (loss) after tax + interest expenses x (1 - interest rates)] / average total asset value.
 - (2) Return on equity = net income after tax / average equity.
 - (3) Net margin = net income / net sales.
 - (4) Earnings per share = (profit or loss attributable to owners of the parent company – dividends on preferred stock) / weighted average number of shares issued.
4. Cash flow
 - (1) Cash flow ratio = net operating cash flow / current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
 - (3) Cash flow reinvestment ratio = (net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital).
 5. Degree of leverage:
 - (1) Operating leverage (DOL) = (net operating revenue - variable operating costs and expenses) / operation income.
 - (2) Financial leverage = operating income / (operating income - interest expenses).

6.3 2020 Supervisors' Review Report for the Financial Report

Largan Precision Co., Ltd.
Supervisors' Review Report

We hereby approve

The Company's 2020 Financial Statements (Parent Company Only Financial Statements and Consolidated Financial Statements) prepared and delivered by the Board of Directors have been audited by KPMG Taiwan who found them to be reasonably expressed to present the financial status, business performance, and cash flow of the Company. The Supervisors have reviewed and verified the Financial Statements along with the Business Report and earnings distribution proposal and found them to be compliant with applicable regulations. We hereby produce this report in accordance with Article 219 of the Company Act for your review.

The above is respectfully submitted to
Largan Precision 2021 Annual General Shareholders' Meeting

Largan Precision, Co., Ltd.

Supervisor: Chung-Jen Liang

Tsui-Ying Chiang

Date: February 22nd, 2021

6.4 Consolidated Financial Statements of the Most Recent Year with Independent Auditors' Report and Notes

Representation Letter

The entities that are required to be included in the combined financial statements of Largan Precision Co., Ltd. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Largan Precision Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Largan Precision Co., Ltd.

Chairman: En-Chou Lin

Date: February 22, 2021

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

We have audited the consolidated financial statements of Largan Precision Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(h), Note 5(a), and Note 6(f) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Group's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Group's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories are in compliance with the accounting policies of the Group; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Group used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

2. Accounts Receivable Valuation

Please refer to Note 4(g), Note 5(b), and Note 6(d) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivables valuation, respectively.

Description of key audit matter:

The Group's accounts receivable are concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management's subjective judgment. Therefore, the valuation of accounts receivables is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include estimating the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss; reviewing the historical collection records, understanding the industry economic environment and the credit risk of receivables among limited customers to evaluate whether the method of estimation, assumptions, and related disclosures are appropriate.

Other Matter

The Company has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Group's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Shyh-Huar, Kuo and Chun-Yuan, Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and 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)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019			December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
Assets					Liabilities and Equity				
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(a) and (v))	\$ 89,621,272	52	84,920,560	55	2100 Short-term borrowings (Note 6(l) and (v))	\$ 249,535	-	218,868	-
1110 Current financial assets at fair value through profit or loss (Note 6(b) and (v))	13,207,411	8	7,067,853	5	2150 Notes payable (Note 6(v))	873	-	702	-
1120 Current financial assets at fair value through other comprehensive income (Note 6(c) and (v))	41,470	-	113,051	-	2170 Accounts payable to related parties (Note 6(v) and 7)	1,567,850	1	1,484,851	1
1150 Notes receivable, net (Note 6(d) and (v))	9,345	-	17,661	-	2180 Accounts payable to related parties (Note 6(v) and 7)	32,460	-	4,664	-
1170 Accounts receivable, net (Note 6(d) and (v))	11,149,800	7	15,195,892	10	2200 Other payables (Note 6(p) and (v))	22,024,514	13	20,705,383	14
1180 Accounts receivable from related parties, net (Note 6(d) and (v) and 7)	6,960	-	7,682	-	2220 Other payables to related parties (Note 6(v) and 7)	9,331	-	14,582	-
1200 Other receivables (Note 6(e) and (v))	285,842	-	395,506	-	2230 Current tax liabilities	6,156,182	4	4,599,350	3
1210 Other receivables from related parties (Note 6(e) and (v) and 7)	26,660	-	13,230	-	2280 Current lease liabilities (Note 6(m) and (v))	43,401	-	39,801	-
1310 Inventories (Note 6(f))	4,026,420	2	3,631,102	3	2300 Other current liabilities	145,035	-	81,956	-
1470 Other current assets (Note 6(k) · (v) and 8)	1,024,091	1	267,523	-		30,229,181	18	27,150,157	18
	119,399,271	70	111,630,060	73	Non-Current liabilities:				
Non-current assets:					Deferred tax liabilities (Note 6(o))	8,692	-	2,626	-
1550 Investments accounted for using equity method (Note 6(g))	272,601	-	229,512	-	2580 Non-current lease liabilities (Note 6(m) and (v))	123,164	-	164,559	-
1600 Property, plant and equipment (Note 6(h) and 7)	33,790,608	20	32,573,230	21	2600 Other non-current liabilities (Note 6(v))	3,766	-	4,496	-
1755 Right-of-use assets (Note 6(i))	180,185	-	217,758	-	2640 Net defined benefit liabilities (Note 6(n))	109,269	-	105,849	-
1780 Intangible assets (Note 6(j))	112,794	-	101,741	-		244,891	-	277,530	-
1840 Deferred tax assets (Note 6(o))	509,269	-	478,473	-	Total liabilities	30,474,072	18	27,427,687	18
1900 Other non-current assets (Note 6(k) · (v) and 8)	1,840,940	1	2,167,929	2	Equity:				
1980 Other non-current financial assets (Note 6(k) · (v) and 8)	15,170,562	9	6,422,895	4	Equity attributable to owners of parent: (Note 6(q))				
	51,876,959	30	42,191,538	27	Share capital	1,341,402	1	1,341,402	1
					Capital surplus	1,560,586	1	1,558,058	1
					Retained earnings	139,645,983	81	125,636,027	81
					Other equity interest	(1,745,813)	(1)	(2,141,576)	(1)
					Total equity attributable to owners of parent	140,802,158	82	126,393,911	82
Total assets	\$ 171,276,230	100	153,821,598	100	Total liabilities and equity	\$ 171,276,230	100	153,821,598	100

See accompanying notes to consolidated financial statements.

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(s) and 7)	\$ 55,944,489	100	60,745,008	100
5000	Operating costs (Note 6(f) 、(n) 、(t) and 7)	<u>18,476,853</u>	<u>33</u>	<u>18,823,588</u>	<u>31</u>
		37,467,636	67	41,921,420	69
5910	Realized profit from sales	<u>4,598</u>	<u>-</u>	<u>19,200</u>	<u>-</u>
5900	Gross profit from operations	<u>37,472,234</u>	<u>67</u>	<u>41,940,620</u>	<u>69</u>
6000	Operating expenses (Note 6(n) 、(t) and 7):				
6100	Selling expenses	399,738	1	407,399	1
6200	Administrative expenses	1,246,022	2	1,269,436	2
6300	Research and development expenses	<u>3,794,356</u>	<u>7</u>	<u>3,764,448</u>	<u>6</u>
	Total operating expenses	<u>5,440,116</u>	<u>10</u>	<u>5,441,283</u>	<u>9</u>
6900	Operating income	<u>32,032,118</u>	<u>57</u>	<u>36,499,337</u>	<u>60</u>
7000	Non-operating income and expenses:				
7100	Interest income (Note 6(u))	1,304,977	3	1,579,468	3
7010	Other income (Note 6(u) and 7)	11,633	-	12,468	-
7020	Other gains and losses (Note 6(u) and 7)	(1,693,226)	(3)	(1,536,000)	(3)
7050	Finance costs (Note 6(m) and (u))	(2,323)	-	(2,723)	-
7060	Share of profit (losses) of associates accounted for using equity method, net (Note 6(g))	<u>40,588</u>	<u>-</u>	<u>26,305</u>	<u>-</u>
		(338,351)	-	79,518	-
7900	Profit before income tax	31,693,767	57	36,578,855	60
7950	Less: Income tax expenses (Note 6(o))	<u>7,159,636</u>	<u>13</u>	<u>8,315,773</u>	<u>13</u>
	Profit for the period	<u>24,534,131</u>	<u>44</u>	<u>28,263,082</u>	<u>47</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit obligation	(6,134)	-	(9,144)	-
8316	Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	160,404	-	(25,084)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>154,270</u>	<u>-</u>	<u>(34,228)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	314,394	1	(314,028)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>314,394</u>	<u>1</u>	<u>(314,028)</u>	<u>(1)</u>
	Other comprehensive income (loss) for the period, net of tax	<u>468,664</u>	<u>1</u>	<u>(348,256)</u>	<u>(1)</u>
8500	Total comprehensive income for the period	<u>\$ 25,002,795</u>	<u>45</u>	<u>27,914,826</u>	<u>46</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	<u>\$ 182.90</u>		<u>210.70</u>	
9850	Diluted earnings per share	<u>\$ 180.94</u>		<u>208.79</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Other equity interest	
	Retained earnings										Unrealized	
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	(losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity attributable to owners of parent		
Balance at January 1, 2019	\$ 1,341,402	1,557,011	13,582,819	2,370,825	90,549,978	106,503,622	(1,747,603)	(54,861)	(1,802,464)	107,599,571		
Effects of retrospective application	-	-	-	-	-	-	-	-	-	-		
Balance of January 1, 2019 after adjustments	1,341,402	1,557,011	13,582,819	2,370,825	90,549,978	106,503,622	(1,747,603)	(54,861)	(1,802,464)	107,599,571		
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	2,436,954	-	(2,436,954)	-	-	-	-	-		
Special reserve	-	-	-	(568,361)	568,361	-	-	-	-	-		
Cash dividends of common stock	-	-	-	-	(9,121,533)	(9,121,533)	-	-	-	(9,121,533)		
	-	-	2,436,954	(568,361)	(10,990,126)	(9,121,533)	-	-	-	(9,121,533)		
Other changes in capital surplus	-	1,047	-	-	-	-	-	-	-	1,047		
Profit for the period	-	-	-	-	28,263,082	28,263,082	-	-	-	28,263,082		
Other comprehensive income for the period	-	-	-	-	(9,144)	(9,144)	(314,028)	(25,084)	(339,112)	(348,256)		
Total comprehensive income for the period	-	-	-	-	28,253,938	28,253,938	(314,028)	(25,084)	(339,112)	27,914,826		
Balance at December 31, 2019	<u>\$ 1,341,402</u>	<u>1,558,058</u>	<u>16,019,773</u>	<u>1,802,464</u>	<u>107,813,790</u>	<u>125,636,027</u>	<u>(2,061,631)</u>	<u>(79,945)</u>	<u>(2,141,576)</u>	<u>126,393,911</u>		
Balance at January 1, 2020	\$ 1,341,402	1,558,058	16,019,773	1,802,464	107,813,790	125,636,027	(2,061,631)	(79,945)	(2,141,576)	126,393,911		
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	2,826,308	-	(2,826,308)	-	-	-	-	-		
Special reserve	-	-	-	339,112	(339,112)	-	-	-	-	-		
Cash dividends of common stock	-	-	-	-	(10,597,076)	(10,597,076)	-	-	-	(10,597,076)		
	-	-	2,826,308	339,112	(13,762,496)	(10,597,076)	-	-	-	(10,597,076)		
Other changes in capital surplus	-	2,528	-	-	-	-	-	-	-	2,528		
Profit for the period	-	-	-	-	24,534,131	24,534,131	-	-	-	24,534,131		
Other comprehensive income for the period	-	-	-	-	(6,134)	(6,134)	314,394	160,404	474,798	468,664		
Total comprehensive income for the period	-	-	-	-	24,527,997	24,527,997	314,394	160,404	474,798	25,002,795		
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-		
Balance at December 31, 2020	<u>\$ 1,341,402</u>	<u>1,560,586</u>	<u>18,846,081</u>	<u>2,141,576</u>	<u>118,658,326</u>	<u>139,645,983</u>	<u>(1,747,237)</u>	<u>1,424</u>	<u>(79,035)</u>	<u>140,802,158</u>		

See accompanying notes to consolidated financial statements.

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
Cash flows from operating activities:		
Profit before income tax	\$ 31,693,767	36,578,855
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,258,933	3,738,701
Amortization expense	85,266	72,220
Interest expense	2,323	2,723
Interest income	(1,304,977)	(1,579,468)
Share of profit of associates accounted for using equity method	(40,588)	(26,305)
Losses on disposal of property, plant and equipment	6,792	5,176
Property, plant and equipment transferred to expenses	-	188
Losses on disposal of intangible assets	-	184
Realized profit from sales	(4,598)	(19,200)
Unrealized foreign exchange loss (profit)	10,099	(24,751)
Other	(1,460)	-
Total adjustments to reconcile profit	3,011,790	2,169,468
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets mandatorily measured at fair value through profit or loss	(6,139,558)	(5,776,044)
Decrease in notes receivable	8,316	809,860
Decrease (increase) in accounts receivable (including from related parties)	4,046,814	(4,544,485)
(Increase) decrease in inventories	(395,318)	262,248
(Increase) decrease in other current assets	(684,632)	418,598
Total changes in operating assets	(3,164,378)	(8,829,823)
Changes in operating liabilities:		
Increase (decrease) in notes payable	171	(144)
Increase (decrease) in accounts payable (including to related parties)	110,795	(315,646)
Increase in other current liabilities	1,561,454	2,700,843
Decrease in net defined benefit liabilities	(2,714)	(1,136)
Total changes in operating liabilities	1,669,706	2,383,917
Total changes in operating assets and liabilities	(1,494,672)	(6,445,906)
Cash inflow generated from operations	33,210,885	32,302,417
Interest received	1,327,922	1,563,771
Interest paid	(2,323)	(2,723)
Income taxes paid	(5,485,787)	(8,233,755)
Net cash flows from operating activities	29,050,697	25,629,710
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	223,673	-
Acquisition of property, plant and equipment	(5,770,667)	(8,495,683)
Proceeds from disposal of property, plant and equipment	1,672	3,508
(Increase) decrease in refundable deposits	(1,841)	394,369
Decrease (increase) in other non-current assets	328,830	(92,107)
Acquisition of intangible assets	(91,871)	(62,280)
Increase in other financial assets	(8,747,667)	(6,107,599)
Dividends received	-	26,636
Net cash flows used in investing activities	(14,057,871)	(14,333,156)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	23,619	(318,099)
(Decrease) Increase in guarantee deposits received	(730)	23
Payment of lease liabilities	(40,734)	(39,133)
Cash dividend paid	(10,597,076)	(9,121,533)
Overdue dividend transferred to capital surplus	2,528	1,047
Net cash flows used in financing activities	(10,612,393)	(9,477,695)
Effect of exchange rate changes on cash and cash equivalents	320,279	(301,725)
Net increase in cash and cash equivalents	4,700,712	1,517,134
Cash and cash equivalents at beginning of period	84,920,560	83,403,426
Cash and cash equivalents at end of period	\$ 89,621,272	84,920,560

See accompanying notes to consolidated financial statements.

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Largan Precision Co., Ltd. (the "Company") was incorporated in April 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C.). The registered address is No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.). The major business activities of the Company and subsidiaries (together referred to as the "Group") are the design, manufacture and sale of lens for perspective mirror, camera, single and double binoculars, fax machine, microscope and scanner etc. Please refer to note 14.

The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March 2002.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issue by the Board of Directors on February 22, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The details of impact on the Group's adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 "COVID-19-Related Rent Concessions"

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(j).

The Group has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$1,460 thousand.

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Group's consolidated financial statements:

- Amendments to IFRS 3 "Definition of a Business"
- Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies

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 consolidated financial statements, the Chinese version shall prevail.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) **Statement of compliance**

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) **Basis of preparation**

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on the historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity operates. The Company’s financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) **Basis of consolidation**

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and its subsidiaries. The Group accounted an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Percentage of Ownership	
			December 31, 2020	December 31, 2019
The Company	Largan (Hong Kong) Limited. (Largan Hong Kong)	Investment	100%	100%
The Company	Astro International Ltd. (Astro)	Investment	100%	100%
Astro	Amtai International Ltd. (Amtai)	Sales of optical components	100%	100%
Astro	Net International Trading Ltd. (Net)	Investment	100%	100%
Net	Largan (Dongguan) Optronic Ltd. (Largan Dongguan)	Manufacture of optical components	100%	100%
The Company	Ba Fang Co., Ltd. (Ba Fang)	Investment	100%	100%
Ba Fang Investment	Fang Yuan Co., Ltd. (Fang Yuan)	Investment	100%	100%

(iii) Subsidiaries excluded from consolidation:

Name of investor	Name of subsidiary	Principal activity	Percentage of Ownership	
			December 31, 2020	December 31, 2019
The Company	Largan Digital Co., Ltd. (Largan Digital)	Manufacture of image capture device, image reader, camera and player	49.37%	49.37%
The Company	Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Sales of medical equipment	88.00%	88.00%

The Company has the ability to control over Largan Digital and Largan Health AI-Tech. However, based on material consideration the total assets and operating revenue of Largan Digital and Largan Health AI-Tech account for a small proportion of the total assets and operating revenue of the Group, Largan Digital and Largan Health AI-Tech respectively; therefore, they are excluded from the consolidation.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company's disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from, or payable to, a foreign operation is neither planned nor likely in the foreseeable future, Exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It holds primarily for the purpose of trading;
- (iii) It expected to be realized within twelve months after the reporting period; or

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to settle in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Group measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience and informed credit assessment, as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to fully pay its credit obligations to the Group.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs resulting from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- | | |
|----------------------------|---------------|
| 1) Buildings | 35 ~ 55 years |
| 2) Machinery and equipment | 2 ~ 10 years |

Plant constitutes mainly building, electromechanical power engineering and cleanroom air conditioning project. Each such part is depreciated based on its useful life of 35~55 years, 8~ 10 years and 8~10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) **Leases**

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

– there are any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss .

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of staff dormitory that have a lease term of 12 months or less and leases of low-value assets, photocopying equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software cost	1~3 years
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Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells various multiples lens to mobile phone manufacturers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Group recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Group recognizes these costs as expenses when incurred.

(o) **Employee benefits**

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) **Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables is the best estimate of the tax amount expected to be paid or received that it is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

(b) The loss allowance of accounts receivable

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For relevant assumptions and input values, please refer to note 6(d).

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash and cash on hand	\$ 555	737
Demand deposits	4,726,551	7,217,048
Time deposits	<u>84,894,166</u>	<u>77,702,775</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 89,621,272</u>	<u>84,920,560</u>

Please refer to note 6(v) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) **Financial assets at fair value through profit or loss**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks unlisted in domestic markets	\$ -	-
Beneficiary Certificate-open-end funds	<u>13,207,411</u>	<u>7,067,853</u>
Total	<u><u>\$ 13,207,411</u></u>	<u><u>7,067,853</u></u>

For market risk, please refer to note 6(v).

(c) **Financial assets at fair value through other comprehensive income**

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Equity investments at fair value through other comprehensive income		
Listed common shares		
Domestic Company - AVISION INC.	\$ 41,470	17,609
Hong Kong Company - XIAOMI CORP-CLASS B	<u>-</u>	<u>95,442</u>
Total	<u><u>\$ 41,470</u></u>	<u><u>113,051</u></u>

(i) **Equity investments at fair value through other comprehensive income**

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes.

On November 2020, the Group has sold all of its shares held in XIAOMI CORPCLASS B as a result of financial management. The shares sold had a fair value of \$223,673 thousand, resulting in the Group to realize a gain of \$79,035 thousand, which had been reclassified from other comprehensive income to retained earnings.

There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of December 31, 2019.

(ii) **For market risk, please refer to note 6(v).**

(iii) **As of December 31, 2020 and 2019, the financial assets at fair value through other comprehensive income of the Group had not been pledged as collateral for long-term borrowing.**

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) **Notes and accounts receivable**

	December 31, 2020	December 31, 2019
Notes receivable from operating activities	\$ 8,755	14,551
Notes receivable from non-operating activities	590	3,110
Accounts receivable-measured as amortized cost	11,153,342	15,199,502
Accounts receivable from related parties-measured as amortized cost	6,960	7,682
Less: Loss allowance	<u>(3,542)</u>	<u>(3,610)</u>
	<u>\$ 11,166,105</u>	<u>15,221,235</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 10,943,581	-	-
No more than 180 days past due	226,066	1.5668 %	3,542
	<u>\$ 11,169,647</u>		<u>3,542</u>

	December 31, 2019		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 14,579,455	-	-
No more than 180 days past due	645,390	0.5594 %	3,610
	<u>\$ 15,224,845</u>		<u>3,610</u>

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2020	2019
Balance at January 1	\$ 3,610	3,643
Foreign exchange losses	(68)	(33)
Balance at December 31	<u>\$ 3,542</u>	<u>3,610</u>

The notes and accounts receivable of the Group had not been pledged as collateral as of December 31, 2020 and 2019.

For further credit risk information, please refer to note 6(v).

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(e) **Other receivables**

	December 31, 2020	December 31, 2019
Other receivables-Tax receivables	\$ 106,662	143,665
Other receivables-Interest receivables	155,182	178,127
Other receivables-Others	23,998	73,714
Other receivables-Related parties	26,660	13,230
	\$ 312,502	408,736

For further credit risk information, please refer to note 6(v).

(f) **Inventories**

	December 31, 2020	December 31, 2019
Finished goods	\$ 2,258,302	2,250,386
Work in progress	480,201	358,058
Raw materials	1,188,402	955,777
Supplies	97,829	66,881
Merchandise inventory	1,686	-
	\$ 4,026,420	3,631,102

For the years ended December 31, 2020 and 2019, the amounts of inventories that were charged to cost of sales, and the net of provisions that were charged to cost of sales in the consolidated statement of comprehensive income for inventories written down to net realizable value, were \$292,625 thousand and \$327,048 thousand, respectively.

As of December 31, 2020 and 2019, the Group did not provide any inventories as collateral for its loans.

(g) **Investments accounted for using equity method**

A summary of the Group's financial information for investments accounted for using equity method at the reporting date is as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 272,601	229,512

The Group's investments accounted for its subsidiaries were unquoted.

In 2020 and 2019, the Group's shares on the net income of its subsidiaries was as follows:

	2020	2019
The Group's shares on the net income of its subsidiaries	\$ 40,588	26,305

As of December 31, 2020 and 2019, the Group did not provide any investment accounted for using equity method as collaterals for its loans.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group in 2020 and 2019, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Cost or deemed cost:								
Balance on January 1, 2020	\$ 8,170,433	6,477,794	24,528,884	24,306	12,219,546	54,898	1,220,914	52,696,775
Additions	50,370	30,797	3,741,776	3,575	830,914	-	783,942	5,441,374
Disposal	-	(487)	(1,836,082)	(4,347)	(135,597)	-	-	(1,976,513)
Reclassification	-	119,952	314,183	-	143,864	-	(586,042)	(8,043)
Effect of movements in exchange rates	-	5,791	10,818	63	2,028	-	-	18,700
Balance on December 31, 2020	<u>\$ 8,220,803</u>	<u>6,633,847</u>	<u>26,759,579</u>	<u>23,597</u>	<u>13,060,755</u>	<u>54,898</u>	<u>1,418,814</u>	<u>56,172,293</u>
Balance on January 1, 2019	\$ 5,481,248	6,324,736	20,663,949	25,904	10,779,650	54,898	1,093,098	44,423,483
Additions	2,689,185	145,594	3,584,793	-	1,292,856	-	759,537	8,471,965
Disposal	-	-	(39,690)	(1,479)	(93,296)	-	-	(134,465)
Reclassification	-	20,569	335,920	-	243,750	-	(631,721)	(31,482)
Effect of movements in exchange rates	-	(13,105)	(16,088)	(119)	(3,414)	-	-	(32,726)
Balance on December 31, 2019	<u>\$ 8,170,433</u>	<u>6,477,794</u>	<u>24,528,884</u>	<u>24,306</u>	<u>12,219,546</u>	<u>54,898</u>	<u>1,220,914</u>	<u>52,696,775</u>
Depreciation and impairment loss:								
Balance on January 1, 2020	\$ -	793,602	13,269,236	19,612	6,019,852	21,243	-	20,123,545
Depreciation for the year	-	195,097	2,635,492	2,868	1,381,542	406	-	4,215,405
Disposal	-	(487)	(1,827,653)	(4,347)	(135,562)	-	-	(1,968,049)
Reclassification	-	(3,584)	-	-	(11)	-	-	(3,595)
Effect of movements in exchange rates	-	3,504	8,952	54	1,869	-	-	14,379
Balance on December 31, 2020	<u>\$ -</u>	<u>988,132</u>	<u>14,086,027</u>	<u>18,187</u>	<u>7,267,690</u>	<u>21,649</u>	<u>-</u>	<u>22,381,685</u>
Balance on January 1, 2019	\$ -	613,302	11,047,890	18,236	4,873,168	20,836	-	16,573,432
Depreciation for the year	-	187,968	2,268,883	2,923	1,237,234	407	-	3,697,415
Disposal	-	-	(36,633)	(1,480)	(87,668)	-	-	(125,781)
Effect of movements in exchange rates	-	(7,668)	(10,904)	(67)	(2,882)	-	-	(21,521)
Balance on December 31, 2019	<u>\$ -</u>	<u>793,602</u>	<u>13,269,236</u>	<u>19,612</u>	<u>6,019,852</u>	<u>21,243</u>	<u>-</u>	<u>20,123,545</u>
Carrying amounts:								
Balance on December 31, 2020	<u>\$ 8,220,803</u>	<u>5,645,715</u>	<u>12,673,552</u>	<u>5,410</u>	<u>5,793,065</u>	<u>33,249</u>	<u>1,418,814</u>	<u>33,790,608</u>
Balance on January 1, 2019	<u>\$ 5,481,248</u>	<u>5,711,434</u>	<u>9,616,059</u>	<u>7,668</u>	<u>5,906,482</u>	<u>34,062</u>	<u>1,093,098</u>	<u>27,850,051</u>
Balance on December 31, 2019	<u>\$ 8,170,433</u>	<u>5,684,192</u>	<u>11,259,648</u>	<u>4,694</u>	<u>6,199,694</u>	<u>33,655</u>	<u>1,220,914</u>	<u>32,573,230</u>

In 2013, the Company acquired a piece of land, for the expansion of its factory, amounting to \$120,086 thousand, which was recognized under property, plant and equipment. The title of the said land cannot be transferred to the Company due to its classification. Therefore, it was registered under the name of a different person. To ensure the right of both parties (including that of the Company's shareholders), the two parties entered into an agreement, with the notarization of the court. In the future, the Company will file an application to the relevant authorities, and go through proper procedures, for the land to be reclassified in order to make it possible for the deed to be transferred to the Company.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Right-of-use assets

The Group leases many assets including land and buildings. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Buildings and construction</u>	<u>Total</u>
Cost:			
Balance at January 1, 2020	\$ 13,148	245,878	259,026
Additions	-	19,328	19,328
Disposal/Write-off	-	(13,576)	(13,576)
Effect of movement in exchange rate	221	-	221
Balance at December 31, 2020	<u>\$ 13,369</u>	<u>251,630</u>	<u>264,999</u>
Balance at January 1, 2019	\$ 13,658	92,749	106,407
Additions	-	153,129	153,129
Effect of movement in exchange rate	(510)	-	(510)
Balance at December 31, 2019	<u>\$ 13,148</u>	<u>245,878</u>	<u>259,026</u>
Accumulated depreciation and impairment losses:			
Balance at January 1, 2020	\$ 467	40,801	41,268
Depreciation for the year	465	43,063	43,528
Effect of movement in exchange rate	18	-	18
Balance at December 31, 2020	<u>\$ 950</u>	<u>83,864</u>	<u>84,814</u>
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	485	40,801	41,286
Effect of movement in exchange rate	(18)	-	(18)
Balance at December 31, 2019	<u>\$ 467</u>	<u>40,801</u>	<u>41,268</u>
Carrying amount:			
Balance at December 31, 2020	<u>\$ 12,419</u>	<u>167,766</u>	<u>180,185</u>
Balance at January 1, 2019	<u>\$ 13,658</u>	<u>92,749</u>	<u>106,407</u>
Balance at December 31, 2019	<u>\$ 12,681</u>	<u>205,077</u>	<u>217,758</u>

(j) Intangible assets

The costs and amortization of the intangible assets of Group in 2020 and 2019 were as follows:

	<u>Computer Software</u>
Costs:	
Balance at January 1, 2020	\$ 344,218
Additions	91,871
Disposal	(39,064)
Reclassification	4,448
Effect of movement in exchange rates	(65)
Balance at December 31, 2020	<u>\$ 401,408</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Computer Software
Balance at January 1, 2019	\$ 251,687
Additions	62,280
Disposal	(1,031)
Reclassification	31,294
Effect of movement in exchange rates	(12)
Balance at December 31, 2019	<u><u>\$ 344,218</u></u>
Amortization and impairment Loss:	
Balance at January 1, 2020	\$ 242,477
Amortization for the year	85,266
Disposal	(39,064)
Effect of movement in exchange rates	(65)
Balance at December 31, 2020	<u><u>\$ 288,614</u></u>
Balance at January 1, 2019	\$ 171,121
Amortization for the year	72,220
Disposal	(847)
Effect of movement in exchange rates	(17)
Balance at December 31, 2019	<u><u>\$ 242,477</u></u>
Carrying value:	
Balance at December 31, 2020	<u><u>\$ 112,794</u></u>
Balance at January 1, 2019	<u><u>\$ 80,566</u></u>
Balance at December 31, 2019	<u><u>\$ 101,741</u></u>

The following amortizations of intangible assets are included in the statement of comprehensive income:

	2020	2019
Operating cost	\$ 17,924	22,374
Operating expense	67,342	49,846
	<u><u>\$ 85,266</u></u>	<u><u>72,220</u></u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) **Other current assets, other non-current financial assets and other non-current assets**

The other current assets, other non-current financial assets and other non-current assets of the Group were as follows:

	December 31, 2020	December 31, 2019
Other current financial assets	\$ 9,000	9,000
Other current assets	1,015,091	258,523
Other non-current financial assets	15,170,562	6,422,895
Refundable deposits	639,850	638,009
Prepayment for equipment	1,201,090	1,512,965
Prepayment for land and building	-	16,955
	\$ 18,035,593	8,858,347

- (i) Other current (non-current) financial assets were restricted deposits and bank account for repatriation of offshore fund, which were pledged as collateral; please refer to note 8.
- (ii) Other current assets were prepayment for purchases and temporary payments.
- (iii) Refundable deposits had been pledged as collateral; please refer to note 8.
- (iv) For further credit risk information, please refers to note 6 (v).

(l) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Letters of credit	\$ 249,535	218,868
Unused credit Lines	\$ 2,350,465	1,081,132
Range of interest rates	0.95%~1.10%	0.95%~0.96%

(m) **Lease liabilities**

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	\$ 43,401	39,801
Non-current	\$ 123,164	164,559

For the maturity analysis, please refer to note 6(v).

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest on lease liabilities	\$ <u>2,323</u>	<u>2,723</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>91</u>	<u>149</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>287</u>	<u>1,856</u>
COVID-19-related rent concessions (recognized as other income)	\$ <u>1,460</u>	<u>-</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Total cash outflow for leases	\$ <u>43,435</u>	<u>43,861</u>

(i) Real estate leases

The Group leases land and buildings for its factory space. The leases of factory space typically run for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases staff dormitory and photocopying equipment with lease terms of one year, these leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value are as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 167,568	164,467
Fair value of plan assets	(58,299)	(58,618)
Net defined benefit liability	\$ <u>109,269</u>	<u>105,849</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of the Labor Funds, Ministry of Labor. With regards to the utilization of the funds, minimum earnings in the annual distribution on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$57,998 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

	2020	2019
Defined benefit obligations at January 1	\$ 164,467	156,042
Benefit paid by the plan	(7,311)	(5,364)
Current service costs and interest cost (income)	2,416	2,686
Remeasurements loss (gain):		
-Financial assumptions	7,996	11,103
Defined benefit obligations at December 31	<u><u>\$ 167,568</u></u>	<u><u>164,467</u></u>

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

	2020	2019
Fair value of plan assets at January 1	\$ 58,618	58,201
Contributions paid by the employer	4,595	3,166
Benefits paid from plan assets	(7,311)	(5,364)
Interest income	535	656
Remeasurements loss (gain):		
- Return on plan assets excluding interest income	1,862	1,959
Fair value of plan assets at December 31	<u><u>\$ 58,299</u></u>	<u><u>58,618</u></u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 708	706
Net interest of net liabilities for the defined benefit obligations	1,708	1,980
Plan assets interest income	(535)	(656)
	<u>\$ 1,881</u>	<u>2,030</u>
	<u>2020</u>	<u>2019</u>
Operating Costs	\$ 1,432	1,569
Selling expenses	14	16
Administrative expenses	81	90
Research and development expenses	354	355
	<u>\$ 1,881</u>	<u>2,030</u>
Return on plan assets	<u>\$ 2,397</u>	<u>2,615</u>

5) Remeasurement in net defined benefit liability recognized in other comprehensive income

The Company's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ 71,584	62,440
Recognized during the period	6,134	9,144
Accumulated amount at December 31	<u>\$ 77,718</u>	<u>71,584</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.750 %	1.125 %
Increase in future salary rate	2 %	2 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$3,149 thousand.

The weighted average lifetime of the defined benefit plans is 17.32 years.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

On December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	<u>Increase0.25%</u>	<u>Decrease0.25%</u>
December 31, 2020		
Discount rate	\$ (4,470)	4,659
Future salary increases rate	4,434	(4,275)
December 31, 2019		
Discount rate	\$ (4,390)	4,578
Future salary increases rate	4,400	(4,240)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$190,203 thousand and \$173,419 thousand for the years ended December 31, 2020 and 2019, respectively.

Except for the Company, other subsidiaries adopted the defined contribution method under their local law, wherein the pension costs amounted to \$1,200 thousand and \$16,856 thousand for the years ended December 31, 2020 and 2019, respectively.

(iii) Short-term employee benefit

The Company's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
Compensated absences liability	\$ <u>111,949</u>	<u>94,551</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(o) **Income taxes**

(i) Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense:		
Current period	\$ 7,191,599	8,611,490
Adjustment for prior periods	(7,233)	(207,182)
Deferred tax expense :		
Origination and reversal of temporary differences	(24,730)	(88,535)
	<u>\$ 7,159,636</u>	<u>8,315,773</u>

Reconciliation of income tax and profit before tax 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 31,693,767	36,578,855
Income tax using the Company's domestic tax rate	6,338,753	7,315,771
Effect of tax rates in foreign jurisdiction (not applicable for separate financial statements)	178,863	170,345
Investment tax credits	(371,218)	(386,000)
Changes in unrecognized temporary differences	(320,072)	(354,757)
Gains on disposal of investment	(2,396)	(1,062)
Income tax for repatriation of overseas earnings	648,710	1,233,626
Others income tax adjustments	138,808	109,182
Current-year losses for which no deferred tax asset was recognized	525	255
Changes in provision in prior periods	(7,233)	(207,182)
Surtax on unappropriated earnings	554,896	435,595
Total	<u>\$ 7,159,636</u>	<u>8,315,773</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as of December 31, 2020 and 2019. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	December 31, 2020	December 31, 2019
Aggregated amount of temporary differences related to investments in subsidiaries	\$ 13,614,355	24,690,199

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred Tax Assets:

	Unrealized profit from associates	Others	Total
Balance at January 1, 2020	\$ 214,692	263,781	478,473
Recognized profit or loss	(50,681)	81,477	30,796
Balance at December 31, 2020	\$ 164,011	345,258	509,269
Balance at January 1, 2019	\$ 287,921	114,951	402,872
Recognized profit or loss	(73,229)	148,830	75,601
Balance at December 31, 2019	\$ 214,692	263,781	478,473

Deferred Tax Liabilities:

	Unrealized exchange gains	Other	Total
Balance at January 1, 2020	\$ -	2,626	2,626
Recognized profit or loss	-	6,066	6,066
Balance at December 31, 2020	\$ -	8,692	8,692
Balance at January 1, 2019	\$ 13,738	1,822	15,560
Recognized profit or loss	(13,738)	804	(12,934)
Balance at December 31, 2019	\$ -	2,626	2,626

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(p) **Other payables**

The other payables were summarized as follows:

	December 31, 2020	December 31, 2019
Payables on remuneration to employees, directors and supervisors	\$ 18,526,199	17,092,301
Payables for plant and equipment	1,696,954	2,018,019
Others	<u>1,801,361</u>	<u>1,595,063</u>
	<u>\$ 22,024,514</u>	<u>20,705,383</u>

(q) **Capital and other equity**

(i) Ordinary Shares

As of December 31, 2020 and 2019, the Company's authorized ordinary shares each amounted to \$2,000,000 thousand (including the amount of \$100,000 thousand allocated for the exercise of employee stock options), and the outstanding ordinary shares each amounted to \$1,341,402 thousand, with a par value of \$10 per share.

(ii) Capital Surplus

The balance of capital surplus was as following:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 817,574	817,574
Capital surplus-premium from merger	738,155	738,155
Dividend timeout not received by shareholder	<u>4,857</u>	<u>2,329</u>
	<u>\$ 1,560,586</u>	<u>1,558,058</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve, in accordance with applicable laws and regulations, shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of its stockholders, as well as its programs to maintain its operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution. The cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulation set by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve for the years ended December 31, 2020 and 2019 were \$2,141,576 thousand and \$1,802,464 thousand, respectively.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2019 and 2018 had been approved during the board meeting and shareholders' meeting on April 22, 2020 and June 12, 2019, respectively.

The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ <u>79</u>	<u>10,597,076</u>	<u>68</u>	<u>9,121,533</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	\$ (2,061,631)	(79,945)
Exchange differences on foreign operations:		
The Group	315,510	-
Subsidiaries	(1,116)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Group	-	160,170
Subsidiaries	-	234
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(79,035)
Balance at December 31, 2020	<u>\$ (1,747,237)</u>	<u>1,424</u>
Balance at January 1, 2019	\$ (1,747,603)	(54,861)
Exchange differences on foreign operations:		
The Group	(314,485)	-
Subsidiaries	457	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Group	-	(25,084)
Balance at December 31, 2019	<u>\$ (2,061,631)</u>	<u>(79,945)</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit of the Company for the year	\$ <u>24,534,131</u>	<u>28,263,082</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>134,140</u>	<u>134,140</u>
	\$ <u>182.90</u>	<u>210.70</u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u>24,534,131</u>	<u>28,263,082</u>
Weighted-average number of outstanding ordinary shares (in thousands)	134,140	134,140
Effect of dilutive potential common shares (thousand shares)		
Effect of employee share bonus	<u>1,456</u>	<u>1,228</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u>135,596</u>	<u>135,368</u>
	\$ <u>180.94</u>	<u>208.79</u>

(s) **Revenue from contracts with customers**

Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Sale of goods	\$ <u>55,944,489</u>	<u>60,745,008</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) **Employee compensation and directors' and supervisors' remuneration**

According to the Company's articles of incorporation, the Company should distribute its remuneration of not less than 1%~30% and not more than 5% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash.

For the year ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$4,416,600 thousand and \$5,087,917 thousand, and directors' and supervisors' remuneration amounting to \$331,245 thousand and \$381,594 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2020 and 2019.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interest income for the years 2020 and 2019 were as follows:

	2020	2019
Interest income — bank deposits	\$ <u><u>1,304,977</u></u>	<u><u>1,579,468</u></u>

(ii) Other income

The details of other income for the years 2020 and 2019 were as follows:

	2020	2019
Rent income	\$ <u><u>11,633</u></u>	<u><u>12,468</u></u>

(iii) Other gains and losses

The details of other gains and losses for the years 2020 and 2019 were as follows:

	2020	2019
Foreign exchange losses	\$ (1,818,783)	(1,710,349)
Losses on disposals of property, plant and equipment	(6,792)	(5,176)
Losses on disposals of Intangible assets	-	(184)
Gains on financial assets at fair value through profit or loss	39,591	9,352
Others	92,758	170,357
	\$ <u><u>(1,693,226)</u></u>	<u><u>(1,536,000)</u></u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Finance costs

The details of finance costs for the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest expense	\$ <u>2,323</u>	<u>2,723</u>

(v) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Group periodically evaluates the Company's financial positions and the possibility of collecting accounts receivable. Besides, the Group monitors and reviews the recoverable amount of its accounts receivable to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 65% and 75%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6 (d). Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (g). Other financial assets at amortized cost did not have impairment provision for the years ended December 31, 2020 and 2019.

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2020				
Non-derivative financial liabilities				
Short-term borrowings	\$ 249,535	249,535	249,535	-
Accounts and notes payable (including related parties)	1,601,183	1,601,183	1,601,183	-
Other payables (including related parties)	22,033,845	22,033,845	22,033,845	-
Lease liabilities-current and non-current	166,565	170,450	45,148	125,302
Guarantee deposits received	3,766	3,766	-	3,766
	<u>\$ 24,054,894</u>	<u>24,058,779</u>	<u>23,929,711</u>	<u>129,068</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2019				
Non-derivative financial liabilities				
Short-term borrowings	\$ 218,868	218,868	218,868	-
Accounts and notes payable (including related parties)	1,490,217	1,490,217	1,490,217	-
Other payables (including related parties)	20,719,965	20,719,965	20,719,965	-
Lease liabilities-current and non-current	204,360	210,507	42,037	168,470
Guarantee deposits received	4,496	4,496	-	4,496
	<u><u>\$ 22,637,906</u></u>	<u><u>22,644,053</u></u>	<u><u>22,471,087</u></u>	<u><u>172,966</u></u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>	<u>Foreign Currency</u>	<u>Exchange Rates</u>	<u>New Taiwan Dollars</u>
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 1,554,358	28.4800	44,268,119	939,747	29.800	28,173,615
JPY	2,199,342	0.2763	607,678	2,901,676	0.2760	800,863
CNY	6,229,338	4.3770	27,265,813	5,758,912	4.3050	24,792,118
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	64,252	28.4800	1,829,885	68,152	29.9800	2,043,195
JPY	3,057,562	0.2763	844,804	3,075,467	0.2760	848,829

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, JPY, and CNY as of December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$555,735 thousand and \$406,997 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2020 and 2019, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(1,818,783) thousand and \$(1,710,349) thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 1%, with all other variable factors remaining constant, the Group's net income would have decreased/increased by \$1,996 thousand and \$1,751 thousand for the years ended December 31, 2020 and 2019, respectively. This is mainly due to the Group's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2020		2019	
	Other comprehensive		Other comprehensive	
Prices of securities at the reporting date	income after tax	Net income	income after tax	Net income
Increasing1%	\$ 415	132,074	1,131	70,679
Decreasing1%	\$ (415)	(132,074)	(1,131)	(70,679)

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required :

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

December 31, 2020					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 13,207,411	13,207,411	-	-	13,207,411
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	41,470	41,470	-	-	41,470
Financial assets measured at amortized cost					
Cash and cash equivalents	89,621,272	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	11,371,945	-	-	-	-
Other financial assets-current and non-current	15,179,562	-	-	-	-
Refundable deposits	639,850	-	-	-	-
Subtotal	116,812,629	-	-	-	-
Total	\$ 130,061,510	13,248,881	-	-	13,248,881
Financial liabilities at amortized cost					
Short-term borrowings	\$ 249,535	-	-	-	-
Notes and accounts payable (including related parties)	1,601,183	-	-	-	-
Other payables (including related parties)	22,033,845	-	-	-	-
Lease liabilities-current and non-current	166,565	-	-	-	-
Guarantee deposits received	3,766	-	-	-	-
Total	\$ 24,054,894	-	-	-	-

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2019				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets					
mandatorily measured at fair value					
through profit or loss	\$ 7,067,853	7,067,853	-	-	7,067,853
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	113,051	113,051	-	-	113,051
Financial assets measured at amortized cost					
Cash and cash equivalents	84,920,560	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	15,486,306	-	-	-	-
Other financial assets-current and non-current	6,431,895	-	-	-	-
Refundable deposits	638,009	-	-	-	-
Subtotal	107,476,770	-	-	-	-
Total	<u>\$ 114,657,674</u>	<u>7,180,904</u>	<u>-</u>	<u>-</u>	<u>7,180,904</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 218,868	-	-	-	-
Notes and accounts payable (including related parties)	1,490,217	-	-	-	-
Other payables (including related parties)	20,719,965	-	-	-	-
Lease liabilities-current and non-current	204,360	-	-	-	-
Guarantee deposits received	4,496	-	-	-	-
Total	<u>\$ 22,637,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques of financial instruments not measured at fair value

The Group estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. In addition, if the expiration date is approaching, or the future payable or receivable price is similar to the carrying amount, the fair value shall be assumed in the carrying amount in the balance sheets.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value.

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares and funds held by the Group are determined by reference to the market quotation.

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2020 and 2019.

(w) Financial risk management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Group's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Group continue to review the amount of the risk exposure in accordance with the Group's policies and the risk management's policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Group's customers are significantly concentrated in a few customers, in order to reduce credit risk, the Group continuously evaluates the financial status of its major customers and their condition, and also regularly assesses the possibility of receivables recovery.

The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Group has losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The main components of the allowance account contain specific losses associated with individual major risks. The component, and the component of the combined loss established for the loss of a similar group of assets, has occurred but not yet identified. The loss allowance account is based on the occurring risk of a default and the rate of expected credit loss.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Group's finance department. The Group only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Group does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

At December 31, 2020 and 2019, no other guarantees were outstanding.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) **Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, USD, CNY and JPY.

2) **Interest rate risk**

Please refer to note on the liquidity risk for interest rate risk of financial assets and financial liabilities.

3) **Other market price risk**

Please refer to note 6(v) for the sensitivity analysis of equity price risk.

(x) **Capital management**

The Group must maintain sufficient capital to establish and expand production capacity and equipment. Because the optical lens industry is highly subject to fluctuations in the booming cycle; the capital management of the Group is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividends and other business needs in the next 12 months.

(y) **Investing and financing activities not affecting current cash flow**

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

Acquisition of right-of-use assets through lease, please refer to note 6(m).

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2020	Cash flows	Non-cash changes			December 31,2020
			Foreign exchange movement	Acquisition	Changes in lease payments	
Short-term borrowings	\$ 218,868	23,619	7,048	-	-	249,535
Lease liabilities-current and non-current	204,360	(40,734)	-	4,399	(1,460)	166,565
Guarantee deposits received	4,496	(730)	-	-	-	3,766
Total liabilities from financing activities	<u>\$ 427,724</u>	<u>(17,845)</u>	<u>7,048</u>	<u>4,399</u>	<u>(1,460)</u>	<u>419,866</u>

	January 1,2019	Cash flows	Non-cash changes			December 31,2019
			Foreign exchange movement	Acquisition		
Short-term borrowings	\$ 552,868	(318,099)	(15,901)	-		218,868
Lease liabilities-current and non-current	90,364	(39,133)	-	153,129		204,360
Guarantee deposits received	4,473	23	-	-		4,496
Total liabilities from financing activities	<u>\$ 647,705</u>	<u>(357,209)</u>	<u>(15,901)</u>	<u>153,129</u>		<u>427,724</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Largan Digital Co., Ltd. (Largan Digital)	Subsidiaries
Largan Medical Co., Ltd. (Largan Medical)	Subsidiaries
Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Subsidiaries
NEO (Shanghai) Medical Technology Co.,Ltd	Joint venture

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Group to its related parties were as follows:

	<u>Sale</u>		<u>Receivables from related parties</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ <u>56,174</u>	<u>67,113</u>	<u>6,960</u>	<u>7,682</u>

The sales price of the Group to its related parties is not comparable to other sales due to the differences in the sales of the goods. During 2020 and 2019, the collection terms for sales to related parties were month-end 30 to 60 days, which were not materially different from those of the third parties.

(ii) Purchases from related parties

The amounts of significant purchases and payables by the Group from its related parties were as follows:

	<u>Purchases</u>		<u>Payables to related parties</u>	
	<u>2020</u>	<u>2019</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ <u>194,848</u>	<u>110,120</u>	<u>32,460</u>	<u>4,664</u>

The purchases price of the Group to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2020 and 2019, the payment terms for purchases to related parties were month-end 30 to 60 days, which were not materially different from those of the third parties.

(iii) Provides and purchase technical services to related parties

During 2020 and 2019, the Group's income from providing technical services to its related parties were as follows (classified under the other gains):

	<u>2020</u>	<u>2019</u>
Subsidiaries–Largan Medical	\$ <u>15,761</u>	<u>33,466</u>

During 2020 and 2019, the Group's expense from technical services from its related parties were as follows (classified under the other expense):

	<u>2020</u>	<u>2019</u>
Subsidiaries–Largan Digital	\$ <u>2,527</u>	<u>3,279</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Purchases and disposals of property, plant and equipment

- 1) During 2020 and 2019, the Group's disposals of its equipment to its related parties are summarized as follows:

	2020			2019		
	Carrying amount	Disposal price	Gain from disposal	Carrying amount	Disposal price	Gain from disposal
Subsidiaries:						
Largan Digital	\$ 996	1,007	11	1,277	1,371	94
Largan Medical	38	41	3	266	284	18
	\$ 1,034	1,048	14	1,543	1,655	112

- 2) During 2020 and 2019, the Group's purchase of its equipment from its related parties are summarized as follows:

	2020	2019
Subsidiaries	\$ 86,080	102,225

- 3) During 2020 and 2019, the Group assisted its related parties to purchase other facilities as follows:

	2020	2019
Subsidiaries–Largan Digital	\$ 13,794	31,109
Subsidiaries–Largan Medical	3,539	56,046
	\$ 17,333	87,155

(v) Rental income

During 2020 and 2019, the Group's rental income on offices to the subsidiaries are summarized as follows:

	2020	2019
Subsidiaries–Largan Digital	\$ 3,473	3,904
Subsidiaries–Largan Medical	4,617	4,560
	\$ 8,090	8,464

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vi) Other

For the years ended December 31, 2020 and 2019, the amounts of receivables and payables from property transactions、rental income, technical service and other transactions, which were classified under other receivables from related parties, and other payables to related parties, are summarized as follows:

	<u>December 31, 2020</u>		<u>December 31, 2019</u>	
	<u>other</u>	<u>other</u>	<u>other</u>	<u>other</u>
	<u>receivables</u>	<u>payables</u>	<u>receivables</u>	<u>payables to</u>
	<u>from related</u>	<u>to related</u>	<u>from related</u>	<u>related</u>
	<u>parties</u>	<u>parties</u>	<u>parties</u>	<u>parties</u>
Subsidiaries:				
Largan Digital	\$ 17,606	9,161	2,044	14,496
Largan Medical	9,054	170	11,174	86
Largan Health AI-Tech	-	-	12	-
	<u>\$ 26,660</u>	<u>9,331</u>	<u>13,230</u>	<u>14,582</u>

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 206,995	264,243
Post-employment benefits	275	270
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>\$ 207,270</u>	<u>264,513</u>

(8) Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposit (classified under other current assets)	Customs office deposit	\$ 9,000	9,000
Time deposit (classified under other non-current assets)	Litigation deposit	625,733	625,733
Time deposit (classified under other non-current financial assets)	Completion deposit	320,145	317,708
		<u>\$ 954,878</u>	<u>952,441</u>

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(9) Commitments and contingencies

- (i) As of December 31, 2020 and 2019, the Group's outstanding letters of credit were \$0 and \$33,575 thousand, respectively.
- (ii) As of December 31, 2020 and 2019, the Group's outstanding purchase commitments for construction in progress, property and plant were \$12,204,700 thousand and \$2,106,300 thousand, respectively ; The amount of construction that has not yet occurred were \$9,908,276 thousand and \$113,967 thousand, respectively.
- (iii) As of December 31, 2019, the Group acquired property and plant to meet the needs of future operations amounting to \$983,368 thousand; The amount of payable was \$49,168 thousand. (2020: none)

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	5,491,330	3,639,723	9,131,053	5,646,546	3,896,422	9,542,968
Labor and health insurance	380,869	124,945	505,814	358,639	113,945	472,584
Pension	139,291	53,993	193,284	143,961	48,344	192,305
Others	162,763	36,974	199,737	158,894	34,815	193,709
Depreciation	3,931,282	327,651	4,258,933	3,479,142	259,559	3,738,701
Amortization	17,924	67,342	85,266	22,374	49,846	72,220

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions, required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", of the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2020 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership	
The Company	Stock -Micro Win Tech Inc.	-	Non-current financial assets designable as at fair value through profit or loss	1.25	-	20.66 %	-	20.66%	
The Company	Stock -Kintech Technology Co., Ltd.	-	Non-current financial assets designable as at fair value through profit or loss	570	-	0.33 %	-	0.33%	
The Company	Stock-AETAS TECHNOLOGY INCORPORATED	-	Non-current financial assets designable as at fair value through profit or loss	125	-	0.25 %	-	0.25%	
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	96,281	1,004,061	-	1,004,601	-	
The Company	Open-end fund-Capital Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	113,926	1,853,047	-	1,853,047	-	
The Company	Open-end fund-Yuanta De-Li Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,049	50,118	-	50,118	-	
The Company	Open-end fund-Jih Sun Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	96,682	1,445,395	-	1,445,395	-	
The Company	Open-end fund-CTBC Hwa-win Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	86,634	962,287	-	962,287	-	
The Company	Open-end fund-FSITC Taiwan Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	55,972	863,851	-	863,851	-	
The Company	Open-end fund-FSITC Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,100	557,590	-	557,590	-	
The Company	Open-end fund-Eastspring Investments Well Pool Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	52,271	716,778	-	716,778	-	
The Company	Open-end fund-Prudential Financial Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	47,510	758,017	-	758,017	-	
The Company	Open-end fund-Union Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	56,586	753,138	-	753,138	-	
The Company	Open-end fund-TCB Taiwan Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	88,914	910,268	-	910,268	-	
The Company	Open-end fund-Fubon Chi-Hsiang Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	18,733	296,052	-	296,052	-	
The Company	Open-end fund-Taishin 1699 Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	153,386	2,093,093	-	2,093,093	-	
The Company	Open-end fund-Hua Nan Phoenix Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,784	62,000	-	62,000	-	
The Company	Open-end fund-Shin Kong Chi-Shin Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	46,243	721,705	-	721,705	-	
The Company	Open-end fund-Mega Diamond Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	12,649	160,011	-	160,011	-	
The Company	Stock - AVISION INC.	-	Current Equity Investments at fair value through other comprehensive income	4,253	41,470	-	41,470	-	

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Individual securities acquired, or disposed, with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	59,770	620,358	36,511	380,000	-	-	-	-	96,281	1,004,061
The Company	Open-end fund-Capital Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	30,904	500,550	83,022	1,349,000	-	-	-	-	113,926	1,853,047
The Company	Open-end fund-Yuanta De-Li Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	30,565	500,345	42,682	700,000	70,198	1,152,612	1,150,000	2,612	3,049	50,118
The Company	Open-end fund-Jih Sun Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	59,866	890,666	36,816	550,000	-	-	-	-	96,682	1,445,395
The Company	Open-end fund-CTBC Hwa-win Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	36,159	400,004	130,059	1,443,000	79,584	883,491	881,053	2,438	86,634	962,287
The Company	Open-end fund-FSITC Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	32,583	500,570	23,389	360,000	-	-	-	-	55,972	863,851
The Company	Open-end fund-FSITC Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	2,626	470,265	2,707	486,000	2,233	401,455	400,000	1,455	3,100	557,590
The Company	Open-end fund-Eastspring Investments Well Pool Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	41,753	570,194	60,315	826,000	49,797	682,102	680,000	2,102	52,271	716,778
The Company	Open-end fund-Prudential Financial Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	17,257	274,074	30,253	481,000	-	-	-	-	47,510	758,017
The Company	Open-end fund-TCB Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	55,360	564,576	130,506	1,335,000	96,952	990,553	989,000	1,553	88,914	910,268
The Company	Open-end fund-UPAMC James Bond Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	34,593	580,405	17,847	300,000	52,440	881,177	880,000	1,177	-	-
The Company	Open-end fund-Taishin 1699 Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	43,845	595,603	109,541	1,493,000	-	-	-	-	153,386	2,093,093
The Company	Open-end fund-Shin Kong Chi-Shin Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	46,243	721,000	-	-	-	-	46,243	721,705
The Company	Open-end fund-Fubon Chi-Hsiang Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	38,259	604,000	19,526	308,290	308,000	290	18,733	296,052

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings Expansion	2020.1	1,659,800	As of December 31, 2020, \$184,941 thousand has been paid	TE CHANG CONSTRUCTION CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.4	1,378,000	As of December 31, 2020, \$68,900 thousand has been paid	CHUNG RUEY ENGINEERING CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.4	1,005,000	As of December 31, 2020, \$50,250 thousand has been paid	YANKEY ENGINEERING CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.11	3,816,800	As of December 31, 2020, has not been paid	TE CHANG CONSTRUCTION CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.11	2,238,800	As of December 31, 2020, has not been paid	LEE MING CONSTRUCTION CO., LTD.	None				-	Public Bidding	Extend the buildings	None

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Amtai International Ltd.	The Company's subsidiary	Purchases	1,727,506	22 %	120Days	-	-	(683,081)	(31)%	
The Company	Amtai International Ltd.	The Company's subsidiary	Sales	(12,828,653)	(23) %	60Days	-	-	3,337,315	36%	
The Company	Largan Medical Co., Ltd.	The Company's subsidiary	Purchases	188,486	2 %	30Days	-	-	(32,113)	(1)%	
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(22,503,930)	(41) %	120Days	-	-	2,859,633	30%	
Amtai International Ltd.	The Company	The Company's subsidiary	Purchases	12,827,470	83 %	60Days	-	-	(3,337,315)	(90)%	
Amtai International Ltd.	The Company	The Company's subsidiary	Sales	(1,722,683)	(11) %	120Days	-	-	683,340	19%	
Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Purchases	2,319,662	15 %	30Days	-	-	(308,829)	(8)%	
Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(1,717,676)	(10) %	90Days	-	-	-	-%	
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	Purchases	1,713,663	7 %	90Days	-	-	(25,714)	(1)%	
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	Sales	(2,331,597)	(9) %	30Days	-	-	335,169	6%	
Largan (Dongguan) Optronic Ltd.	The Company	The Company's subsidiary	Purchases	22,617,232	93 %	120Days	-	-	(2,833,943)	(99)%	

Note : The nature and the amounts of the purchases and sales transaction of the two parties are different due to their different categories of accounts. Therefore, the above transaction has been adjusted.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related-party	Nature of relationship	Ending balance (Note2)	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Amtai International Ltd.	The Company's subsidiary	3,370,815	4.76	-	None	1,760,109 (Note1)	-
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	2,859,633	3.63	-	None	1,659,180 (Note1)	-
Amtai International Ltd.	The Company	The Company's subsidiary	683,340	2.24	-	None	129,039 (Note1)	-
Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	The Company's subsidiary	335,169	8.30	-	None	248,819 (Note1)	-

Note1: Until February 2, 2021.

Note2: Including other receivables.

- (ix) Trading in derivative instruments: None

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship (Note2)	Intercompany transactions 2020			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Amtai International Ltd.	1	Purchases	1,727,506	The sales prices and payment terms were same as those of sales to third parties.	3%
0	The Company	Amtai International Ltd.	1	Sales	12,828,653	The sales prices and payment terms were same as those of sales to third parties.	23%
0	The Company	Largan Medical Co., Ltd.	1	Purchases	188,486	The sales prices and payment terms were same as those of sales to third parties.	-%
0	The Company	Largan (Dongguan) Optronic Ltd.	1	Sales	22,503,930	The sales prices and payment terms were same as those of sales to third parties.	40%
1	Amtai International Ltd.	The Company	2	Purchases	12,827,470	The sales prices and payment terms were same as those of sales to third parties.	23%
1	Amtai International Ltd.	The Company	2	Sales	1,722,683	The sales prices and payment terms were same as those of sales to third parties.	3%
1	Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	3	Purchases	2,319,662	The sales prices and payment terms were same as those of sales to third parties.	4%
1	Amtai International Ltd.	Largan (Dongguan) Optronic Ltd.	3	Sales	1,717,676	The sales prices and payment terms were same as those of sales to third parties.	3%
2	Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	3	Purchases	1,713,663	The sales prices and payment terms were same as those of sales to third parties.	3%
2	Largan (Dongguan) Optronic Ltd.	Amtai International Ltd.	3	Sales	2,331,597	The sales prices and payment terms were same as those of sales to third parties.	4%
2	Largan (Dongguan) Optronic Ltd.	The Company	2	Purchases	22,617,232	The sales prices and payment terms were same as those of sales to third parties.	40%

Note1 : The number filled in as follows:

- 1) 0 represents the company.
- 2) Subsidiaries are sorted in a numerical order starting from 1.

Note2 : Transactions labeled as follows:

- 1) 1 represents the transactions from parent company to subsidiaries.
- 2) 2 represents the transactions from subsidiaries to parent company.
- 3) 3 represents the transactions between subsidiaries.

Note3 : The nature and the amounts of the purchase and sales transaction of the two parties are different due to their different categories of accounts. Therefore, the above transaction has been adjusted and offset in the consolidated financial statements.

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			High balance during the year	Net income	Share of	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Percentage of ownership	(losses) of investee	profits/losses of investee	
The Company	Largan Digital Co., Ltd.	Taichung, Taiwan	Manufacturing of image capture device - image reader - camera and player etc.	411,359	411,359	26,636	49.37 %	240,330	49.37 %	28,054	43,952	The Company's subsidiary
The Company	Largan (Hong Kong) Ltd.	Hong Kong	Investment	658,555	658,555	31,100	100 %	328,263	100 %	3,423	3,423	The Company's subsidiary
The Company	Astro International Ltd.	Samoa	Investment	247,104	247,104	7,600	100 %	13,195,093	100 %	1,449,579	1,557,656	The Company's subsidiary
The Company	Ba Fang Co. Ltd.	Taichung, Taiwan	Investment - building construction etc.	43,000	43,000	4,300	100 %	33,878	100 %	(2,624)	(2,624)	The Company's subsidiary
The Company	Largan Health AI-Tech Co., Ltd.	Taipei, Taiwan	Sales of medical equipment	8,800	8,800	880	88 %	4,593	88 %	(2,324)	(2,045)	The Company's subsidiary
Largan Digital Co., Ltd.	Largan Medical Co. Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments - Medical and Photo instruments sale etc.	428,252	428,252	40,497	40.5 %	355,353	40.5 %	159,239	64,492	The Company's subsidiary
Largan Digital Co., Ltd.	Alpha Holding Inc.	Samoa	Investment	118,415	118,415	3,700	100 %	30,398	100 %	(1,353)	(1,353)	The Company's subsidiary
Astro International Ltd.	Net International Trading Ltd.	British Virgin Islands	Investment	756,599	756,599	24,300	100 %	7,626,629	100 %	753,952	753,952	The Company's subsidiary
Astro International Ltd.	Amtai International Ltd.	Samoa	Sales of Optical part etc.	50,600	50,600	1,500	100 %	5,684,815	100 %	676,432	683,799	The Company's subsidiary
Astro International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	27,678	12 %	(10,989)	(1,319)	The Company's subsidiary
Ba Fang Co., Ltd.	Fang Yuan Co., Ltd.	Taichung, Taiwan	Investment	29,800	29,800	2,980	100 %	20,792	100 %	(2,668)	(2,668)	The Company's subsidiary
Largan Medical Co. Ltd.	Beta International Ltd.	Samoa	Investment	120,334	120,334	3,700	100 %	66,959	100 %	(3,551)	(3,551)	The Company's subsidiary
Alpha Holding Inc.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	27,678	12 %	(10,989)	(1,319)	The Company's subsidiary
Beta International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	3,936	32 %	64,240	32 %	(10,989)	(3,517)	The Company's subsidiary
Largan Health Technology Inc.	Dynadx Corporation	U.S.A	Development of the software	12,010	11,925	11,035	100 %	4,540	100 %	(1,027)	(1,027)	The Company's subsidiary
Largan Health Technology Inc.	Largan Health Technology Co., Ltd.	Taichung, Taiwan	Sales of medical equipment	45,797	45,797	801	100 %	2,810	100 %	(2,896)	(2,896)	The Company's subsidiary

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	High balance during the year Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Largan (Dongguan) Optronics Ltd.	Production and sales of camera lenses, scanner lens optoelectronic devices, viewing windows, digital electronic cameras	HK\$ 178,076	Note 1(a)	HK\$ 85,986 US\$ 7,474	-	-	HK\$ 85,986 US\$ 7,474	RMB\$ 158,134	100%	100%	NT\$ 676,303	NT\$ 4,184,200	-
Nanjing Largan Health Technology Co., Ltd.	Health management, computer and medical device technology development, consultation and service	-	Note 1(b)	-	-	-	-	RMB\$ (1,663)	-%	24.32%	NT\$ (1,730)	NT\$ -	-
NEO (Shanghai) Medical Technology Co., Ltd.	Technical development and technical services in the field of medical device technology	RMB\$20,000	Note 1(c)	-	-	-	-	RMB\$ (210)	9.80%	9.80%	NT\$ (88)	NT\$ 7,910	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NT\$671,086 (HK\$85,986 and US\$12,474)	NT\$820,492 (HK\$85,986 and US\$17,720)	NT\$84,481,295

Note 1(a): Indirectly investment in Mainland China through an existing company registered in the third region.

Note 1(b): An existing company registered in the third region directly invests in Mainland China.

Note 1(c): Directly investment in Mainland China through investment company which uses the equity method.

Note 2: Since Suzhou Largan had been liquidated, the cumulative investment amount remitted from Taiwan, including the Company's indirect investment in Suzhou Largan of US\$5,000 thousand through Net International Trading Ltd., has yet to be repatriated before the year end of 2020.

Note 3: The liquidation process of Nanjing Largan Health Technology Co., Ltd. had been completed in October 2020.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the "Information on significant transactions" and "Business relationships and significant intercompany transactions".

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Mao Yu Commemorate Co., Ltd.	18,910,616	14.09 %
Shih-ching, Chen	6,756,831	5.03 %

(Continued)

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information

(a) General information

The Group has only one reportable segment which is optical lens segment. The optical lens segment engages mainly in the designing, manufacturing and selling of lens for perspective mirror, camera, single binoculars, microscope and scanner.

The profit or loss of the reportable segment of the Group includes depreciation, income tax expense, any extraordinary activity and other material non-cash items.

Accounting policies for the operating segments correspond to those stated in note 4. The profit after tax of the operating segment of the Group is measured by earnings after taxes and as the basis for performance measurement.

(b) The Group's operating segment information:

	Optical lens segment	
	2020	2019
Revenue		
Revenue from external customers	\$ 55,944,489	60,745,008
Intersegment revenues	-	-
Interest revenue	1,304,977	1,579,468
Total revenue	<u>\$ 57,249,466</u>	<u>62,324,476</u>
Depreciation and amortization	<u>\$ 4,344,199</u>	<u>3,810,921</u>
Reportable segment profit or loss	<u>\$ 24,534,131</u>	<u>28,263,082</u>
Investments accounted for using equity method	<u>\$ 272,601</u>	<u>229,512</u>
Reportable segment assets	<u>\$ 171,276,230</u>	<u>153,821,598</u>
Reportable segment liabilities	<u>\$ 30,474,072</u>	<u>27,427,687</u>

(c) Production information

Since the main industrial department of Group is the optical lens department, and its operating income, operating interests and the identifiable assets account for more than 90% of operating income and total assets, therefore, the Group is classified as a single product.

LARGAN PRECISION CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Geographical information

In presenting the information on the basis of geography, segment revenue is based on the geographical location of the customers and the segment non-current assets are based on the geographical location of the assets.

Revenue from the external customers:

<u>Region</u>	<u>2020</u>	<u>2019</u>
China	\$ 32,405,079	40,413,938
Japan	8,327,699	7,915,594
Korea	7,158,829	7,049,747
Vietnam	6,301,395	3,991,717
Other countries	1,751,487	1,374,012
	<u><u>\$ 55,944,489</u></u>	<u><u>60,745,008</u></u>

Non-current assets:

<u>Region</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Taiwan	\$ 35,290,296	34,332,651
China	245,421	289,298
Samoa	27,678	30,312
	<u><u>\$ 35,563,395</u></u>	<u><u>34,652,261</u></u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(e) Major customers' information

<u>Customer</u>	<u>2020</u>	
	<u>Amount</u>	<u>%</u>
653003	\$ 8,147,679	15
623045	8,145,645	15
623020	6,940,779	12
Total	<u><u>\$ 23,234,103</u></u>	<u><u>42</u></u>

<u>Customer</u>	<u>2019</u>	
	<u>Amount</u>	<u>%</u>
623020	\$ 13,020,188	21
623045	11,371,169	19
653003	7,915,412	13
Total	<u><u>\$ 32,306,769</u></u>	<u><u>53</u></u>

6.5 Parent Company Only Financial Statements of the Most Recent Year with Independent Auditors' Report and

Notes

Independent Auditors' Report

To the Board of Directors of Largan Precision Co., Ltd.:

Opinion

We have audited the financial statements of Largan Precision Co., Ltd. (the "Company") which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Inventory valuation

Please refer to Note 4(g), Note 5(a), and Note 6(f) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for inventory valuation.

Description of key audit matter:

Inventories are stated at the lower of cost or net realizable value. With the rapid development of technology, and significant changes in market demand, the severe volatility to sales may lead to risks, wherein the costs of inventories may exceed its net realizable values. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include obtaining an inventory aging report, analyzing the movement of inventory aging and evaluating the reasonableness of the Company's accounting policies, such as allowance for inventory valuation and obsolescence; performing a retrospective test of the Company's historical accuracy of judgments with reference to inventory valuation and comparing with the current period to evaluate the appropriateness of the estimation and assumptions used; examining whether the valuation of inventories are in compliance with the accounting policies of the Company; understanding the basis of the selling price the management used to ensure the reasonableness of net realizable value of inventories; reviewing sales in the subsequent period, as well as assessing the basis of the net realizable value the Company used to determine the sufficiency of allowance of inventories and whether the related disclosures are appropriate.

2. Accounts Receivable Valuation

Please refer to Note 4(f), note 5(b), and Note 6(d) for accounting policies, uncertainty of accounting estimates and assumptions, and related disclosures for accounts receivables valuation, respectively.

Description of key audit matter:

The Company's accounts receivable are concentrated within certain customers, and the determination of allowance for accounts receivable relies on the management's subjective judgment. Therefore, the valuation of accounts receivables is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures include estimating the loss allowance of trade receivables that is based on the risk of a default occurring and the rate of expected credit loss; reviewing the historical collection records, understanding the industry economic environment and the credit risk of receivables among limited customers to evaluate whether the method of estimation, assumptions, and related disclosures are appropriate.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 on the investment in other entities accounted for using the equity method in order to express an opinion on this 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

The engagement partners on the audit resulting in this independent auditors' report are Shyh-Huar, Kuo and Chun-Yuan, Wu.

KPMG

Taipei, Taiwan (Republic of China)
February 22, 2021

Notes to Readers

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying parent company only 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 parent company only financial statements, the Chinese version shall prevail.

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

See accompanying notes to parent company only financial statements.

LARGAN PRECISION CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenues (Note 6(s) and 7)	\$ 53,979,503	100	58,681,535	100
5000	Operating costs (Note 6(f) 、(n) 、(t) and 7)	<u>18,370,185</u>	<u>34</u>	<u>18,755,229</u>	<u>32</u>
		35,609,318	66	39,926,306	68
5910	Realized profit from sales	<u>251,075</u>	<u>-</u>	<u>363,812</u>	<u>1</u>
5900	Gross profit from operations	<u>35,860,393</u>	<u>66</u>	<u>40,290,118</u>	<u>69</u>
6000	Operating expenses (Note 6(n) 、(t) and 7):				
6100	Selling expenses	336,833	-	344,301	1
6200	Administrative expenses	1,228,094	2	1,240,496	2
6300	Research and development expenses	<u>3,791,346</u>	<u>7</u>	<u>3,759,496</u>	<u>6</u>
	Total operating expenses	<u>5,356,273</u>	<u>9</u>	<u>5,344,293</u>	<u>9</u>
6900	Operating income	<u>30,504,120</u>	<u>57</u>	<u>34,945,825</u>	<u>60</u>
7000	Non-operating income and expenses:				
7100	Interest income (Note 6(u) and 7)	1,035,231	1	803,220	1
7010	Other income (Note 6(u) and 7)	11,633	-	12,469	-
7020	Other gains and losses (Note 6(u) and 7)	(1,672,311)	(3)	(1,604,169)	(3)
7050	Finance costs (Note 6(m) and (u))	(2,323)	-	(2,723)	-
7060	Share of profit (losses) of associates accounted for using equity method	<u>1,600,362</u>	<u>3</u>	<u>1,773,786</u>	<u>3</u>
		<u>972,592</u>	<u>1</u>	<u>982,583</u>	<u>1</u>
7900	Profit before income tax	31,476,712	58	35,928,408	61
7950	Less: Income tax expenses (Note 6(o))	<u>6,942,581</u>	<u>13</u>	<u>7,665,326</u>	<u>13</u>
	Profit for the period	<u>24,534,131</u>	<u>45</u>	<u>28,263,082</u>	<u>48</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of defined benefit obligation	(6,134)	-	(9,144)	-
8316	Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	160,404	-	(25,084)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>154,270</u>	<u>-</u>	<u>(34,228)</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	314,394	1	(314,028)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>314,394</u>	<u>1</u>	<u>(314,028)</u>	<u>(1)</u>
	Other comprehensive income (loss) for the period, net of tax	<u>468,664</u>	<u>1</u>	<u>(348,256)</u>	<u>(1)</u>
8500	Total comprehensive income for the period	<u>\$ 25,002,795</u>	<u>46</u>	<u>27,914,826</u>	<u>47</u>
	Earnings per share (NT dollars) (Note 6(r))				
9750	Basic earnings per share	<u>\$ 182.90</u>		<u>210.70</u>	
9850	Diluted earnings per share	<u>\$ 180.94</u>		<u>208.79</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

LARGAN PRECISION CO., LTD.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest				
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	(losses) on financial assets measured at fair value through other comprehensive income	Total	Total equity
Balance at January 1, 2019	\$ 1,341,402	1,557,011	13,582,819	2,370,825	90,549,978	106,503,622	(1,747,603)	(54,861)	(1,802,464)	107,599,571
Effects of retrospective application	-	-	-	-	-	-	-	-	-	-
Balance of January 1, 2019 after adjustments	<u>1,341,402</u>	<u>1,557,011</u>	<u>13,582,819</u>	<u>2,370,825</u>	<u>90,549,978</u>	<u>106,503,622</u>	<u>(1,747,603)</u>	<u>(54,861)</u>	<u>(1,802,464)</u>	<u>107,599,571</u>
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	2,436,954	-	(2,436,954)	-	-	-	-	-
Special reserve	-	-	-	(568,361)	568,361	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(9,121,533)	(9,121,533)	-	-	-	(9,121,533)
	-	-	2,436,954	(568,361)	(10,990,126)	(9,121,533)	-	-	-	(9,121,533)
Other changes in capital surplus	-	1,047	-	-	-	-	-	-	-	1,047
Profit for the period	-	-	-	-	28,263,082	28,263,082	-	-	-	28,263,082
Other comprehensive income for the period	-	-	-	-	(9,144)	(9,144)	(314,028)	(25,084)	(339,112)	(348,256)
Total comprehensive income for the period	-	-	-	-	28,253,938	28,253,938	(314,028)	(25,084)	(339,112)	27,914,826
Balance at December 31, 2019	<u>\$ 1,341,402</u>	<u>1,558,058</u>	<u>16,019,773</u>	<u>1,802,464</u>	<u>107,813,790</u>	<u>125,636,027</u>	<u>(2,061,631)</u>	<u>(79,945)</u>	<u>(2,141,576)</u>	<u>126,393,911</u>
Balance at January 1, 2020	\$ 1,341,402	1,558,058	16,019,773	1,802,464	107,813,790	125,636,027	(2,061,631)	(79,945)	(2,141,576)	126,393,911
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	2,826,308	-	(2,826,308)	-	-	-	-	-
Special reserve	-	-	-	339,112	(339,112)	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(10,597,076)	(10,597,076)	-	-	-	(10,597,076)
	-	-	2,826,308	339,112	(13,762,496)	(10,597,076)	-	-	-	(10,597,076)
Other changes in capital surplus	-	2,528	-	-	-	-	-	-	-	2,528
Profit for the period	-	-	-	-	24,534,131	24,534,131	-	-	-	24,534,131
Other comprehensive income for the period	-	-	-	-	(6,134)	(6,134)	314,394	160,404	474,798	468,664
Total comprehensive income for the period	-	-	-	-	24,527,997	24,527,997	314,394	160,404	474,798	25,002,795
Subsidiary disposes of investment in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2020	<u>\$ 1,341,402</u>	<u>1,560,586</u>	<u>18,846,081</u>	<u>2,141,576</u>	<u>118,658,326</u>	<u>139,645,983</u>	<u>(1,747,237)</u>	<u>(79,035)</u>	<u>(1,745,813)</u>	<u>140,802,158</u>

See accompanying notes to parent company only financial statements.

LARGAN PRECISION CO., LTD.**Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	2020	2019
Cash flows from operating activities:		
Profit before income tax	\$ 31,476,712	35,928,408
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,205,548	3,679,906
Amortization expense	85,266	72,178
Interest expense	2,323	2,723
Interest income	(1,035,231)	(803,220)
Share of profit of subsidiaries accounted for using equity method	(1,600,362)	(1,773,786)
Losses on disposal of property, plant and equipment	6,731	3,050
Property, plant and equipment transferred to expenses	-	188
Realized profit from sales	(251,075)	(363,812)
Unrealized foreign exchange loss (profit)	10,099	(24,751)
Other	(1,460)	-
Total adjustments to reconcile profit	1,421,839	792,476
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets mandatorily measured at fair value through profit or loss	(6,139,558)	(5,776,044)
Decrease (increase) in notes receivable	2,520	(3,107)
Decrease (increase) in accounts receivable (including from related parties)	5,171,372	(4,199,135)
(Increase) decrease in inventories	(494,076)	259,964
(Increase) decrease in other current assets	(42,553)	850,468
Total changes in operating assets	(1,502,295)	(8,867,854)
Changes in operating liabilities:		
Increase (decrease) in notes payable	171	(144)
Decrease in accounts payable (including to related parties)	(109,385)	(83,930)
Increase in other current liabilities	1,505,945	2,643,507
Decrease in net defined benefit liabilities	(2,714)	(1,136)
Total changes in operating liabilities	1,394,017	2,558,297
Total changes in operating assets and liabilities	(108,278)	(6,309,557)
Cash inflow generated from operations	32,790,273	30,411,327
Interest received	1,001,121	789,013
Interest paid	(2,323)	(2,723)
Income taxes paid	(5,155,726)	(7,682,587)
Net cash flows from operating activities	28,633,345	23,515,030
Cash flows from investing activities:		
Acquisition of investments accounted for using equity method	-	(15,000)
Acquisition of property, plant and equipment	(5,773,541)	(8,472,493)
Proceeds from disposal of property, plant and equipment	1,551	1,655
(Increase) decrease in refundable deposits	(1,841)	394,355
Decrease (increase) in other non-current assets	326,030	(102,572)
Acquisition of intangible assets	(91,871)	(62,280)
Increase in other financial assets	(8,747,667)	(6,107,599)
Dividends received	12,117,060	7,041,101
Net cash flows used in investing activities	(2,170,279)	(7,322,833)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	23,619	(318,099)
(Decrease) increase in guarantee deposits received	(730)	23
Payment of lease liabilities	(40,734)	(39,133)
Cash dividend paid	(10,597,076)	(9,121,533)
Overdue dividend transferred to capital surplus	2,528	1,047
Net cash flows used in financing activities	(10,612,393)	(9,477,695)
Net increase in cash and cash equivalents	15,850,673	6,714,502
Cash and cash equivalents at beginning of period	62,938,692	56,224,190
Cash and cash equivalents at end of period	\$ 78,789,365	62,938,692

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)
LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Largan Precision Co., Ltd. (the “Company”) was incorporated in April 1987 as a company limited by shares under the Company Act of the Republic of China (R.O.C). The registered address is No.11, Jingke Rd., Nantun Dist., Taichung City 40852, Taiwan (R.O.C.). The major business activities of the Company are the design, manufacture and sale of lens for perspective mirror, camera, single and double binoculars, fax machine, microscope and scanner etc. Please refer to Note 14.

The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in March 2002.

(2) Approval date and procedures of the financial statements:

The accompanying parent company only financial statements were authorized for issue by the Board of Directors on February 22, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The details of impact on the Company’s adoption of the new amendments beginning January 1, 2020 are as follows:

- (i) Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets certain conditions is a lease modification, rather any changes in lease liability are recognized in profit or loss. The amendments have been endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) in July 2020, earlier application from January 1, 2020 is permitted. Related accounting policy is explained in Note 4(j).

The Company has elected to apply the practical expedient for all rent concessions that meet the criteria beginning January 1, 2020, with early adoption. No adjustment was made upon the initial application of the amendments. The amounts recognized in profit or loss for the year ended December 31, 2020 was \$1,460 thousand.

- (ii) Other amendments

The following new amendments, effective January 1, 2020, do not have a significant impact on the Company’s parent company only financial statements:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent company only financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: • the incremental costs – e.g. direct labor and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent company only financial statements.

(4) Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(a) **Statement of compliance**

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) **Basis of preparation**

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on the historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value.

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The Company's financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) **Foreign currency**

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company's disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from, or payable to, a foreign operation is neither planned nor likely in the foreseeable future, Exchange differences arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It expected to be realized, or intended to be sold or consumed, in its normal operating cycle;
- (ii) It holds primarily for the purpose of trading;
- (iii) It expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to settle the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(f) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes :

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Company measures its loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ;
- and

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

- other debt securities and bank balances for which the credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment, as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to fully pay its credit obligations to the Company.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs resulting from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data :

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than 360 days past due ;

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

Debt and or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(h) Investment in subsidiaries

The subsidiaries in which the Company holds controlling interest are accounted for under equity method in the non-consolidated financial statements. Under equity method, the net income, other comprehensive income and equity in the non-consolidated financial statement are the same as those attributable to the owners of the parent in the consolidated financial statements.

The changes in ownership of the subsidiaries are recognized as equity transaction.

(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings	35 ~55years
2) Machinery and equipment	2 ~ 10 years

Plant constitutes mainly building, electromechanical power engineering and cleanroom air conditioning project. Each such part is depreciated based on its useful life of 35~55 years, 8~ 10 years and 8~10 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(j) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, photocopying equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;

(Continued)

LARGAN PRECISION CO., LTD.

Notes to the Parent Company Only Financial Statements

- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(k) Intangible assets

(i) Recognition and measurement

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software cost	1~3 years
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Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and employee benefits) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells various multiples lens to mobile phone manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

2) Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

For general and administrative costs, costs of wasted materials, labor or other resources to fulfil the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year, and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee bonus.

(r) Operating segments

The Company has disclosed the information on operating segments in its consolidated financial statements. Hence, no further information is disclosed in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the parent Company only financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. It recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(f) for further description of the valuation of inventories.

(b) The loss allowance of trade receivable

The Company has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. For relevant assumptions and input values, please refer to note 6(d).

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Petty cash and cash on hand	\$ 410	513
Demand deposits	3,896,542	6,049,498
Time deposits	<u>74,892,413</u>	<u>56,888,681</u>
Cash and cash equivalents in the Parent Company		
Only statement of cash flows	<u>\$ 78,789,365</u>	<u>62,938,692</u>

Please refer to note 6(v) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets at fair value through profit or loss

	December 31, 2020	December 31, 2019
Mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Stocks unlisted in domestic markets	\$ -	-
Beneficiary Certificate-open-end funds	<u>13,207,411</u>	<u>7,067,853</u>
Total	<u>\$ 13,207,411</u>	<u>7,067,853</u>

For market risk, please refer to note 6(v).

(c) Financial assets at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
Equity investments at fair value through other comprehensive income		
Listed common shares		
Domestic Company - AVISION INC.	<u>\$ 41,470</u>	<u>17,609</u>

(i) Equity investments at fair value through other comprehensive income

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2020 and 2019, the Company did not dispose of strategic investments. The gains and losses have not been transferred in the equity.

- (ii) For market risk, please refer to note 6(v).
- (iii) As of December 31, 2020 and 2019, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral for long-term borrowing.

(d) Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable from non-operating activities	\$ 590	3,110
Accounts receivable-measured as amortized cost	3,182,583	2,942,940
Accounts receivable from related parties-measured as amortized cost	6,203,908	11,614,923
Less: Loss allowance	<u>(2,250)</u>	<u>(2,250)</u>
	<u>\$ 9,384,831</u>	<u>14,558,723</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 9,332,427	-	-
No more than 180 days past due	<u>54,654</u>	4.1168 %	<u>2,250</u>
	<u>\$ 9,387,081</u>		<u>2,250</u>
	December 31, 2019		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 14,371,777	-	-
No more than 180 days past due	<u>189,196</u>	1.1892 %	<u>2,250</u>
	<u>\$ 14,560,973</u>		<u>2,250</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2020	2019
Balance at December 31 (Balance at January 1)	<u>\$ 2,250</u>	<u>2,250</u>

The notes and accounts receivable of the Company had not been pledged as collateral as of December 31, 2020 and 2019.

For further credit risk information, please refer to note 6(v).

(e) Other receivables

	December 31, 2020	December 31, 2019
Other receivables-Tax receivables	\$ 106,662	143,665
Other receivables-Interest receivables	136,708	102,598
Other receivables-Others	20,059	47,678
Other receivables-Related parties	<u>59,578</u>	<u>4,015,469</u>
	<u>\$ 323,007</u>	<u>4,309,410</u>

For further credit risk information, please refer to note 6(v).

(f) Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 2,047,495	1,932,423
Work in progress	480,201	358,059
Raw materials	1,073,857	849,882
Supplies	<u>93,271</u>	<u>60,384</u>
	<u>\$ 3,694,824</u>	<u>3,200,748</u>

For the years ended December 31, 2020 and 2019, the amounts of inventories that were charged to cost of sales, and the net of provisions that were charged to cost of sales in the parent company only statement of comprehensive income for inventories written down to net realizable value, were \$291,659 thousand and \$297,624 thousand, respectively.

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(g) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using equity method at the reporting date is as follows:

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2020	December 31, 2019
Subsidiary-Largan (Hong Kong) Limited.	\$ 328,263	342,121
Subsidiary-Astro International Ltd.	13,195,093	19,731,445
Subsidiary-Ba Fang Co., Ltd.	33,878	36,502
Subsidiary-Largan Digital Co., Ltd.	240,330	192,662
Subsidiary-Largan Health AI-Tech Co., Ltd.	4,593	6,638
	<u><u>\$ 13,802,157</u></u>	<u><u>20,309,368</u></u>

(i) Subsidiaries

Please refer to the consolidated financial statements of the year 2020.

(ii) Collateral

As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using equity method as collaterals for its loans.

(h) **Property, plant and equipment**

The cost, depreciation, and impairment of the property, plant and equipment of the Company in 2020 and 2019, were as follows:

	Land	Building and Construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Cost or deemed cost:								
Balance on January 1, 2020	\$ 8,170,433	6,138,987	23,485,935	20,552	12,068,571	54,898	1,218,340	51,157,716
Additions	50,370	27,513	3,735,154	3,575	830,839	-	783,942	5,431,393
Disposal	-	(487)	(1,834,812)	(4,347)	(135,328)	-	-	(1,974,974)
Reclassification	-	119,952	314,183	-	143,864	-	(586,042)	(8,043)
Balance on December 31, 2020	<u><u>\$ 8,220,803</u></u>	<u><u>6,285,965</u></u>	<u><u>25,700,460</u></u>	<u><u>19,780</u></u>	<u><u>12,907,946</u></u>	<u><u>54,898</u></u>	<u><u>1,416,240</u></u>	<u><u>54,606,092</u></u>
Balance on January 1, 2019	\$ 5,481,248	5,973,733	19,567,620	20,552	10,542,247	54,898	1,090,524	42,730,822
Additions	2,689,185	144,685	3,587,856	-	1,292,670	-	759,537	8,473,933
Disposal	-	-	(5,461)	-	(10,096)	-	-	(15,557)
Reclassification	-	20,569	335,920	-	243,750	-	(631,721)	(31,482)
Balance on December 31, 2019	<u><u>\$ 8,170,433</u></u>	<u><u>6,138,987</u></u>	<u><u>23,485,935</u></u>	<u><u>20,552</u></u>	<u><u>12,068,571</u></u>	<u><u>54,898</u></u>	<u><u>1,218,340</u></u>	<u><u>51,157,716</u></u>
Depreciation and impairment loss:								
Balance on January 1, 2020	\$ -	595,928	12,352,163	17,256	5,884,887	21,243	-	18,871,477
Depreciation for the year	-	186,465	2,596,863	2,223	1,376,528	406	-	4,162,485
Disposal	-	(487)	(1,826,565)	(4,347)	(135,293)	-	-	(1,966,692)
Reclassification	-	(3,584)	-	-	(11)	-	-	(3,595)
Balance on December 31, 2020	<u><u>\$ -</u></u>	<u><u>778,322</u></u>	<u><u>13,122,461</u></u>	<u><u>15,132</u></u>	<u><u>7,126,111</u></u>	<u><u>21,649</u></u>	<u><u>-</u></u>	<u><u>21,063,675</u></u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

	Land	Building and Construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Rental assets	Construction in progress and testing equip	Total
Balance on January 1, 2019	\$ -	416,852	10,128,317	15,129	4,662,090	20,836	-	15,243,224
Depreciation for the year	-	179,076	2,227,491	2,127	1,230,004	407	-	3,639,105
Disposal	-	-	(3,645)	-	(7,207)	-	-	(10,852)
Balance on December 31, 2019	<u>\$ -</u>	<u>595,928</u>	<u>12,352,163</u>	<u>17,256</u>	<u>5,884,887</u>	<u>21,243</u>	<u>-</u>	<u>18,871,477</u>
Carrying amounts:								
Balance on December 31, 2020	<u>\$ 8,220,803</u>	<u>5,507,643</u>	<u>12,577,999</u>	<u>4,648</u>	<u>5,781,835</u>	<u>33,249</u>	<u>1,416,240</u>	<u>33,542,417</u>
Balance on January 1, 2019	<u>\$ 5,481,248</u>	<u>5,556,881</u>	<u>9,439,303</u>	<u>5,423</u>	<u>5,880,157</u>	<u>34,062</u>	<u>1,090,524</u>	<u>27,487,598</u>
Balance on December 31, 2019	<u>\$ 8,170,433</u>	<u>5,543,059</u>	<u>11,133,772</u>	<u>3,296</u>	<u>6,183,684</u>	<u>33,655</u>	<u>1,218,340</u>	<u>32,286,239</u>

In 2013, the Company acquired a piece of land, for the expansion of its factory, amounting to \$120,086 thousand, which was recognized under property, plant and equipment. The title of the said land cannot be transferred to the Company due to its classification. Therefore, it was registered under the name of a different person. To ensure the right of both parties (including that of the Company's shareholders), the two parties entered into an agreement, with the notarization of the court. In the future, the Company will file an application to the relevant authorities, and go through proper procedures, for the land to be reclassified in order to make it possible for the deed to be transferred to the Company.

(i) **Right-of-use assets**

The Company leases buildings. Information about leases for which the Company as a lessee was presented below:

	Building and construction
Cost:	
Balance at January 1, 2020	\$ 245,878
Additions	19,328
Disposal / Write-off	(13,576)
Balance at December 31, 2020	<u>\$ 251,630</u>
Balance at January 1, 2019	\$ 92,749
Additions	153,129
Balance at December 31, 2019	<u>\$ 245,878</u>
Accumulated depreciation and impairment losses:	
Balance at January 1, 2020	\$ 40,801
Depreciation for the year	43,063
Balance at December 31, 2020	<u>\$ 83,864</u>
Balance at January 1, 2019	\$ -
Depreciation for the year	40,801
Balance at December 31, 2019	<u>\$ 40,801</u>
Carrying amounts:	
Balance at December 31, 2020	<u>\$ 167,766</u>
Balance at January 1, 2019	<u>\$ 92,749</u>
Balance at December 31, 2019	<u>\$ 205,077</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(j) **Intangible assets**

The costs and amortization of the intangible assets of Company in 2020 and 2019 were as follows:

	<u>Computer Software</u>
Costs:	
Balance at January 1, 2020	\$ 342,909
Additions	91,871
Disposal	(39,064)
Reclassification	4,448
Balance at December 31, 2020	<u><u>\$ 400,164</u></u>
Balance at January 1, 2019	\$ 249,335
Additions	62,280
Reclassification	31,294
Balance at December 31, 2019	<u><u>\$ 342,909</u></u>
Amortization and impairment Loss:	
Balance at January 1, 2020	\$ 241,168
Amortization for the year	85,266
Disposal	(39,064)
Balance at December 31, 2020	<u><u>\$ 287,370</u></u>
Balance at January 1, 2019	\$ 168,990
Amortization for the year	72,178
Balance at December 31, 2019	<u><u>\$ 241,168</u></u>
Carrying value:	
Balance at December 31, 2020	<u><u>\$ 112,794</u></u>
Balance at January 1, 2019	<u><u>\$ 80,345</u></u>
Balance at December 31, 2019	<u><u>\$ 101,741</u></u>

The following amortizations of intangible assets are included in the statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 17,924	22,374
Operating expense	<u>67,342</u>	<u>49,804</u>
	<u><u>\$ 85,266</u></u>	<u><u>72,178</u></u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(k) **Other current assets, other non-current financial assets and other non-current assets**

The other current assets, other non-current financial assets and other non-current assets of the Company were as follows:

	December 31, 2020	December 31, 2019
Other current financial assets	\$ 9,000	9,000
Other current assets	1,012,857	256,288
Other non-current financial assets	15,170,562	6,422,895
Refundable deposits	639,850	638,009
Prepayment for equipment	1,201,090	1,510,165
Prepayment for land and building	-	16,955
	<u>\$ 18,033,359</u>	<u>8,853,312</u>

- (i) Other current (non-current) financial assets were restricted deposits and bank account for repatriation of offshore fund, which were pledged as collateral; please refer to note 8.
- (ii) Other current assets were prepayment for purchases and temporary payments.
- (iii) Refundable deposits had been pledged as collateral; please refer to note 8.
- (iv) For further credit risk information, please refer to note 6 (v).

(l) **Short-term borrowings**

The short-term borrowings were summarized as follows:

	December 31, 2020	December 31, 2019
Letters of credit	<u>\$ 249,535</u>	<u>218,868</u>
Unused credit Lines	<u>\$ 2,350,465</u>	<u>1,081,132</u>
Range of interest rates	<u>0.95%~1.10%</u>	<u>0.95%~0.96%</u>

(m) **Lease liabilities**

The carrying amounts of the Company's lease liabilities were as follows:

	December 31, 2020	December 31, 2019
Current	<u>\$ 43,401</u>	<u>39,801</u>
Non-current	<u>\$ 123,164</u>	<u>164,559</u>

For the maturity analysis, please refer to note 6(v).

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest on lease liabilities	\$ <u>2,323</u>	<u>2,723</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>91</u>	<u>149</u>
Expenses relating to short-term leases and leases of low-value assets	\$ <u>219</u>	<u>210</u>
COVID-19-related rent concessions (recognized as other income)	\$ <u>1,460</u>	<u>-</u>

The amounts recognized in the statement of cash flows for the Company was as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019
Total cash outflow for leases	\$ <u>43,367</u>	<u>42,215</u>

(i) Real estate leases

The Company leases buildings for its factory space. The leases of factory space typically run for 3 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Company leases photocopying equipment, these leases are leases of low-value items. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

(n) **Employee benefits**

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and plan asset at fair value are as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 167,568	164,467
Fair value of plan assets	(58,299)	(58,618)
Net defined benefit liability	\$ <u>109,269</u>	<u>105,849</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average salary for the six months prior to retirement.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of the Labor Funds, Ministry of Labor. With regards to the utilization of the funds, minimum earnings in the annual distribution on the final financial statements shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$57,998 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

	2020	2019
Defined benefit obligations at January 1	\$ 164,467	156,042
Benefit paid by the plan	(7,311)	(5,364)
Current service costs and interest cost (income)	2,416	2,686
Remeasurements loss (gain):		
-Financial assumptions	7,996	11,103
Defined benefit obligations at December 31	\$ 167,568	164,467

3) Movements of the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company were as follows:

	2020	2019
Fair value of plan assets at January 1	\$ 58,618	58,201
Contributions paid by the employer	4,595	3,166
Benefits paid from plan assets	(7,311)	(5,364)
Interest income	535	656
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	1,862	1,959
Fair value of plan assets at December 31	\$ 58,299	58,618

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profits or losses for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 708	706
Net interest of net liabilities for the defined benefit obligations	1,708	1,980
Plan assets interest income	(535)	(656)
	<u>\$ 1,881</u>	<u>2,030</u>
	<u>2020</u>	<u>2019</u>
Operating Costs	\$ 1,432	1,569
Selling expenses	14	16
Administrative expenses	81	90
Research and development expenses	354	355
	<u>\$ 1,881</u>	<u>2,030</u>
Return on plan assets	<u>\$ 2,397</u>	<u>2,615</u>

5) Remeasurement in net defined benefit liability recognized in other comprehensive income

The Company's remeasurement in the net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ 71,584	62,440
Recognized during the period	6,134	9,144
Accumulated amount at December 31	<u>\$ 77,718</u>	<u>71,584</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.750 %	1.125 %
Increase in future salary rate	2 %	2 %

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

The expected allocation payment to be made by the Company to the defined benefit plans for the one year - period after the reporting date is \$3,149 thousand.

The weighted average lifetime of the defined benefit plans is 17.32 years.

7) Sensitivity analysis

On December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligations	
	Increase0.25%	Decrease0.25%
December 31, 2020		
Discount rate	\$ (4,470)	4,659
Future salary increases rate	4,434	(4,275)
December 31, 2019		
Discount rate	\$ (4,390)	4,578
Future salary increases rate	4,400	(4,240)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$190,203 thousand and \$173,419 thousand for the years ended December 31, 2020 and 2019, respectively.

(iii) Short-term employee benefit

The Company's employee benefit liabilities were as follows:

	December 31, 2020	December 31, 2019
Compensated absences liability	\$ <u><u>110,695</u></u>	<u><u>93,313</u></u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(o) **Income taxes**

(i) Income tax expense

The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense:		
Current period	\$ 6,968,267	7,956,519
Adjustment for prior periods	(956)	(202,658)
Deferred tax expense :		
Origination and reversal of temporary differences	(24,730)	(88,535)
	<u>\$ 6,942,581</u>	<u>7,665,326</u>

Reconciliation of income tax and profit before tax 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	\$ 31,476,712	35,928,428
Income tax using the Company's domestic tax rate	6,295,342	7,185,682
Investment tax credits	(371,218)	(386,000)
Changes in unrecognized temporary differences	(320,072)	(354,757)
Gains on disposal of investment	(2,396)	(1,062)
Others income tax adjustments	138,275	107,824
Changes in provision in prior periods	(956)	(202,658)
Income tax for repatriation of overseas earnings	648,710	880,702
Surtax on unappropriated earnings	554,896	435,595
Total	<u>\$ 6,942,581</u>	<u>7,665,326</u>

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The entity is able to control the timing of the reversal of the temporary differences associated with the investments in subsidiaries as of December 31, 2020 and 2019. Also, the management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Aggregated amount of temporary differences related to investments in subsidiaries	<u>\$ 13,614,355</u>	<u>24,690,199</u>

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred Tax Assets:

	<u>Unrealized profit from associates</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 214,692	263,781	478,473
Recognized profit or loss	<u>(50,681)</u>	<u>81,477</u>	<u>30,796</u>
Balance at December 31, 2020	<u>\$ 164,011</u>	<u>345,258</u>	<u>509,269</u>
Balance at January 1, 2019	\$ 287,921	114,951	402,872
Recognized profit or loss	<u>(73,229)</u>	<u>148,830</u>	<u>75,601</u>
Balance at December 31, 2019	<u>\$ 214,692</u>	<u>263,781</u>	<u>478,473</u>

Deferred Tax Liabilities:

	<u>Unrealized exchange gains</u>	<u>Other</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	2,626	2,626
Recognized profit or loss	<u>-</u>	<u>6,066</u>	<u>6,066</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>8,692</u>	<u>8,692</u>
Balance at January 1, 2019	\$ 13,738	1,822	15,560
Recognized profit or loss	<u>(13,738)</u>	<u>804</u>	<u>(12,934)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>2,626</u>	<u>2,626</u>

3) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(p) Other payables

The other payables were summarized as follows:

	December 31, 2020	December 31, 2019
Payables on remuneration to employees, directors and supervisors	\$ 18,526,199	17,092,301
Payables for plant and equipment	1,696,862	2,017,929
Others	<u>1,588,048</u>	<u>1,432,004</u>
	<u>\$ 21,811,109</u>	<u>20,542,234</u>

(q) **Capital and other equity**

(i) Ordinary Shares

As of December 31, 2020 and 2019, the Company's authorized ordinary shares each amounted to \$2,000,000 thousand (including the amount of \$100,000 thousand allocated for the exercise of employee stock options), and the outstanding ordinary shares each amounted to \$1,341,402 thousand, with a par value of \$10 per share.

(ii) Capital Surplus

The balance of capital surplus was as following:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 817,574	817,574
Capital surplus-premium from merger	738,155	738,155
Dividend timeout not received by shareholder	<u>4,857</u>	<u>2,329</u>
	<u>\$ 1,560,586</u>	<u>1,558,058</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Before the distribution of dividends, the Company shall first take into consideration its operating environment, industry developments, and the long-term interests of its stockholders, as well as its programs to maintain its operating efficiency and meet its capital expenditure budget and financial goals in determining the stock or cash dividends to be paid. After the above appropriations, dividend to be distributed shall be no less than 10% of the current-year retained earnings available for distribution. The cash dividends shall not be less than 30% of the total dividends.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with the regulation set by the Financial Supervisory Commission, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. The special reserve for the years ended December 31, 2020 and 2019 were \$2,141,576 thousand and \$1,802,464 thousand, respectively.

3) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2019 and 2018 had been approved during the board meeting and shareholders' meeting on April 22, 2020 and June 12, 2019, respectively.

The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ <u>79</u>	<u>10,597,076</u>	<u>68</u>	<u>9,121,533</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

4) Other equity interests (net-of-taxes)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020	\$ (2,061,631)	(79,945)
Exchange differences on foreign operations:		
The Company	315,510	-
Subsidiaries	(1,116)	-
Unrealized gains(losses) from financial assets measured at fair value through other comprehensive income:		
The Company	-	23,861
Subsidiaries	-	136,543
Disposal of investments in equity instruments designated at fair value through other comprehensive income:		
Subsidiaries	-	(79,035)
Balance at December 31, 2020	<u>\$ (1,747,237)</u>	<u>1,424</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income
Balance at January 1, 2019	\$ (1,747,603)	(54,861)
Exchange differences on foreign operations:		
The Company	(314,485)	-
Subsidiaries	457	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:		
The Company	-	(5,780)
Subsidiaries	-	(19,304)
Balance at December 31, 2019	<u>\$ (2,061,631)</u>	<u>(79,945)</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(r) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share for years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Basic earnings per share		
Profit of the Company for the year	\$ <u>24,534,131</u>	<u>28,263,082</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>134,140</u>	<u>134,140</u>
	\$ <u>182.90</u>	<u>210.70</u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u>24,534,131</u>	<u>28,263,082</u>
Weighted-average number of outstanding ordinary shares (in thousands)	134,140	134,140
Effect of dilutive potential common shares (thousand shares)		
Effect of employee share bonus	<u>1,456</u>	<u>1,228</u>
Weighted-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u>135,596</u>	<u>135,368</u>
	\$ <u>180.94</u>	<u>208.79</u>

(s) **Revenue from contracts with customers**

Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Sale of goods	\$ <u>53,979,503</u>	<u>58,681,535</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(t) **Employee compensation and directors' and supervisors' remuneration**

According to the Company's articles of incorporation, the Company should distribute its remuneration of not less than 1%~30% and not more than 5% of annual profits to its employees and directors respectively, after offsetting accumulated deficits, if any. Employees, including employees of affiliate companies that meet certain conditions, are subject to the abovementioned remuneration, which is to be distributed in stock or cash.

For the year ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$4,416,600 thousand and \$5,087,917 thousand, and directors' and supervisors' remuneration amounting to \$331,245 thousand and \$381,594 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2020 and 2019.

(u) **Non-operating income and expenses**

(i) Interest income

The details of interest income for the years 2020 and 2019 were as follows:

	2020	2019
Interest income — bank deposits	\$ <u>1,035,231</u>	<u>803,220</u>

(ii) Other income

The details of other income for the years 2020 and 2019 were as follows:

	2020	2019
Rent income	\$ <u>11,633</u>	<u>12,469</u>

(iii) Other gains and losses

The details of other gains and losses for the years 2020 and 2019 were as follows:

	2020	2019
Foreign exchange losses	\$ (1,814,805)	(1,788,793)
Losses on disposals of property, plant and equipment	(6,731)	(3,050)
Gains on financial assets at fair value through profit or loss	39,591	9,352
Others	<u>109,634</u>	<u>178,322</u>
	\$ <u>(1,672,311)</u>	<u>(1,604,169)</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(iv) Finance costs

The details of finance costs for the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest expenses	\$ <u>2,323</u>	<u>2,723</u>

(v) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

To minimize credit risk, the Company periodically evaluates the Company's financial positions and the possibility of collecting accounts receivable. Besides, the Company monitors and reviews the recoverable amount of its trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 90% and 93%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6 (d). Other financial assets at amortized cost includes other receivables, refundable deposits and other financial assets. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4 (f). Other financial assets at amortized cost did not have impairment provision for the years ended December 31, 2020 and 2019.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
December 31, 2020				
Non-derivative financial liabilities				
Short-term borrowings	\$ 249,535	249,535	249,535	-
Accounts and notes payable (including related parties)	2,170,368	2,170,368	2,170,368	-
Other payables (including related parties)	21,821,256	21,821,256	21,821,256	-
Lease liabilities - current and non-current	166,565	170,450	45,148	125,302
Guarantee deposits received	<u>3,766</u>	<u>3,766</u>	<u>-</u>	<u>3,766</u>
	<u>\$ 24,411,490</u>	<u>24,415,375</u>	<u>24,286,307</u>	<u>129,068</u>
December 31, 2019				
Non-derivative financial liabilities				
Short-term borrowings	\$ 218,868	218,868	218,868	-
Accounts and notes payable (including related parties)	2,279,582	2,279,582	2,279,582	-
Other payables (including related parties)	20,573,257	20,573,257	20,573,257	-
Lease liabilities-current and non-current	204,360	210,507	42,037	168,470
Guarantee deposits received	<u>4,496</u>	<u>4,496</u>	<u>-</u>	<u>4,496</u>
	<u>\$ 23,280,563</u>	<u>23,286,710</u>	<u>23,113,744</u>	<u>172,966</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019			
	Foreign Currency	Exchange Rates	New Taiwan Dollars	Foreign Currency	Exchange Rates	New Taiwan Dollars	
<u>Financial Assets</u>							
<u>Monetary items</u>							
USD	\$	1,541,813	28.4800	43,910,835	931,122	29.9800	27,915,027
JPY		2,188,182	0.2763	604,595	2,847,531	0.2760	785,919
CNY		6,207,389	4.3770	27,169,743	5,724,038	4.3050	24,641,985
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD		63,341	28.4800	1,803,964	63,590	29.9800	1,906,417
JPY		3,055,631	0.2763	844,271	3,073,999	0.2760	848,424

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 1% of the TWD against the USD, JPY, and CNY as of December 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$552,296 thousand and \$404,705 thousand, respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2020 and 2019, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(1,814,805) thousand and \$(1,788,793) thousand, respectively.

(iv) Interest rate analysis

Please refer to the note on liquidity risk management and the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 1% when reporting to the internal management, which also represents the Company management's assessment of the reasonably possible interest rate change.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

If the interest rate increases/decreases by 1%, with all other variable factors that remaining constant, the Company's net income would have decreased/increased by \$1,996 thousand and \$1,751 thousand for the years ended December 31, 2020 and 2019, respectively. This is mainly due to the Company's borrowings in variable rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analysis for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss with all other variable factors remaining constant as illustrated below:

	For the years ended December 31,			
	2020		2019	
	Other comprehensive		Other comprehensive	
Prices of securities at the reporting date	income after tax	Net income	income after tax	Net income
Increasing 1%	\$ 415	132,074	176	70,679
Decreasing 1%	\$ (415)	(132,074)	(176)	(70,679)

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy, were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required:

The Company uses observable market data to evaluate its assets and liabilities when it is possible. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 13,207,411	13,207,411	-	-	13,207,411
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	41,470	41,470	-	-	41,470
Financial assets measured at amortized cost					
Cash and cash equivalents	78,789,365	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	9,601,176	-	-	-	-
Other financial assets-current and non-current	15,179,562	-	-	-	-
Refundable deposits	639,850	-	-	-	-
Subtotal	104,209,953	-	-	-	-
Total	<u>\$ 117,458,834</u>	<u>13,248,881</u>	<u>-</u>	<u>-</u>	<u>13,248,881</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 249,535	-	-	-	-
Notes and accounts payable (including related parties)	2,170,368	-	-	-	-
Other payables (including related parties)	21,821,256	-	-	-	-
Lease liabilities-current and non-current	166,565	-	-	-	-
Guarantee deposits received	3,766	-	-	-	-
Total	<u>\$ 24,411,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

December 31, 2019					
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss	\$ 7,067,853	7,067,853	-	-	7,067,853
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	17,609	17,609	-	-	17,609
Financial assets measured at amortized cost					
Cash and cash equivalents	62,938,692	-	-	-	-
Notes and accounts receivable and other receivables (including related parties and excluding tax receivable)	18,724,468	-	-	-	-
Other financial assets-current and non-current	6,431,895	-	-	-	-
Refundable deposits	638,009	-	-	-	-
Subtotal	88,733,064	-	-	-	-
Total	<u>\$ 95,818,526</u>	<u>7,085,462</u>	<u>-</u>	<u>-</u>	<u>7,085,462</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 218,868	-	-	-	-
Notes and accounts payable (including related parties)	2,279,582	-	-	-	-
Other payables (including related parties)	20,573,257	-	-	-	-
Lease liabilities-current and non-current	204,360	-	-	-	-
Guarantee deposits received	4,496	-	-	-	-
Total	<u>\$ 23,280,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques of financial instruments not measured at fair value

The Company estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values. In addition, if the expiration date is approaching, or the future payable or receivable price is similar to the carrying amount, the fair value shall be assumed in the carrying amount in the balance sheets.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

3) Valuation techniques for financial instruments measured at fair value.

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The fair value of the listed common shares and funds held by the Company are determined by reference to the market quotation.

4) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2020 and 2019.

(w) **Financial risk management**

(i) Overview

The Company is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(ii) Structure of risk management

The Company's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Company minimizes the risk exposure through derivative financial instruments. The Board of Directors regulates the use of derivative financial instruments in accordance with the Company's policy on risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments, and the investments of excess liquidity. The internal auditors of the Company continue to review the amount of the risk exposure in accordance with the Company's policies and the risk management's policies and procedures. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Accounts receivable and other receivables

The Company's customers is significantly concentrated in a few customers, In order to reduce credit risk, the Company continuously evaluates the financial status of its major customers and their condition, and also regularly assesses the possibility of receivables recovery.

The Company did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

The Company has losses allowance for bad debts to reflect the estimated losses of its accounts receivable, other receivables and investments. The main components of the allowance account contain specific losses associated with individual major risks. The component, and the component of the combined loss established for the loss of a similar group of assets, has occurred but not yet identified. The loss allowance account is based on the occurring risk of a default and the rate of expected credit loss.

2) Investments

The exposure to credit risk for bank deposits, fixed income investments, and other financial instruments, is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company does not expect any of the counterparties above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

At December 31, 2020 and 2019, no other guarantees were outstanding.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(iv) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) **Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are the NTD, USD, CNY and JPY.

2) **Interest rate risk**

Please refer to note on the liquidity risk for interest rate risk of financial assets and financial liabilities.

3) **Other market price risk**

Please refer to note 6(v) for the sensitivity analysis of equity price risk.

(x) **Capital management**

The Company must maintain sufficient capital to establish and expand production capacity and equipment. Because the optical lens industry is highly subject to fluctuations in the booming cycle; the capital management of the Company is to ensure that it has sufficient and necessary financial resources to support its working capital requirements, capital expenditures, research and development activities, dividends and other business needs in the next 12 months.

(y) **Investing and financing activities not affecting current cash flow**

The Company's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2020 and 2019, were as follows:

Acquisition of right-of-use assets through lease, please refer to note 6(m).

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Reconciliation of liabilities arising from financing activities were as follows:

	January 1,2020	Cash flows	Non-cash changes			December 31,2020
			Foreign exchange movement	Acquisition	Changes in lease payments	
Short-term borrowings	\$ 218,868	23,619	7,048	-	-	249,535
lease liabilities - current and non-current	204,360	(40,734)	-	4,399	(1,460)	166,565
Guarantee deposits received	4,496	(730)	-	-	-	3,766
Total liabilities from financing activities	<u>\$ 427,724</u>	<u>(17,845)</u>	<u>7,048</u>	<u>4,399</u>	<u>(1,460)</u>	<u>419,866</u>

	January 1,2019	Cash flows	Non-cash changes			December 31,2019
			Foreign exchange movement	Acquisition		
Short-term borrowings	\$ 552,868	(318,099)	(15,901)	-		218,868
lease liabilities - current and non-current	90,364	(39,133)	-	153,129		204,360
Guarantee deposits received	4,473	23	-	-		4,496
Total liabilities from financing activities	<u>\$ 647,705</u>	<u>(357,209)</u>	<u>(15,901)</u>	<u>153,129</u>		<u>427,724</u>

(7) Related-party transactions

- (a) For details of subsidiaries of the Company, please refer to note 4 (c) of the year 2020 consolidated financial report.
- (b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the parent Company only financial statements.

Name of related party	Relationship with the Company
Amtai International Ltd. (Amtai)	Subsidiaries
Astro International Ltd. (Astro)	Subsidiaries
Largan Digital Co., Ltd. (Largan Digital)	Subsidiaries
Largan Medical Co., Ltd. (Largan Medical)	Subsidiaries
Largan (Dongguan) Optronics Ltd. (Largan Dongguan)	Subsidiaries
Largan Health AI-Tech Co., Ltd. (Largan Health AI-Tech)	Subsidiaries

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Significant related-party transactions

(i) Sale of goods to related parties

The amounts of significant sales and receivables by the Company to its related parties were as follows:

	Sale		Receivables from related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiaries-Largan Dongguan	\$ 22,503,930	32,383,282	2,859,633	9,550,805
Subsidiaries-Amtai	12,828,653	11,245,101	3,337,315	2,056,436
Subsidiaries-Others	58,039	68,794	6,960	7,682
	\$ 35,390,622	43,697,177	6,203,908	11,614,923

The sales price of the Company to its related parties is not comparable to other sales due to the differences in the sales of the goods. During 2020 and 2019, the collection terms for sales to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

(ii) Purchases from related parties

1) The amounts of significant purchases and payables by the Company from its related parties were as follows:

	Purchases		Payables to related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiaries-Amtai	\$ 1,727,506	1,882,446	683,081	845,870
Subsidiaries-Other	188,797	203,362	32,113	4,519
	\$ 1,916,303	2,085,808	715,194	850,389

The purchases price of the Company to its related parties is not comparable to other purchases due to the differences in the purchases of the goods. During 2020 and 2019, the payment terms for purchases to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

2) The disposed amount of both the purchased finished goods from related parties, and the purchased part of raw materials components from the Company, were included in financial statements as follows:

	2020	2019
Subsidiaries-Amtai	\$ 815,847	973,850

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(iii) Provides and purchase technical services to related parties

During 2020 and 2019, the Company's income from providing technical services to its related parties were as follows (classified under the other gains):

	2020	2019
Subsidiaries–Amtai	\$ 19,937	26,546
Subsidiaries–Largan Medical	<u>15,761</u>	<u>33,466</u>
	<u>\$ 35,698</u>	<u>60,012</u>

During 2020 and 2019, the Company's expense from technical services from its related parties were as follows (classified under the other expense):

	2020	2019
Subsidiaries–Largan Digital	<u>\$ 2,527</u>	<u>3,279</u>

(iv) Purchases and disposals of property, plant and equipment

1) During 2020 and 2019, the Company's disposals of its equipment to its related parties are summarized as follows:

	2020			2019		
	Carrying amount	Disposal price	Gain from disposal	Carrying amount	Disposal price	Gain from disposal
Subsidiaries:						
Largan Digital	\$ 996	1,007	11	1,277	1,371	94
Largan Medical	<u>38</u>	<u>41</u>	<u>3</u>	<u>266</u>	<u>284</u>	<u>18</u>
	<u>\$ 1,034</u>	<u>1,048</u>	<u>14</u>	<u>1,543</u>	<u>1,655</u>	<u>112</u>

2) During 2020 and 2019, the Company's purchase of its equipment from its related parties are summarized as follows:

	2020	2019
Subsidiaries	<u>\$ 100,164</u>	<u>103,941</u>

3) During 2020 and 2019, the Company assisted its related parties to purchase other facilities as follows:

	2020	2019
Subsidiaries–Amtai	\$ 1,165	889
Subsidiaries–Largan Digital	13,794	31,109
Subsidiaries–Largan Medical	<u>3,539</u>	<u>56,046</u>
	<u>\$ 18,498</u>	<u>88,044</u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(v) Rental income

During 2020 and 2019, the Company's rental income on offices to the subsidiaries are summarized as follows:

	<u>2020</u>	<u>2019</u>
Subsidiaries–Largan Digital	\$ 3,473	3,904
Subsidiaries–Largan Medical	<u>4,617</u>	<u>4,560</u>
	<u><u>\$ 8,090</u></u>	<u><u>8,464</u></u>

(vi) Other

For the years ended December 31, 2020 and 2019, the amounts of receivables and payables from property transactions、rental income, technical service and other transactions, which were classified under other receivables from related parties, and other payables to related parties, are summarized as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>		
	<u>other receivables from related parties</u>	<u>other payables to related parties</u>	<u>other receivables from related parties</u>	<u>other payables to related parties</u>
Subsidiaries–Astro	\$ -	-	3,957,360	-
Subsidiaries–Amtai	33,501	259	50,427	3,177
Subsidiaries–Largan Digital	17,606	9,161	2,044	14,496
Subsidiaries–Largan Dongguan	-	557	-	13,264
Subsidiaries–Other	<u>8,471</u>	<u>170</u>	<u>5,638</u>	<u>86</u>
	<u><u>\$ 59,578</u></u>	<u><u>10,147</u></u>	<u><u>4,015,469</u></u>	<u><u>31,023</u></u>

(d) Key management personnel compensation

Key management personnel compensation comprised the following:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 206,995	264,243
Post-employment benefits	275	270
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	<u>-</u>	<u>-</u>
	<u><u>\$ 207,270</u></u>	<u><u>264,513</u></u>

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follow:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Time deposit (classified under other current assets)	Customs office deposit	\$ 9,000	9,000
Time deposit (classified under other non-current assets)	Litigation deposit	625,733	625,733
Time deposit (classified under other non-current financial assets)	Completion deposit	320,145	317,708
		<u>\$ 954,878</u>	<u>952,441</u>

(9) Commitments and contingencies

- (i) As at December 31, 2020 and 2019, the Company's outstanding letters of credit were \$0 and \$33,575 thousand, respectively.
- (ii) As at December 31, 2020 and 2019, the Company's outstanding purchase commitments for construction in progress, property and plant were \$12,204,700 thousand and \$2,106,300 thousand, respectively ; The amount of construction that has not yet occurred were \$9,908,276 thousand and \$113,967 thousand, respectively.
- (iii) As of December31, 2019, the Company acquired property and plant to meet the needs of future operations amounting to \$983,368 thousand; The amount of payable was \$49,168 thousand. (2020: none)

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2020			2019		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	5,293,591	3,408,571	8,702,162	5,362,320	3,629,867	8,992,187
Labor and health insurance	378,050	124,945	502,995	353,850	113,892	467,742
Pension	138,091	53,993	192,084	127,208	48,241	175,449
Remuneration directors	-	237,289	237,289	-	273,253	273,253
Others	155,950	36,095	192,045	150,601	33,401	184,002
Depreciation	3,881,533	324,015	4,205,548	3,425,387	254,519	3,679,906
Amortization	17,924	67,342	85,266	22,374	49,804	72,178

Additional information on the numbers of employees and the employee benefits of the Company in 2020 and 2019:

	December 31, 2020	December 31, 2019
The numbers of employees	<u>7,178</u>	<u>6,901</u>
The numbers of directors excluding the employees	<u>3</u>	<u>3</u>
The average of employees' benefits	<u>\$ 1,336</u>	<u>1,424</u>
The average of salary	<u>\$ 1,213</u>	<u>1,304</u>
The average of salary adjustment	<u>(6.98)%</u>	<u>5.42%</u>
Supervisor's remuneration	<u>\$ 93,956</u>	<u>108,341</u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

The remunerations to directors, supervisors, general managers and deputy general managers are in accordance with the Company's articles of incorporation and the managerial salary standards, which are reviewed by the Compensation Committee and approved by the board of directors.

Furthermore, the remuneration of the Company's directors and supervisors is determined by reference to the Company's overall operating performance, future risks and development trends of the industry, as well as the individual's performance achievement rate and contribution to the Company; reasonable remuneration is also taken into consideration. Relevant performance appraisal and remuneration reasonableness are reviewed by the Salary and Compensation Committee and the Board of Directors, and the remuneration system is reviewed at any time in accordance with the actual operating conditions and relevant laws and regulations.

Also, the remuneration of the general manager and deputy general managers includes salary and employee remuneration. According to the position held, the responsibilities assumed and the salary standard of the Company's managers, the payment shall be reviewed by the Salary and Compensation Committee and approved by the board of directors.

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

In addition, the wages of the employees of the Company are paid based on the grade table set according to the complexity of their work, the degree of responsibilities, and the professional skills required.

The remuneration of employee includes salary and employee remuneration, and the distribution of employee remuneration is determined by the board of directors to whether distribute in stock or cash. The recipients may include employees of affiliated companies who meet certain conditions such as rank and performance. The above conditions will have to be approved by the board of directors.

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, of the Company

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of December 31, 2020 (excluding those investments in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock -Micro Win Tech Inc.	-	Non-current financial assets designated as at fair value through profit or loss	1.25	-	20.66 %	-	
The Company	Stock -Kintech Technology Co., Ltd.	-	Non-current financial assets designated as at fair value through profit or loss	570	-	0.33 %	-	
The Company	Stock-AETAS TECHNOLOGY INCORPORATED	-	Non-current financial assets designated as at fair value through profit or loss	125	-	0.25 %	-	
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	96,281	1,004,061	-	1,004,061	
The Company	Open-end fund-Capital Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	113,926	1,853,047	-	1,853,047	
The Company	Open-end fund-Yuanta De-Li Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,049	50,118	-	50,118	
The Company	Open-end fund-Jih Sun Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	96,682	1,445,395	-	1,445,395	
The Company	Open-end fund-CTBC Hwa-win Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	86,634	962,287	-	962,287	
The Company	Open-end fund-FSITC Taiwan Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	55,972	863,851	-	863,851	
The Company	Open-end fund-FSITC Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,100	557,590	-	557,590	
The Company	Open-end fund-Eastspring Investments Well Pool Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	52,271	716,778	-	716,778	
The Company	Open-end fund-Prudential Financial Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	47,510	758,017	-	758,017	
The Company	Open-end fund-Union Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	56,586	753,138	-	753,138	
The Company	Open-end fund-TCB Taiwan Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	88,914	910,268	-	910,268	

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Open-end fund-Shin Kong Chi-Shin Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	46,243	721,705	-	721,705	
The Company	Open-end fund-Fubon Chi-Hsiang Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	18,733	296,052	-	296,052	
The Company	Open-end fund-Taishin 1699 Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	153,386	2,093,093	-	2,093,093	
The Company	Open-end fund-Hua Nan Phoenix Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	3,784	62,000	-	62,000	
The Company	Open-end fund-Mega Diamond Money Market Fund	-	Current financial assets mandatorily measured fair value through profit or loss	12,649	160,011	-	160,011	
The Company	Stock—AVISION INC.	-	Current Equity Investments at fair value through other comprehensive income	4,253	41,470	-	41,470	

- (iv) Individual securities acquired, or disposed, with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund-Franklin Templeton Sinoam Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	59,770	620,358	36,511	380,000	-	-	-	-	96,281	1,004,061
The Company	Open-end fund-Capital Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	30,904	500,550	83,022	1,349,000	-	-	-	-	113,926	1,853,047
The Company	Open-end fund-Yuanta De-Li Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	30,565	500,345	42,682	700,000	70,198	1,152,612	1,150,000	2,612	3,049	50,118
The Company	Open-end fund-CTBC Hwa-win Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	36,159	400,004	130,059	1,443,000	79,584	883,491	881,053	2,438	86,634	962,287
The Company	Open-end fund-FSITC Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	32,583	500,570	23,389	360,000	-	-	-	-	55,972	863,851
The Company	Open-end fund-FSITC Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	2,626	470,265	2,707	486,000	2,233	401,455	400,000	1,455	3,100	557,590
The Company	Open-end fund-Eastspring Investments Well Pool Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	41,753	570,194	60,315	826,000	47,797	682,102	680,000	2,102	52,271	716,778

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Price	Cost	Gain (loss) on disposal	Shares (thousands)	Amount
The Company	Open-end fund-Prudential Financial Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	17,257	274,074	30,253	481,000	-	-	-	-	47,510	758,017
The Company	Open-end fund-TCB Taiwan Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	55,360	564,576	130,506	1,335,000	96,952	990,553	989,000	1,553	88,914	910,268
The Company	Open-end fund-UPAMC James Bond Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	34,593	580,405	17,847	300,000	52,440	881,177	880,000	1,177	-	-
The Company	Open-end fund-Taishin 1699 Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	43,845	595,603	109,541	1,493,000	-	-	-	-	153,386	2,093,093
The Company	Open-end fund-Shin Kong Chi-Shin Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	46,243	721,000	-	-	-	-	46,243	721,705
The Company	Open-end fund-Jin Sun Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	59,866	890,666	36,816	550,000	-	-	-	-	96,682	1,445,395
The Company	Open-end fund-Fubon Chi-Hsiang Money Market Fund	Current financial assets mandatorily measured fair value through profit or loss	-	-	-	-	38,259	604,000	19,526	308,290	308,000	290	18,733	296,052

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings Expansion	2020.1	1,659,800	As of December 31, 2020, \$184,941 thousand has been paid	TE CHANG CONSTRUCTION CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.4	1,378,000	As of December 31, 2020, \$68,900 thousand has been paid	CHUNG RUEY ENGINEERING CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.4	1,005,000	As of December 31, 2020, \$50,250 thousand has been paid	YANKEY ENGINEERING CO., LTD.	None				-	Public Bidding	Extend the buildings	None
The Company	Buildings Expansion	2020.11	3,816,800	As of December 31, 2020, hasn't been paid	TE CHANG CONSTRUCTION CO., LTD.	None				-	Public Bidding	Extend the buildings	None

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Buildings Expansion	2020.11	2,238,800	As of December 31, 2020, hasn't been paid	LEE MING CONSTRUCTION Co., Ltd.	None				-	Public Bidding	Extend the buildings	None

(vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Amtai International Ltd.	The Company's subsidiary	Purchases	1,727,506	22 %	120Days	-	-	(683,081)	(31)%	
The Company	Amtai International Ltd.	The Company's subsidiary	Sales	(12,828,653)	(23) %	60Days	-	-	3,337,315	36%	
The Company	Largan Medical Co. Ltd.	The Company's subsidiary	Purchases	188,486	2 %	30Days	-	-	(32,113)	(1)%	
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	Sales	(22,503,930)	(41) %	120Days	-	-	2,859,633	30%	

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related-party	Nature of relationship	Ending balance (Note2)	Turnover rate	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	Amtai International Ltd.	The Company's subsidiary	3,370,815	4.76	-	None	1,760,109 (Note1)	-
The Company	Largan (Dongguan) Optronic Ltd.	The Company's subsidiary	2,859,633	3.63	-	None	1,659,180 (Note1)	-

Note1: Until February 2, 2021.

Note2: Including other receivables.

(ix) Trading in derivative instruments: None

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Largan Digital Co., Ltd.	Taichung, Taiwan	Manufacturing of image capture device · image reader · camera and player etc.	411,359	411,359	26,636	49.37 %	240,330	28,054	43,952	The Company's subsidiary
The Company	Largan (Hong Kong) Ltd.	Hong Kong	Investment	658,555	658,555	31,100	100 %	328,263	3,423	3,423	The Company's subsidiary
The Company	Astro International Ltd.	Samoa	Investment	247,104	247,104	7,600	100 %	13,195,093	1,449,579	1,557,656	The Company's subsidiary
The Company	Ba Fang Co., Ltd.	Taichung, Taiwan	Investment · building construction etc.	43,000	43,000	4,300	100 %	33,878	(2,624)	(2,624)	The Company's subsidiary
The Company	Largan Health AI-Tech Co., Ltd.	Taipei, Taiwan	Sales of medical equipment	8,800	8,800	880	88 %	4,593	(2,324)	(2,045)	The Company's subsidiary
Largan Digital Co., Ltd.	Largan Medical Co. Ltd.	Taichung, Taiwan	Manufacturing of Optical Instruments · Medical and Photo Instruments sale etc.	428,252	428,252	40,497	40.5 %	355,353	159,239	64,492	The Company's subsidiary
Largan Digital Co., Ltd.	Alpha Holding Inc.	Samoa	Investment	118,415	118,415	3,700	100 %	30,398	(1,353)	(1,353)	The Company's subsidiary
Astro International Ltd.	Net International Trading Ltd.	British Virgin Islands	Investment	756,599	756,599	24,300	100 %	7,626,629	753,952	753,952	The Company's subsidiary
Astro International Ltd.	Amtai International Ltd.	Samoa	Sales of Optical part etc.	50,600	50,600	1,500	100 %	5,684,815	676,432	683,799	The Company's subsidiary
Astro International Ltd.	Largan Health Technology Inc.	Samoa	Investment	110,898	110,898	1,476	12 %	27,678	(10,989)	(1,319)	The Company's subsidiary

(Continued)

LARGAN PRECISION CO., LTD.
Notes to the Parent Company Only Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2020			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
Ba Fang Co., Ltd.	Fang Yuan Co., Ltd.	Taichung, Taiwan	Investment	29,800	29,800	2,980	100 %	20,792	(2,668)	(2,668)	The Company's subsidiary
Largan Medical Co. Ltd.	Beta International Ltd.	Samoa	investment	120,334	120,334	3,700	100 %	66,959	(3,551)	(3,551)	The Company's subsidiary
Alpha Holding Inc.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	1,476	12 %	27,678	(10,989)	(1,319)	The Company's subsidiary
Beta International Ltd.	Largan Health Technology Inc.	Samoa	investment	110,898	110,898	3,936	32 %	64,240	(10,989)	(3,517)	The Company's subsidiary
Largan Health Technology Inc.	Dynadex Corporation	U.S.A	Development of the software	12,010	11,925	11,035	100 %	4,540	(1,027)	(1,027)	The Company's subsidiary
Largan Health Technology Inc.	Largan Health Technology Co., Ltd.	Taichung, Taiwan	Sales of medical equipment	45,797	45,797	801	100 %	2,810	(2,896)	(2,896)	The Company's subsidiary

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Largan (Dongguan) Optronic Ltd.	Production and sales of camera lenses, scanner lens optoelectronic devices, viewing windows, digital electronic cameras	HKS 178,076	Note1(a)	HKS 85,986 US\$ 7,474	-	-	HKS 85,986 US\$ 7,474	RMB\$ 158,134	100%	NT\$ 676,303	NT\$ 4,184,200	-
Nanjing Largan Health Technology Co., Ltd.	Health management, computer and medical device technology development, consultation and service	-	Note1(b)	-	-	-	-	RMB\$ (1,663)	-%	NT\$ (1,730)	NT\$ -	-
NEO (Shanghai) Medical Technology Co., Ltd.	Technical development and technical services in the field of medical device technology	RMB\$20,000	Note1(c)	-	-	-	-	RMB\$ (210)	9.80%	NT\$ (88)	NT\$ 7,910	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NT\$671,086 (HK\$85,986 and US\$12,474)	NT\$820,492 (HK\$85,986 and US\$17,720)	NT\$84,481,295

Note 1(a): Indirectly investment in Mainland China through an existing company registered in the third region.

Note 1(b): An existing company registered in the third region directly invests in Mainland China.

Note 1(c): Directly investment in Mainland China through investment company which uses the equity method.

Note 2: Since Suzhou Largan had been liquidated, the cumulative investment amount remitted from Taiwan, including the Company's indirect investment in Suzhou Largan of US\$5,000 thousand through Net International Trading Ltd., has yet to be repatriated before the year end of 2020.

Note 3: The liquidation process of Nanjing Largan Health Technology Co., Ltd. had been completed in October 2020.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in the "Information on significant transactions".

(d) Major shareholders:

Shareholder's Name	Shares	Percentage
Mao Yu Commemorate Co., Ltd.	18,910,616	14.09 %
Shih-ching, Chen	6,756,831	5.03 %

(14) Segment information

Please refer to the 2020 consolidated financial statement.

(Continued)

LARGAN PRECISION CO., LTD.

**Statement of cash on hand and demand
deposits**

December 31, 2020

**(Expressed in Thousands of NTD; Expressed in
Dollars of Foreign Currencies)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash	Cash	\$ 93
	Cash on foreign Currency	<u>317</u>
	Subtotal	<u>410</u>
Cash in banks	Demand deposits	2,815,148
	Demand deposit on foreign Currency	
	(USD11,338,089.93×28.48	
	GBP42,261.51×38.90	
	JPY2,187,922,515.33×0.2763	
	EUR2,345,596.11×35.02	
	HKD463.05×3.6730	
	CNY16,030,071.98 ×4.3770	
	CHF286.39×32.305)	1,081,394
	Time deposits	28,558,000
	Time deposits on foreign currency	
	(USD778,866,814×28.48	
	CNY5,518,000,000×4.3770)	<u>46,334,413</u>
	Subtotal	<u>78,788,955</u>
Total		<u><u>\$ 78,789,365</u></u>

LARGAN PRECISION CO., LTD.

**Statement of Current Financial Assets at Fair Value
through Profit or Loss**

December 31, 2020

**(Expressed in Thousands of NTD; Expressed in Dollars
of Unit cost and price)**

Names of financial investment	Description	Unit in thousands	Acquisition	Fair Value	
				Unit price	Total amount
Franklin Templeton Sinoam Money Market Fund	Open-end fund	96,281	\$ 1,000,000	10.43	1,004,061
TCB Taiwan Money Market Fund	Open-end fund	88,914	910,000	10.24	910,268
Taishen 1699 Money Market Fund	Open-end fund	153,386	2,088,000	13.65	2,093,093
Jih Sun Money Market Fund	Open-end fund	96,682	1,440,000	14.95	1,445,395
Capital Money Market Fund	Open-end fund	113,926	1,849,000	16.27	1,853,047
Yuanta De-Li Money Market Fund	Open-end fund	3,049	50,000	16.44	50,118
CTBC Hwa-win Money Market Fund	Open-end fund	86,634	961,947	11.11	962,287
FSITC Taiwan Money Market Fund	Open-end fund	55,972	860,000	15.43	863,851
FSITC Money Market Fund	Open-end fund	3,100	556,000	179.85	557,590
Eastspring Investments Well Pool Money Market Fund	Open-end fund	52,271	716,000	13.71	716,778
Prudential Financial Money Market Fund	Open-end fund	47,510	755,000	15.95	758,017
Union Money Market Fund	Open-end fund	56,586	750,000	13.31	753,138
Hua Nan Phoenix Money Market Fund	Open-end fund	3,784	62,000	16.39	62,000
Shin Kong Chi-Shin Money Market Fund	Open-end fund	46,243	721,000	15.61	721,705
Mega Diamond Money Market Fund	Open-end fund	12,649	160,000	12.65	160,011
Fubon Chi-Hsiang Money Market Fund	Open-end fund	18,733	296,000	15.80	296,052
			\$ 13,174,947		13,207,411

Statement of Current Financial Assets at Fair Value through Comprehensive Income

Equity Securities

AVISION	Stock	4,253	\$ 40,280	9.75	41,470
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LARGAN PRECISION CO., LTD.**Statement of Notes and Accounts
Receivable****December 31, 2020****(Expressed in Thousands of NTD)**

<u>Client No.</u>	<u>Description</u>	<u>Amount</u>
Accounts receivable-unrelated parties		
653021	Operating	\$ 892,436
633036	Operating	761,550
643006	Operating	568,379
643011	Operating	227,748
Other (Note)	Operating	<u>732,470</u>
Total		3,182,583
Impairment loss on allowance		<u>(2,250)</u>
Net amount		<u><u>\$ 3,180,333</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

Statement of Other Receivables

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Tax receivables	Income tax refund of exercise tax	\$ 106,662
Interest receivables	Income interest of cash in bank	136,708
Others (Note)		<u>20,059</u>
Total		<u><u>\$ 263,429</u></u>

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.**Statement of Inventories****December 31, 2020****(Expressed in Thousands of NTD)**

Item	Amount		Note
	Cost	Market Value	
Finish goods	\$ 2,789,364	6,113,265	Market value of net realizable value
Work in progress	480,201	1,145,328	Market value of net realizable value
Raw materials	<u>1,196,392</u>	<u>1,167,128</u>	Market value of net realizable value
	4,465,957	<u>8,425,721</u>	
Loss on allowance for doubtful accounts	<u>(771,133)</u>		
Total	<u>\$ 3,694,824</u>		

Statement of Other Current Assets

Items	Description	Amount
Other current assets	Prepayment for purchases	\$ 374,058
	Temporary payment	630,161
	Others (Note)	<u>17,638</u>
		<u>\$ 1,021,857</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Changes in Investments Accounted for Equity

Method

January 1, 2020 to December 31, 2020

(Expressed in Thousands of NTD)

Names of Investee	Beginning balance			Addition			Decrease			Unrealized gains (losses) on					Ending balance		
	Shares	Percentage of ownership	Amount	Shares	Amount	Shares	Amount	Profit or loss of investment	Amount of exchange on translation of foreign financial statement	financial assets measured at fair value through other comprehensive income	Other (Note)	Shares	Percentage of ownership	Amount	Pledge of collateral		
Largan (Hong Kong) Limited	31,100	100.00	342,121	-	-	-	-	3,423	(17,281)	-	-	31,100	100.00	328,263	None		
Largan Digital Co., Ltd.	26,636	49.37	192,662	-	-	-	-	43,952	(1,116)	234	4,598	26,636	49.37	240,330	None		
Astro International Ltd.	7,600	100.00	19,731,445	-	-	-	(8,811,916)	1,557,656	332,791	136,309	248,808	7,600	100.00	13,195,093	None		
Ba Fang Co., Ltd.	4,300	100.00	36,502	-	-	-	-	(2,624)	-	-	-	4,300	100.00	33,878	None		
Largan Health AI-Tech Co., Ltd.	880	88.00	6,638	-	-	-	-	(2,045)	-	-	-	880	88.00	4,593	None		
Total			20,309,368	-	-	-	(8,811,916)	1,600,362	314,394	136,543	253,406			13,802,157			

Note: The unrealized gain (loss) is refer to the downstream transactions and upstream transactions.

LARGAN PRECISION CO., LTD.
Statement of changes in Property, Plant, and
Equipment
January 1, 2020 to December 31, 2020
(Expressed in Thousands of NTD)

Please refer to note 6 (h).

Statement of Other Non-current Assets
December 31, 2020

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Litigation deposit	\$ 625,733
	Others (Note)	<u>14,117</u>
		639,850
Restricted cash in bank-non-current	Bank account for repatriation of offshore fund	14,850,417
Restricted cash in bank-non-current	Completion deposit	320,145
Prepayment for equipment	Prepaid machine equipment	<u>1,201,090</u>
Total		<u>\$ 17,011,502</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.**Statement of Bank Loan****December 31, 2020****(Expressed in Thousands of NTD)**

Creditor	Type of loan	Ending balance	Contract Period	Range of interest rate	Loan Commitment	Collateral
Mega Bank	Credit loan	\$ 249,535	Due within a year	0.95~1.10%	1,300,000	None
Mizuho Bank	Credit loan	-	Due within a year	-	1,300,000	None
		<u>249,535</u>			<u>2,600,000</u>	

Statement of Notes and Accounts Payable

Vendor Name	Description	Amount
Notes payable-unrelated parties	non-operating	<u>\$ 873</u>
Accounts payable-unrelated parties		
110185	operating	\$ 330,937
110059	operating	213,380
100236	operating	176,940
110181	operating	173,636
100896	operating	120,025
110184	operating	104,305
100230	operating	73,985
Others (Note)	operating	<u>261,093</u>
Total		<u>\$ 1,454,301</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

LARGAN PRECISION CO., LTD.

Statement of Other Payables

December 31, 2020

(Expressed in Thousands of NTD)

Please refer to note 6 (p).

Statement of Other Non-current Liabilities

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Other non-current liabilities	Guarantee deposits received	\$ <u><u>3,766</u></u>

LARGAN PRECISION CO., LTD.

Statement of Operating Income

For 2020

(Expressed in Thousands of NTD)

<u>Items</u>	<u>Quantity (unit in thousands)</u>	<u>Amount</u>
Lens	1,575,224	\$ 53,502,137
Others (Note)		<u>477,366</u>
Total		<u><u>\$ 53,979,503</u></u>

Note: The amount of each item in others does not exceed 10% of the account balance.

LARGAN PRECISION CO., LTD.**Statement of Operating Costs****For 2020****(Expressed in Thousands of NTD)**

Items	Amount
Goods	
Goods, beginning of year	\$ -
Goods purchased	-
Goods, end of year	-
Cost of goods	-
Raw materials and supplies	
Raw materials and supplies, beginning of year	934,122
Addition : Raw materials and supplies purchased	6,100,274
Raw materials and supplies surplus	16
Decrease : Raw materials and supplies, end of year	1,196,392
Sale of raw materials and supplies	3,639
Scrapped	4,020
Others	557,209
Raw materials and supplies used	5,273,152
Direct labor	2,054,949
Manufacturing expense	10,506,250
Manufacturing Cost	17,834,351
Addition : Work in progress, beginning of year	358,058
Decrease : Work in progress, end of year	480,201
Cost of finished goods	17,712,208
Addition : Finished goods, beginning of year	2,531,701
Finished goods purchased	880,900
Finished goods surplus	3,110
Decrease : Finished goods, end of year	2,789,364
Scrapped	231,599
Other	138,907
Production and marketing costs	17,968,049
Other	402,136
Operating costs	\$ 18,370,185

LARGAN PRECISION CO., LTD.**Statement of Operating Expenses****For 2020****(Expressed in Thousands of NTD)**

Items	Selling expenses	Administrative Expenses	Research and development expenses
Payroll	\$ 194,068	512,684	2,701,819
Import and export expense	69,776	-	-
Depreciation	247	88,872	234,896
Consumable expense	-	-	562,666
Labor expense	-	115,521	52,092
Others (note)	<u>72,742</u>	<u>511,017</u>	<u>239,873</u>
	<u>\$ 336,833</u>	<u>1,228,094</u>	<u>3,791,346</u>

Note: The amount of each item in others does not exceed 5% of the account balance.

6.6 Impact on the Company's financial status due to financial difficulties experienced by the Company and its affiliate companies in the most recent year and as of the publication date of this Annual Report: None.

7. Review and Analysis of Financial Position and Financial Performance, and Risk Management

7.1 Financial position analysis

Unit: NT\$ thousands

Item	Year		Difference	
	2020	2019	Amount	Proportion of change (%)
Current assets	119,399,271	111,630,060	7,769,211	6.96
Long-term investment	272,601	229,512	43,089	18.77
Property, plant and equipment	33,790,608	32,573,230	1,217,378	3.74
Intangible assets	112,794	101,741	11,053	10.86
Deferred income tax assets	509,269	478,473	30,796	6.44
Right-of-use assets	180,185	217,758	(37,573)	(17.25)
Other assets	17,011,502	8,590,824	8,420,678	98.02
Total assets	171,276,230	153,821,598	17,454,632	11.35
Current liabilities	30,229,181	27,150,157	3,079,024	11.34
Non-current liabilities	244,891	277,530	(32,639)	(11.76)
Total liabilities	30,474,072	27,427,687	3,046,385	11.11
Capital stock	1,341,402	1,341,402	-	-
Capital surplus	1,560,586	1,558,058	2,528	0.16
Retained earnings	139,645,983	125,636,027	14,009,956	11.15
Other equity	(1,745,813)	(2,141,576)	395,763	(18.48)
Equity attributable to owners of the parent company	140,802,158	126,393,911	14,408,247	11.40
1. The increase in other assets from the previous period was due to an increase in restricted assets.				

7.2 Financial performance

7.2.1 Financial performance analysis

Unit: NT\$ thousands

Item	Year		Increase (decrease)	Proportion of change (%)
	2020	2019		
Operating revenue	55,944,489	60,745,008	(4,800,519)	(7.90)
Operating costs	18,472,255	18,823,588	(351,333)	(1.87)
Gross profit	37,472,234	41,940,620	(4,468,386)	(10.65)
Operating expenses	5,440,116	5,441,283	(1,167)	(0.02)
Operating profit	32,032,118	36,499,337	(4,467,219)	(12.24)
Non-operating income (expenses)	(338,351)	79,518	(417,869)	(525.50)
Net profit for the period before tax	31,693,767	36,578,855	(4,885,088)	(13.35)
Minus: Income tax expenses	7,159,636	8,315,773	(1,156,137)	(13.90)
Net income	24,534,131	28,263,082	(3,728,951)	(13.19)

Explanation of major variations:

Non-operating expenses

Non-operating expenses increased from the previous year mainly due to an increase in foreign exchange loss.

7.3 Cash flow

7.3.1 Change in cash flow in the most recent fiscal year

Item	Year	2020	2019	Proportion of change (%)
Cash flow ratio		96.10%	94.40%	1.80%
Cash flow adequacy ratio		176.51%	189.77%	(6.99%)
Cash flow reinvestment ratio		11.31%	11.27%	0.35%

Analysis: No significant change.

7.3.2 Cash flow projection for the following year: The Company does not provide financial forecasts, including cash flow projections, for the following year.

7.4 Impact of major capital expenditures on the Company's financial operations for the most recent fiscal year

7.4.1 Use and source of funding of major capital expenditures:

Unit: NT\$ thousands

April 12, 2021

Plan	Actual or Expected Source of Capital	Total Capital Required	Actual or Expected Capital Expenditure	
			Actual Expenditures	Expected Expenditures
Land and building	Own funds	10,098,400	634,988	634,988

7.4.2 Expected potential benefits:

The Company's capital expenditures are necessary to grow the business and to maintain competitiveness.

7.5 Reinvestment policies, main reasons for profits/losses generated thereby, improvement plans, and investment plans for the coming year:

The Company's reinvestments in the most recent year were related to upstream and downstream industries within the scope of the Company's main business. For reinvestments with weaker business performance, the Company will dedicate efforts to improve product quality and channel distribution in order to improve profitability.

7.6 Risk management and assessment

7.6.1 Impacts of interest and foreign exchange rate fluctuations and inflation on the Company's profit and loss, and countermeasures:

1. Interest rate: The Company mainly adopts L/C loans and changes in interest rates have little impact on the Company's profitability.
2. Exchange rate: The Company may engage in forward contracts to hedge risks to currency exposure in its net asset positions by using research reports from financial institutions as a reference.
3. Inflation: The Company's products are used in consumer electronics, which are not significantly impacted by inflation risks.

7.6.2 Policies for high-risk, high-leverage investments, capital lending, endorsements, guarantees, and derivatives transaction, main reasons for the profits or losses generated thereby, and countermeasures:

1. Engagement in high-risk and high-leverage investments, endorsements, guarantees, or derivatives transactions: None.
2. Policies for loaning of funds, main reasons, and future countermeasures:
 - (1) Policy: Conducted in accordance with the Company's "Regulations for Loaning of Funds".
 - (2) Main reasons: Loans are provided in response to the counterparties' short-term financing requirements.

- (3) Future response measures:
Control measures are implemented in accordance with the Company's "Regulations for Loaning of Funds".
- 7.6.3 Research and development (R&D) projects and estimated R&D expenditures:
The Company has two development strategies. The first is to continuously refine product precision, and the second is to diversify product application. As such, the Company will continue to invest in R&D, and R&D expenses are expected to grow each year.
- 7.6.4 Impacts of changes in domestic and foreign government policies and laws on the Company's financial operations, and future countermeasures:
The Company's financial operations are conducted in accordance with applicable regulations and so far there has been no material impact to the Company due to government policy changes.
- 7.6.5 Impacts of industry and technology changes to the Company's financial operations, and future countermeasures:
Improvements in technology help the adoption of new product applications, improve business scale and product design capabilities as well as help to lower production costs, which should all have positive impacts on the Company's operations.
- 7.6.6 Impacts of changes in corporate image on the company's crisis management and future countermeasures:
The Company's policy is to disclose financial and business information as required by applicable regulation, and to not make false representations. The Company shall continue to uphold this principle in the future.
- 7.6.7 Expected benefits and potential risks related to mergers and acquisitions:
The Company does not have any recent merger or acquisition plans.
- 7.6.8 Expected benefits and potential risks of capacity expansion:
The Company continues to expand capacity and upgrade equipment with its own funds, and the expected benefits are in line with the Company's expectations as of the publication date of this Annual Report.
- 7.6.9 Risk of procurement and sales concentration, and future countermeasures:
Sales: The Company's revenues are concentrated in a small number of customers. To lower credit risks, the Company constantly monitors the financial payment status of its main customers and regularly evaluates the collectibility of accounts receivables.
Purchases: The Company has long standing relationships with its raw materials suppliers which consist of major domestic and foreign companies, thus ensuring a stable and sufficient supply of raw materials.
- 7.6.10 Impacts and risks arising from major transfer or replacement of shares by Directors, Supervisors, or shareholders with over 10% of shares in the Company: None.
- 7.6.11 Impact of change in Company management and associated risks: None.
- 7.6.12 Litigious or non-litigious matters: None.
- 7.6.13 Risk of information security:
Information security policy: the administrative, internal auditing and IT department review various safety management issues to establish the Company's information security policy, and submits an improvement plan to the Board and the CEO. Specific staff members are appointed to implement policy goals.
Information security management:
1. Evaluate risk of information security by examining whether the system structure, internet safety, resource management, software and hardware authorization comply with the Company's use and requirement, and make adjustments or incorporate into the Company's improvement plans according to related risks.
 2. Promote awareness of confidentiality policy and data protection, manage and track files, manage devices and limit access to data. The Company's internal audit and legal department tracks and examines irregularities to lower the risk of data leakage and to protect the Company's important assets and competitiveness.
 3. Promote understanding of information security in line with current conditions and increase employee awareness to ensure knowledge of security is integrated in employees' day to day operations.
 4. Cooperate with third party security firms to pinpoint security vulnerabilities, taking preventative measures to investigate and resolve information security issues early on.

Information security and cyber risk control:

Malicious cyber attacks constantly occur, and are ever evolving and changing, and the risks to information systems are increasing. In order to prevent these constantly changing cyber security threats, the Company adopts active information security strengthening procedures: introducing next-generation firewall threat detection, malicious malware and program detection, multi layer mail gateway scanning systems to filter trash, phishing, or malicious emails, deploying antivirus software, monitoring online activity and establishing contingency plans in case of cyber attacks, as well as simulating irregularities to reduce cyber risk.

Risk management structure:

The Company's internal audit periodically checks on the status of compliance and submits internal audit reports to management to ensure policy implementation and improvements on existing mechanisms.

The Company did not experience any material cyber attack incident that has impacted Company operations in 2019.

7.6.14 Other material risks: None.

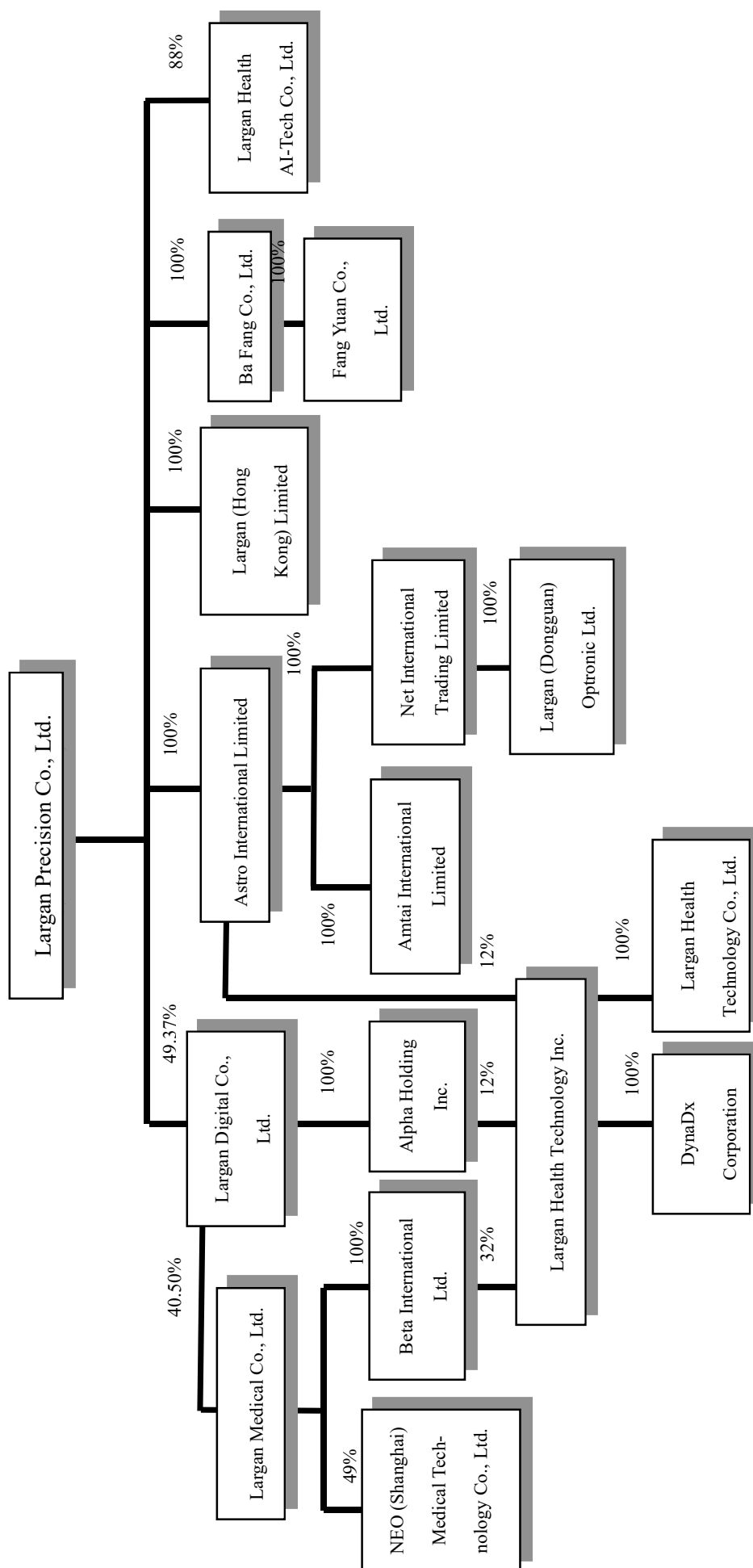
7.7 Other Material Matters: None.

8. Special Notes

8.1 Information on affiliate companies

8.1.1 Organization chart:

As of December 31, 2020



8.1.2 Basic information of affiliated companies:

As of December 31, 2020

Unit: \$

Name of Business	Date of Incorporation	Address	Capital Stock	Business Activities
NET International Trading Ltd.	1998.11.19	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110.	USD 24,300,000	Investment
Largan (Hong Kong) Limited	1993.03.25	Room 912, Champion Building, 301-309 Nathan Road, (Jordan Mtr Station) Kowloon.	HKD 31,100,000	Investment
Largan (Dongguan) Optronic Ltd.	1996.03.22	No. 5, Tutang Gongye Road, Tutang Management Area, Changping Town, Dongguan City, Guandong Province	HKD 178,076,100	Production of lenses and optical components for digital cameras
Largan Digital Co., Ltd.	1997.03.12	No.18, Gongyequ 7th Road, Xitun District, Taichung City	NTD 539,577,500	Production and processing of image capture devices, image readers, cameras, and video cameras
Astro International Ltd.	2004.02.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 7,600,000	Investment
Amtai International Ltd.	2004.02.02	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 1,500,000	Sale of lenses and optical components
Largan Medical Co., Ltd.	2004.10.25	2F, No. 14, Gongyequ 23rd Road, Nantun District, Taichung City	NTD 1,000,000,000	Production of optical instruments; wholesale and retail of medical and imaging equipment
Ba Fang Co., Ltd.	2013.4.24	1F, No. 4, Gongyequ 16th Road, Xitun District, Taichung City	NTD 43,000,000	General investment, buildings lease construction and development, and industrial plant development and lease
Fang Yuan Co., Ltd.	2013.4.26	No. 18, Gongyequ 7th Road, Xitun District, Taichung City	NTD 29,800,000	General investment, buildings lease construction and development,

Name of Business	Date of Incorporation	Address	Capital Stock	Business Activities
				and industrial plant development and lease
Alpha Holding Inc.	2017.2.18	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 3,700,000	Investment
Beta International Limited	2017.2.18	Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa	USD 3,700,000	Investment
Largan Health Technology Inc.	2017.2.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 12,300,000	Investment
Largan Health Technology Co., Ltd.	2011.2.17	3F, No. 14, Gongyequ 23rd Road, Nantun District, Taichung City	NTD 8,004,700	Wholesale and retail of medical equipment
Largan Health AI-Tech Co., Ltd.	2019.1.31	No.52, Ln. 10, Jihu Rd., Neihu Dist., Taipei City	NTD 10,000,000	Wholesale and retail of medical equipment
DynaDx Corporation	2005.2.17	406 Tasman Drive, Sunnyvale, CA 94089	USD 1,189,455.91	Software development
NEO (Shanghai) Medical Technology Co., Ltd.	2017.9.12	Room 719, No. 569, Anpuo Road, Yangpu District, Shanghai	RMB 20,000,000	Technology development and technical services for medical equipment technologies

8.1.3 Information on shareholders with deemed control and affiliation: None.

8.1.4 Businesses included in the affiliated companies' overall operations:

The Company and affiliate companies' businesses mainly include the research, development, production, manufacturing, and sales of various photoscopes, video cameras, cameras, telescopes, microscopes, fax machines, scanners, multiple signal reader lenses, lenses, mobile phone lenses and cameras, as well as wholesale and retail of medical equipment.

8.1.5 Directors, Supervisors and Presidents of all affiliated companies:

Unit: NT\$ thousands ; shares; %

Name of Business	Title	Name or Representative	Shares Held	
			Number of Shares	Shareholding Ratio
NET International Trading Ltd.	Director Representative	Astro International Ltd.	24,300,000	100
		Representative: En-Chou Lin	-	-
Largan (Hong Kong) Limited	Director	En-Chou Lin, En-Ping Lin	-	-
Largan (Dongguan) Optronic Ltd.	Chairman/Director	En-Chou Lin/ En-Ping Lin, Chung-Shih Lin	-	-
Largan Digital Co., Ltd.	Chairman	En-Ping Lin	1,109,000	2.06
Largan Digital Co., Ltd.	Director	Shih-Ching Chen	1,039,500	1.93
Largan Digital Co., Ltd.	Supervisor	Chung-Jen Liang	1,428,000	2.65
Astro International Ltd.	Director	En-Chou Lin	-	-
Amtai International Ltd.	Chairman	En-Chou Lin	-	-
Largan Medical Co., Ltd.	Director	Yao-Ying Lin	119,434	0.12
Largan Medical Co., Ltd.	Director	Shih-Ching Chen	2,297,417	2.30
Largan Medical Co., Ltd.	Director	En-Chou Lin	561,184	0.56
Largan Medical Co., Ltd.	Chairman	En-Ping Lin	1,078,826	1.08
Largan Medical Co., Ltd.	Supervisor	Chung-Jen Liang	3,315,959	3.32
Ba Fang Co., Ltd.	Chairman/Director Representative:	Largan Precision Co., Ltd.	4,300,000	100
		Representative: En-Chou Lin	-	-
Fang Yuan Co., Ltd.	Chairman/Director Representative:	Ba Fang Co., Ltd.	2,980,000	100
		Representative: Mei-Yu Lin	-	-
Alpha Holding Inc.	Director	En-Ping Lin	-	-
Beta International Limited	Director	En-Ping Lin	-	-
Largan Health Technology Inc.	Director	En-Ping Lin, En-Chou Lin, Sheng-Lien Wang, Cheng-Kuo Lai, Chung-Shih Lin, Yu-I Tseng, Chao-Liang Yen	-	-
Dynadx Corporation	Chairman	Ning Hong	-	-
Largan Health Technology Co., Ltd.	Chairman/Director Representative:	Largan Health Technology Inc.	800,470	100
		Representative: Cheng-Kuo Lai/ En-Ping Lin, Chung-Shih Lin	-	-
Largan Health Technology Co., Ltd.	Supervisor Representative	Largan Health Technology Inc.	800,470	100
		Representative: Ma-Li Lin	-	-

Largan Health AI-Tech Co., Ltd.	Chairman/Director	Cheng-Kuo Lai/En-Ping Lin, Yu-I Tseng	-	-
	Supervisor	Ma-Li Lin		
NEO (Shanghai) Medical Technology Co., Ltd.	Chairman/Director	Shao-Liang Li/Ping-Chen Chen, En-Chou Lin, Sheng-Lien Wang, Wei-Yuan Chen	-	-
	Supervisor	Hsing-Ju Tsao		

8.1.6 Operational highlight of affiliated companies:

Unit: NT\$ thousands

Name of Business	Capital Stock	Assets	Liabilities	Net Worth	Revenue	Operating Income (loss)	Net Income (Loss) for the Period (after tax)	Earnings Per Share (NT\$) (after tax)
Largan (Hong Kong) Limited	114,230	328,313	50	328,263	0	(125)	3,423	0.11
Net International Trading Limited	692,064	7,626,279	304	7,625,975	0	(745)	753,952	31.03
Astro - Samoa	216,448	13,653,649	0	13,653,649	0	(59)	1,449,579	190.73
Amtai - Samoa	42,720	9,829,408	3,748,863	6,080,545	16,223,572	510,590	676,432	450.95
Largan (Dongguan) Optronic Ltd.	654,074	7,179,522	3,127,785	4,051,737	26,032,535	883,359	676,273	Note 1
Largan Digital Co., Ltd.	539,578	930,143	35,299	894,844	97,087	(45,120)	28,054	0.52
Largan Medical Co., Ltd.	1,000,000	918,725	61,714	857,011	506,549	160,418	159,239	1.59
Ba Fang Co., Ltd.	43,000	33,878	0	33,878	0	(35)	(2,624)	(0.61)
Fang Yuan Co., Ltd.	29,800	20,853	61	20,792	0	(2,718)	(2,668)	(0.90)
Alpha Holding Inc.	105,376	30,398	0	30,398	0	(38)	(1,353)	(0.37)
Beta International Limited	105,376	66,959	0	66,959	0	(38)	(3,551)	(0.96)
Largan Health Technology Inc.	350,304	230,656	2	230,654	0	(124)	(10,989)	(0.89)
Largan Health Technology Co., Ltd.	8,005	3,208	397	2,811	8	(2,905)	(2,896)	(3.62)
Dynadx Corporation	33,876	1,919	2	1,917	0	(1,004)	(1,027)	(0.09)
NEO (Shanghai) Medical Technology Co., Ltd.	87,540	81,119	387	80,732	2224	(899)	(899)	Note 1
Largan Health AI-Tech Co., Ltd.	10,000	6,059	840	5,219	1355	(2,357)	(2,324)	(2.32)

Note 1: Not applicable as these companies are not limited by shares

8.1.7 Consolidated financial report of affiliated companies:

Description: The companies that should be incorporated in the consolidated financial statements of affiliated companies are the same as those that should be incorporated in the consolidated financial statements of parent and subsidiary companies in accordance with IFRS 27 recognized by the

Financial Supervisory Commission. In addition, the related information that must be disclosed in the consolidated financial report of affiliated companies has been fully disclosed in the consolidated financial statements of parent and subsidiary companies. Therefore, the Company only issued a statement on the first page of the consolidated financial statements of parent and subsidiary companies and shall not prepare separate consolidated financial statements of affiliated companies or issue a statement for the consolidated financial statements of affiliated companies. (Please refer to page 75 of the Annual Report)

8.1.8 Affiliation report: Not applicable.

Description: The Company is not a subordinate company of other affiliated companies and an affiliation report is thus not required.

8.2 Private placement of securities of the past year as of the publication date of this Annual Report: None.

8.3 Holding or disposal of the Company's shares by the subsidiaries of the most recent year as of the publication date of this Annual Report: None.

8.4 Other necessary supplementary items to be included: None.

- 9. Any event which has a material impact on the shareholders' equity or securities prices as prescribed in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act that has occurred in the most recent year as of the publication date of this Annual Report: None.**